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Massive Drop in 300 Large Company Pension Funds: Towers Perrin

By Editor Test *Wed, Jul 22, 2009*

In fiscal 2008, the combined funds of the companies in the TP 300 fell from a $47 billion surplus to a $339 billion shortfall.

The funded status of the typical U.S. pension plan fell four percent in June, according to the Towers Perrin Pension Index. In fiscal 2008, the funds of the companies in the TP 300 fell in aggregate value from a $47 billion surplus to a $339 billion shortfall.

Moderate portfolio returns and a decline in bond yield combined to push the index lower. The results were reported in Towers Perrin's firm's latest Capital Market Update (CMU).

The index, which reflects the asset/liability performance of a hypothetical benchmark pension plan, remains up by 1.4% for the year to date. However, the June results represent a decline of 23% over the past 12 months.

The benchmark investment portfolio used in the Towers Perrin Pension Index experienced a 0.3% return for June and has returned 3.9% for the year to date. The liabilities used in measuring the index (based on projected benefit obligations) rose 4.6% in June and have increased by 1.8% for the year to date.

Towers Perrin's monthly update includes an estimate of the aggregated pension financial results for 300 large U.S. companies in the TP 300. The companies' aggregate funded position changed from a $47 billion surplus as of the end of their 2007 fiscal years, to an unfunded amount of $339 billion at the end of their 2008 fiscal years-a decline of $386 billion for fiscal year 2008.

The firm's projection to June 30, 2009 indicates a current unfunded amount of $344 billion for these companies, a slight deterioration in funded status since the close of the 2008 fiscal years.