
Milliman Analysis: Public Pensions Hammered by COVID-19 Economic Volatility, Shedding $419 Billion in Market Value in Q1

Plans' funded ratio sinks to 66.0% in single largest quarterly drop in PPFI history

SEATTLE, April 16, 2020 /PRNewswire/ — Milliman, Inc., a premier global consulting and actuarial firm, today released the first quarter 2020 results of its Public Pension Funding Index (PPFI), which consists of the nation's 100 largest public defined benefit pension plans. During Q1 2020, the overall funded ratio for these plans suffered the single largest quarterly drop in the history of the PPFI, decreasing from 74.9% to 66.0% between Jan 1 and March 31. Economic volatility from the COVID-19 pandemic resulted in a $419 billion loss in the market value of assets for these pensions, which in aggregate experienced investment returns of -10.81% in Q1. Individual plans in the PPFI had estimated returns ranging from -17.41% to 4.76%.

"Coming off the heels of what was a stellar fourth quarter in 2019, the economic fallout from the COVID-19 pandemic has completely wiped out any public pension funding gains we saw last year," said Becky Sielman, author of the Milliman 100 Public Pension Funding Index. "While these pensions now have a long way to go to return to pre-pandemic funding levels, it's important to remember that most public pension plans use some sort of asset smoothing mechanism to dampen the impact of market gyrations. This gives plan sponsors some breathing space to explore and plan for how this market downturn will impact contributions."

Breaking down the plans by funded ratio, four plans now remain at 90% funded or higher, down from 20 the previous quarter. Meanwhile, at the lower end of the spectrum nine plans fell below the 60% funded mark, bringing the total number of plans under 60% to 35, up from just 26 at Q4 2019. The total pension liability (TPL) continues to grow and stood at an estimated $5.355 trillion at the end of Q1 2020, up from $5.313 trillion at the end of Q4 2019.

To view the Milliman 100 Public Pension Funding Index, go to http://www.milliman.com/ppfi/. To receive regular updates of Milliman's pension funding analysis, contact us at pensionfunding@milliman.com.

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