

**Date:** August 1, 2012

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***Fund, Forgo, Focus or Flee?***

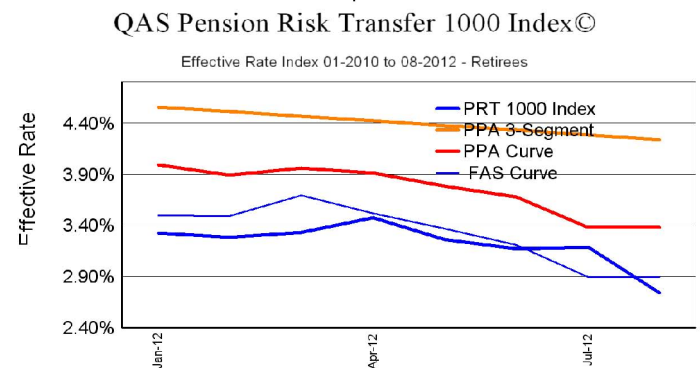
This month's commentary examines the question of DB finance from a fourth dimensional view.

***Should you fund, forgo, focus or flee from DB plan obligations?***

We add the Citigroup Curve for the first time as a new dimension. Whether sponsors choose to fund or forgo contributions, the cost for each occurs at "spot". Whether a sponsor focuses on its investment approach or flees from its DB obligation, transactions for LDI, PRT, or PPA (including STEA) are "realtime" and occur at "spot". The QAS PRT 1000 Index© captures all these relative views to cost.

In order to monitor the dramatic shift in rates and velocity of the downward slope, we compare the QAS PRT 1000 Index by computing an Effective Rate Index on each relevant pension measure. This illustrates the decline in rates and exhibits the trend for all forms used to measure pension cost. The purpose of the Effective Rate Index is to normalize a view and to isolate the impact of rates alone. Note that the Citigroup Curve has breached the PRT 1000 Index in July. This is the first such occurrence. So FAS expense was actually higher than Pension Risk Transfer.

Month	3-Seg Effective	Curve Effective	Citigroup Effective	PRT 1000 Index©
January	4.56%	3.99%	3.50%	3.33%
February	4.52%	3.89%	3.49%	3.28%
March	4.47%	3.96%	3.69%	3.33%
April	4.42%	3.91%	3.52%	3.48%
May	4.38%	3.79%	3.37%	3.26%
June	4.33%	3.68%	3.21%	3.17%
July	4.29%	3.38%	2.89%	3.19%
August	4.24%	3.38%*	2.89%*	2.74%*



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Lower rates are driving pension costs upward regardless of the measure. Sponsors would like to defer funding their plans until the economic malaise softens. Adopting STEA to gain contribution reductions may trap unwary LDI advocates. For information on custom views and this new Index, contact Don Cunningham (513-772-4488) or Joe Cleary (201-447-3900) or QAS' offices.

<b>Date</b>	<b>Immediate Life Annuity</b>	<b>Deferred Life Annuity</b>
June 1, 2012	3.09%	3.18%
July 1, 2012	3.10%	3.31%
August 1, 2012	3.08%	3.17%

\* PPA Curve and Citigroup Curve Implied from prior month. QAS PRT 1000 Index© is a bid proxy.