

Press Release



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Stock Market Decline in October Trims Funding Status of U.S. Pensions, According to BNY Mellon Asset Management

Funding Status of Typical Corporate Plan Dips Back Below 80 Percent

BOSTON, November 4, 2009 – U.S. stocks declined for the first time in eight months, driving down the funding status of the typical U.S. corporate pension plan by 0.4 percentage points in October, according to monthly figures published by BNY Mellon Asset Management. The funded status of the typical plan declined to 79.9 percent at the end of October, down from 80.3 percent at the end of September, according to the BNY Mellon statistics.

Assets for the typical U.S. corporate plan decreased 1.2 percent, outpacing the 0.6 percent decline in liabilities during the month. For the year, through October 31, the funding ratio for the typical plan is up 6.0 percentage points, as represented by the BNY Mellon Pension Liability Index.

“After four straight months of improving funding status, the trend reversed as U.S. stocks fell 2.6 percent and international stocks fell 1.2 percent in October,” said Peter Austin, executive director of BNY Mellon Pension Services, the pension services arm of BNY Mellon Asset Management. “Concerns about the strength of the economic recovery impacted October results and will continue to influence investor behavior. Fortunately, the impact of the negative equity returns were partially offset by a small rise in the Aa corporate discount rate, which caused liabilities to decline slightly.”

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

“We continue to see increasing interest in liability driven investing strategies from pension plans seeking to reduce risk,” said Austin. “Some pension plans have taken advantage of the rally in the equity markets and shifted assets from equities to long-term corporate bonds. While improvement in funded status is an overarching goal for every pension plan, we continue to see a growing trend in the alignment of risk measures with pension liabilities.”

Notes to Editors:

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