
Public pensions suffer in 4Q2018

By Editorial Staff Wed, Feb 20, 2019

'For plans in which benefits paid out exceed contributions coming in, (fourth quarter losses are) difficult news, as investment returns are critical to slow the outflow of funding,' a Milliman release said.

The Milliman Public Pension Funding Index deficit rose to \$1.693 trillion as of December 31, 2018, up from \$1.387 trillion at the end of September 2018.

“Public pensions took a huge hit in the fourth quarter of 2018,” a Milliman release said. “For plans in which benefits paid out exceed contributions coming in, this is difficult news, as investment returns are critical to slow the outflow of funding.”

In 2018 Q4, public plans experienced a \$306 billion loss in funding, largely due to a quarterly investment return of -6.39% in aggregate. This was the largest quarterly funding decrease since the PPFi began in September 2016.

Estimated investment returns for plans in Q4 ranged from a low of -10.27% to a high of -2.18%. As a result, the funding ratio of the Milliman PPFi dropped from 72.9% at the end of September to 67.2% as of December 31.

The total pension liability (TPL) continues to grow. It stood at an estimated \$5.164 trillion at the end of Q4, up from \$5.123 trillion at the end of Q3. Nine plans dropped below the 90% funded mark during the quarter; there are now just eight plans above this mark, down from 17 at the end of Q3.

The Milliman 100 Public Pension Funding Index can be seen at <http://www.milliman.com/ppfi/>. To receive regular updates of Milliman's pension funding analysis, email the firm at pensionfunding@milliman.com.

Milliman has conducted an annual study of the 100 largest defined benefit plans sponsored by government jurisdictions in the U.S since 2012. The Milliman 100 Public Pension Funding Index projects the funded status for pension plans included in our study, reflecting the impact of actual market returns, utilizing the actual reported asset values, liabilities, and asset allocations of the pension plans.

The results of the Milliman 100 Public Pension Funding Index are based on the pension plan financial reporting information disclosed in the plan sponsors' Comprehensive Annual

Financial Reports, which reflect measurement dates ranging from June 30, 2016, to December 31, 2017. This information was summarized as part of the Milliman 2018 Public Pension Funding Study, which was published on January 15, 2019.

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