
Pension Funding Edged Higher in February

By Editor Test *Wed, Mar 10, 2010*

"We continue to see significant interest in liability driven investing (LDI) from plans looking to limit their exposure to volatility," said Peter Austin of BNY Mellon Pension Services.

Rising equity prices lifted the typical U.S. corporate pension plan's funding status by 1.6 percentage points in February, to 85.3%, according to BNY Mellon Asset Management.

Assets for the typical plan rose 1.8% and liabilities decreased 0.1 percent for the month, as reported by the BNY Mellon Pension Summary Report for February 2010.

"Plans also benefited from a slight increase in the Aa corporate bond rate, which moved from 5.92% to 5.96% and resulted in a slight decrease in liability values," said Peter Austin, executive director of BNY Mellon Pension Services, the pension services arm of BNY Mellon Asset Management.

Plan liabilities are calculated using the yields of long-term investment grade corporate bonds. Higher yields on these bonds result in lower liabilities.

"February was a good month as interest rates held steady during the equity market rally," said Austin. "We have experienced a nice recovery in funding levels over the last three months."

But he warned of pension funded status volatility ahead, stemming from economic troubles in the European Union and the U.S. deficit, adding, "We continue to see significant interest in liability driven investing (LDI) from plans looking to limit their exposure to volatility."

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