



## Press Release

### **S&P 500 Pensions Expected to Report Broad Losses for 2008; Stage is Set for Record Underfunding**

**New York, December 23, 2008** – Devastated by what is amounting to the worst stock market performance since 1931, S&P 500 pension funds are expected to report broad losses in their \$1.5 trillion portfolio for 2008, and potentially post record setting underfunding, Standard & Poor's Index Services announced today.

According to Standard & Poor's Index Services data and estimates, S&P 500 defined benefit plans as a group was overfunded by \$63.4 billion in 2007, their first surplus year since 2001. The 2008 year-to-date equity declines of approximately 41% for the S&P 500 and 44% for the S&P Global Broad Market Index are expected to drastically reduce the equity value held by U.S. plans (approximately \$780 billion) and non U.S. plans (approximately \$140 billion).

“Massive losses in the equity markets will require companies to either sell assets at their depressed levels, or shore up assets with significant cash infusions,” says Howard Silverblatt, Senior Index Analyst at Standard & Poor's and the author of the research.

While assets will decline, Standard & Poor's Index Services also expects discounted pension liabilities to fall slightly due to the higher discount rate used in their computation. The result is that pension funds will be underfunded on an aggregate basis by \$257 billion (17.9%), easily surpassing the record \$219 billion underfunding set in 2002.

“Standard & Poor's Index Services expects that many issues will be required to add funding to maintain minimum requirements, and that more issues will voluntarily add funding to take advantage of pension smoothing accounting,” notes Silverblatt.

The smoothing, or averaging of historical returns, essentially flattens the pension performance over several years -- preventing strong swings in funding. In extreme markets, such as this year, it will reduce reported losses (as they are spread over several years), and similar to 2002, could actually permit some funds to report gains for 2008.

“In reality, any pension fund manager that came remotely close to breaking even in 2008 is quietly celebrating that they survived one of the worst markets in the modern era,” concludes Silverblatt.

For more pension research from Standard & Poor's Index Services, please visit: [www.marketattributes.standardandpoors.com](http://www.marketattributes.standardandpoors.com).

## STANDARD & POOR'S INDEX SERVICES

### S&P 500 SUMMARY PENSION DATA

Values in \$ Millions unless otherwise noted, estimates in bold

DATE	PENSION ASSETS	PROJECTED BENEFIT OBLIGATIONS	PENSION FUND STATUS	PENSION FUND LEVEL	GAAP INCOME
<b>2008 EST*</b>	<b>\$1,175,328</b>	<b>\$1,432,063</b>	<b>-\$256,736</b>	<b>-17.93%</b>	<b>\$419,081</b>
2007	\$1,504,516	\$1,441,135	\$63,380	4.40%	\$587,232
2006	\$1,470,964	\$1,511,301	-\$40,184	-2.67%	\$708,486
2005	\$1,318,010	\$1,458,439	-\$140,430	-9.63%	\$599,571
2004	\$1,265,338	\$1,429,667	-\$164,328	-11.49%	\$545,143
2003	\$1,113,478	\$1,278,265	-\$164,787	-12.89%	\$450,372
2002	\$950,963	\$1,169,472	-\$218,509	-18.68%	\$253,516
2001	\$1,089,896	\$1,086,950	\$2,946	0.27%	\$222,743
2000	\$1,238,920	\$1,012,893	\$226,027	22.31%	\$432,729
1999	\$1,274,083	\$994,061	\$280,022	28.17%	\$397,122
1998	\$1,144,454	\$1,018,479	\$125,975	12.37%	\$299,585
1997	\$991,008	\$793,773	\$197,235	24.85%	\$306,274
1996	\$859,478	\$723,084	\$136,395	18.86%	\$292,739
1995	\$750,907	\$676,150	\$74,756	11.06%	\$250,267
1994	\$641,749	\$573,707	\$68,042	11.86%	\$221,147
1993	\$650,713	\$588,333	\$62,379	10.60%	\$153,287
1992	\$609,356	\$532,718	\$76,637	14.39%	\$131,260
1991	\$612,080	\$518,013	\$94,066	18.16%	\$107,026

\*S&P Index Services

#### About Standard & Poor's Index Services

Standard & Poor's Index Services, the world's leading index provider, maintains a wide variety of investable and benchmark indices to meet an array of investor needs. Its family of indices includes the S&P 500, an index with \$1.5 trillion invested and \$4.85 trillion benchmarked, and the S&P Global 1200, a composite index comprised of seven regional and country headline indices. For more information, please visit [www.standardandpoors.com/indices](http://www.standardandpoors.com/indices).

#### About Standard & Poor's

Standard & Poor's, a division of The McGraw-Hill Companies (NYSE:MHP), is the world's foremost provider of financial market intelligence, including independent credit ratings, indices, risk evaluation, investment research and data. With approximately 8,500 employees, including wholly owned affiliates, located in 23 countries and markets, Standard & Poor's is an essential part of the world's financial infrastructure and has played a leading role for more than 140 years in providing investors with the independent benchmarks they need to feel more confident about their investment and financial decisions. For more information, visit <http://www.standardandpoors.com>.

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