

# Press Release



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## **Funding Status of U.S. Pension Plans Declines Over 11 Percentage Points in December, According to BNY Mellon Asset Management**

### ***Typical Plan Saw Funded Status Decline More than 30 Percentage Points in 2008***

BOSTON, January 7, 2009 – Funding ratios at the typical U.S. corporate pension plan slid more than 11 percentage points in December, after falling more than 13 percentage points in November, according to BNY Mellon Asset Management. The two double-digit declines resulted primarily from falling rates of longer-term high grade corporate bonds.

“The Fed’s drive to bring down interest rates to help the economy has had the collateral effect of increasing the liabilities of typical U.S. corporate pension plans,” said Peter Austin, executive director of BNY Mellon Pension Services. “Liabilities rose 20.3 percent in December as corporate bond yields dropped by 125 basis points. Small solace to plan sponsors was a year-end stock market rally that boosted asset returns by 3.2 percent in December. The combination of falling stocks and rising liabilities throughout 2008, reminiscent of the ‘perfect storm’ of 2001-2003, resulted in one of the worst years in memory. For the typical U.S. corporate plan, the funded status in 2008 fell 31.5 percentage points.”

Looking ahead, Austin said, “Market sentiment is pointing toward an increase in Treasury yields during 2009. We also see a continued narrowing of corporate spreads, led by the demand of plan sponsors to use long corporate bonds as a pension liability hedge. The damage inflicted in 2008, combined with continued volatility in the credit and equity markets, will require plan sponsors to carefully monitor their plans and consider various scenarios as they review their asset allocations and funding strategies. We are seeing plans take a variety of approaches to manage their risks in the current environment.”

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