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# NEWS RELEASE

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## **American Academy of Actuaries: 80% Pension Plan Funding Is a ‘Myth’ of Plan Health**

WASHINGTON—The American Academy of Actuaries is publishing an issue brief, “[The 80% Pension Funding Myth](#),” to alert the public, pension plan participants and other stakeholders, including policymakers, that the financial health or soundness of a pension plan cannot be reduced to a single measure or benchmark at a single point in time.

“While the funded ratio of a pension plan is certainly a useful measure, its reporting of 80% funding—or any other funded ratio percentage—simply doesn’t provide enough information to accurately gauge its financial health,” said Academy Senior Pension Fellow Linda K. Stone. “While the funded ratio is a useful measure and important aspect of a pension plan’s financial condition, it is most meaningful when viewed in the context of other relevant information. A plan that is funded at 80% at a single point in time could be anywhere in the spectrum from excellent to poor financial condition, depending on other factors.”

While it is unclear when widespread use began, an 80% benchmark has appeared in research reports, legislative initiatives, and in the media as a misleading bright line between healthy or well-funded plans and unhealthy or underfunded plans. The Academy’s issue brief notes:

- Using an 80% funded ratio as a benchmark for whether pension plans are healthy is inappropriate.
- No single level of funding defines a line between a “healthy” and an “unhealthy” pension plan.
- Pension plans are generally better evaluated on the strategy in place to attain a funded ratio of 100% within a reasonable period of time.
- The financial health of a pension plan depends on many factors in addition to funded status, including the size of any shortfall compared with the resources of the plan sponsor.

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- Projections under a range of scenarios can be particularly useful in evaluating the plan’s expected funding trajectory and assessing plan health.

Learn more about the 80% funding myth and the Academy’s work on pension public policy issues at [actuary.org](http://actuary.org).

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The American Academy of Actuaries is a 19,500-member professional association whose mission is to serve the public and the U.S. actuarial profession. For more than 50 years, the Academy has assisted public policymakers on all levels by providing leadership, objective expertise, and actuarial advice on risk and financial security issues. The Academy also sets qualification, practice, and professionalism standards for actuaries in the United States.