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Private pension funding level rises 18 points in 2013

By Kerry Pechter *Thu, Jan 9, 2014*

Public defined plans, endowments and foundations benefited in December from the equity rally as well as their holdings in private equity, according to BNY Mellon's Investment Strategy & Solutions Group (ISSG).

Higher equity values and rising interest rates pushed the overall funded status of U.S. corporate pension plans to 95.2% in December 2013, a month-over-month improvement of 1.3 percentage points and the highest level since September 2008, said BNY Mellon's Investment Strategy & Solutions Group (ISSG).

Public defined plans, endowments and foundations benefited in December from the equity rally as well as their holdings in private equity, ISSG said.

For U.S. corporate plans, assets of U.S. corporate plans increased 0.8% and liabilities fell 0.6%, ISSG said. An eight-basis-point increase in the Aa corporate discount rate to 4.93% caused the decline in liabilities.

"The funded status of the typical U.S. corporate plan increased more than 18 percentage points in 2013," said Jeffrey B. Saef, managing director, BNY Mellon, and head of ISSG, in a release. "It was the best of all worlds."

On the public side, the typical defined benefit plan in December achieved excess return of 0.4% over its annualized 7.5% return target, ISSG said. Public plan assets must earn at least 0.6% each month to keep pace with the 7.5% annual target.

For endowments and foundations, the net return over spending and inflation was 0.7% as plan assets increased 1.1%. Endowments and foundations continue to be aided by the low-inflation environment, ISSG said.