

Date: June 1, 2012
To: Pension Professionals
Re: The Macro Sensitive World

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It doesn't take long for news to travel and become just another event. Such is a global world sensitized by risk. As DB plans face funding challenges, Euro debt woes take center stage.

Greed may be good, but debt is a drag.

DB plan liabilities rose to their highest levels as indicated by the **QAS PRT 1000 Index**¹.

<i>Month</i>	<i>3-Segment Index</i>	<i>3Seg Effective</i>	<i>Curve Effective</i>	<i>Segment/Curve Gap</i>
<i>January</i>	<i>107.56</i>	<i>4.61%</i>	<i>4.03%</i>	<i>0.57%</i>
<i>February</i>	<i>107.96</i>	<i>4.56%</i>	<i>3.94%</i>	<i>0.63%</i>
<i>March</i>	<i>108.43</i>	<i>4.51%</i>	<i>4.01%</i>	<i>0.50%</i>
<i>April</i>	<i>108.86</i>	<i>4.47%</i>	<i>3.96%</i>	<i>0.51%</i>
<i>May</i>	<i>109.28</i>	<i>4.42%</i>	<i>3.83%</i>	<i>0.59%</i>
<i>June</i>	<i>109.70</i>	<i>4.38%</i>	<i>3.83%*</i>	<i>0.55%*</i>

* PPA Curve Implied from prior month

Low rates spell high liabilities

Although the music is slowing, perhaps we should focus on real solutions - not short term fixes. Ford and GM took steps to remove aggregate balance sheet risk. Both swapped short term debt (Retirees) for long term (Vested and Active lives). This may seem poorly timed on one hand. However, these worldwide companies "see" what is happening in their real world too.

Views On Risk

Pension investment usually focuses on long term asset management. We focus on liability management. DB plan sponsors have had opportunities to de-risk in the past. So what's a plan sponsor to do? May be do as GM or Ford. Take a bite of the apple.

Think long term de-risking - not capitulation.

For more information on risk based strategies from QAS, please call Don Cunningham (513-772-4488) or Joe Cleary (201-447-3900), or the main office. Here's interest rates for annuities:

Date	Immediate Life Annuity	Deferred Life Annuity
April 1, 2012	3.35%	3.78%
May 1, 2012	3.11%	3.44%
June 1, 2012	3.09%	3.18%

¹ QAS PRT 1000 Index values can be obtained by contacting us for details.