



News Release

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Corporate Affairs

FOR IMMEDIATE RELEASE

FUNDING STATUS OF U.S. PENSION PLANS DECLINED IN NOVEMBER, ACCORDING TO MELLON FINANCIAL

PITTSBURGH, December 6, 2006 — The funded status of a typical U.S. pension plan deteriorated by 0.8 percent in November despite a good month in most capital markets, according to Mellon Financial Corporation. While assets of a moderate risk pension portfolio rose 1.9 percent, a sharp decline in long-term interest rates drove up the value of typical liabilities by 2.5 percent. Mellon tracks the financial health of U.S. pension plans through its Mellon Pension Liability Indexes.

“Low volatility and expectations of a soft landing for the economy helped nearly all asset classes,” said Peter Austin, executive director of Mellon Pension Services. “However, evidence of a slowing economy raised expectations for a 2007 Federal Reserve rate cut and drove long-term interest rates down by 10 to 15 basis points. Lower rates raise the value of pension liabilities and bonds.”

Despite November’s performance, the typical moderate risk pension portfolio was 7.2 percent better funded at the end of November than it was at the beginning of the year, primarily due to a double-digit increase in equities, which boosted asset values, and interest rate hikes during the first five months of the year, which reduced liabilities. The assets of a typical plan were 11.3 percent higher at the end of November, while liabilities were 4.1 percent higher.

Liabilities for pension plans usually fall when interest rates rise. Unexpected changes in a plan’s demographics, among other factors, also affect the size of the benefit liability. Mellon measures the performance of liabilities through its Mellon Pension Liability Indexes, which were launched in March 2006. These indexes are designed to track the market values and market returns of pension liabilities for young, average and mature pension plans. (See more about the indexes at http://www.melloninstitutional.com/public/library/documents/knowledge/pdfs/Liability_index.pdf .)

Mellon Pension Services, together with the investment subsidiaries of Mellon Asset Management and Mellon Asset Servicing, offers comprehensive solutions to a wide variety of plan sponsors’ goals and challenges.

Mellon Financial Corporation is a global financial services company. Headquartered in Pittsburgh, Mellon is one of the world's leading providers of financial services for institutions, corporations and high net worth individuals, providing asset management, private wealth management, asset servicing, payment solutions and investor services. Mellon has approximately \$5.3 trillion in assets under management, administration or custody, including \$918 billion under management. News and other information about Mellon is available at www.mellon.com.

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