

Press Release



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Market Gains in November Boost Funding Status of U.S. Pensions, According to BNY Mellon Asset Management

Funding Status of Typical Corporate Plan Reaches Best Level since May

BOSTON, December 4, 2009 – U.S. stocks rose 5.7 percent in November, contributing to a 2.6 percentage-point improvement in the funded status of the typical U.S. corporate pension plan, according to monthly figures published by BNY Mellon Asset Management. The funded status of the typical plan improved to 82.5 percent at the end of November, which was the highest level since May, and up from 79.9 percent at the end of October, according to the BNY Mellon statistics.

Assets for the typical U.S. corporate plan rose 3.6 percent, outpacing the 0.2 percent gain in liabilities during the month, which reflected interest accruals as the discount rate for November was unchanged from October. For the year, through November 30, the funding ratio for the typical plan is up 8.6 percentage points, as represented by the BNY Mellon Pension Liability Index.

“U.S. corporate pension plans continued their road to recovery as domestic and international equity markets registered strong results,” said Peter Austin, executive director of BNY Mellon Pension Services, the pension services arm of BNY Mellon Asset Management. “Equities have rallied in eight of the last nine months and have been the driving force for the funding improvement. Liability discount rates are only 14 basis points lower for the year, which has limited the impact on pension plan liabilities. Plan sponsors that maintained their equity allocations, which hasn't been easy given market volatility, have been rewarded for their commitment to their strategic asset allocation.”

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

“With funding levels near 2009 highs and 2010 financial planning underway in many organizations, there is increased interest in discussing pension risk reduction programs,” said Austin. “These programs would include new or increased allocations to liability driven investing (LDI) strategies. Plan sponsors remain fearful of plan surplus/deficit volatility, which remains a relevant topic given the fragility of the global markets.”

Notes to Editors:

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