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U.S. Corporate Pension Plans Funding Status

Wilshire Estimates Slight Increase in Aggregate Funded Ratio for U.S. Corporate Pension Plans in January.

The aggregate funded ratio for U.S. corporate pension plans increased by an estimated 0.4 percentage points month-over-month in January to end the month at 95.8 percent, according to Wilshire, a diversified global financial services firm. Through its suite of Outsourced Chief Investment Officer (OCIO) and advisory services, Wilshire assists in ensuring secure and safe retirements for millions of Americans, including those participating in some of the nation's largest corporate and public retirement plans.

The monthly change in funding resulted from a 5.0 percent decrease in liability values mostly offset by a 4.6 percent decrease in asset values. The aggregate funded ratio is estimated to have increased by 6.9 percentage points over the trailing twelve months.

"January saw significant declines for both asset and liability values. Equities, represented by the FT Wilshire 5000 IndexSM, and the liability value experienced the worst monthly return since the early stages of the COVID-19 Pandemic (March 2020). The liability value decreased due to the approximately 40 basis point increase in corporate bond yields used to value corporate pension liabilities. The rise in treasury yields accounted for nearly two thirds of the increase in yields," stated Ned McGuire, Managing Director, Wilshire. "Due to larger decrease in liability value, January's funded ratio is at its highest level since year end 2007, estimated at 107.8%, before the Great Financial Crisis" Mr. McGuire added.

A 12-month review of the funded ratio follows:

	Funded Ratio	Funded Ratio Change			Monthly Change In	
		MTD	YTD	1 Year	Assets	Liabilities
January 31, 2021	88.9%	1.1%	1.1%	4.0%	-1.5%	-2.7%
February 28, 2021	91.2%	2.3%	3.4%	9.6%	-1.1%	-3.5%
March 31, 2021	93.5%	2.3%	5.7%	13.6%	-0.7%	-3.2%
April 30, 2021	94.1%	0.6%	6.3%	13.8%	2.4%	1.7%
May 31, 2021	94.5%	0.4%	6.7%	13.8%	0.6%	0.3%
June 30, 2021	93.5%	-1.0%	5.7%	12.3%	1.5%	2.7%
July 31, 2021	92.8%	-0.7%	5.0%	12.5%	1.1%	1.8%
August 31, 2021	94.1%	1.3%	6.3%	9.9%	0.6%	-0.8%
September 30, 2021	92.9%	-1.2%	5.1%	10.0%	-3.0%	-1.7%
October 31, 2021	94.5%	1.6%	6.7%	11.8%	2.3%	0.6%
November 30, 2021	93.6%	-0.9%	5.8%	8.5%	-0.9%	0.1%
December 31, 2021	95.4%	1.8%	7.6%	7.6%	1.0%	-0.9%
January 31, 2022	95.8%	0.4%	0.4%	6.9%	-4.6%	-5.0%

The aggregate figures represent an estimate of the combined assets and liabilities of corporate pension plans sponsored by S&P 500 companies with a duration in line with the FTSE Pension Liability Index – Short. The funded ratio is based on the FTSE – Short Liability, with service cost, benefit payments and contributions in line with Wilshire’s 2021 corporate funding study. The most current month-end liability growth is estimated using a FTSE Pension Liability Index – Short duration matched weighting of the Barclays Long & Intermediate Aa+ U.S. Corporate Indices.

The assumed asset allocation is below:

Asset Class	Allocation	Benchmark
U.S. Equity	24%	Wilshire 5000 Total Market Index
Non-U.S. Equity	16%	MSCI AC World ex U.S. (\$)
Core Fixed Income	25%	Bloomberg Barclays U.S. Aggregate
Long Duration Fixed Income	34%	Bloomberg Barclays Long Govt/Credit
Real Estate	1%	Wilshire US Real Estate Securities Index

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