

Date: December 1, 2012

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*Seasons
Risk "On" is a prelude to PRT*

Holiday wishes. Having said that in no less humble terms, let's get down to business.

The Fiscal Cliff will usher volatility - one way or the other. In typical form, and despite technical indicators to the contrary, look for a deal.

Is Ben's bid enough?
No.

Risk bets will be emboldened by a view that resolving the budget concerns will allow capital to be deployed. This produces the best kind of stimulus (organic) as wheels that ground nearly to a halt will slowly turn forward again. And as businesses seek capital to turn the wheels, corporate debt issuance will increase and yields will rise nonetheless.

Equity returns on DB assets must exceed MAP-21 discount rates in order to reduce pension deficits. Otherwise, cash is needed to make up the shortfalls. We will see what we will see.

Risk Charges

DB plan sponsors must be mindful that risk transfer costs do not reflect plan operating costs. QAS can help by modeling various risk transfer costs over time for various DB liability segments such as retirees. The benchmark to PPA 3-Segment rates is being supplanted by MAP-21 for contribution purposes (Risk "On").

Get Informed. Think Strategic. Act Tactical.

For information contact Don Cunningham (513-772-4488) or Joe Cleary (201-447-3900) or QAS.

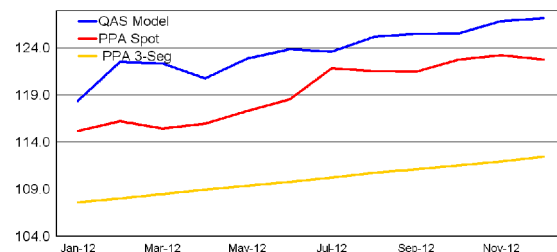
Date	Immediate Life Annuity	Deferred Life Annuity
October 1, 2012	2.86%	3.33%
November 1, 2012	2.67%	3.08%
December 1, 2012	2.69%	3.03%

New Point of Focus

The new benchmark focus is Pension Risk Transfer vs. Minimum Distributions. Driven by GM and Verizon, more DB plans will consider PRT as a natural extension of LDI strategy.

In this updated view we consider the difference between PRT and LDI. The December QAS PRT 1000 Index® easily shows the marginal differences between PRT and PPA Spot for Minimum Distributions and 3-Segment Spot. The marginal difference between PRT and PPA Spot is modest and represents adjustments for DB costs. The 3-Segment gap is due to the trailing 24-month rates.

QAS Pension Risk Transfer 1000 Index®
PPA Spot v. 3-Segment v. PRT



Conclusion:

The difference between PRT and PPA Spot is not significant after considering operating costs.

For information on our custom PRT modeling capabilities, please give us a call.