

Date: April 1, 2013

Vol. X, No. 4

Deficit Dilemma

Many business balance sheets have debt - most of it intentional. Other debt may be unintentional. The capital structure of a utility is quite different from that of an integrated technology company.

Workforces also differ as industrial and manufacturing sectors are likely to have longer term employee workforces than food chains.

Defined Benefit plans are meant to be a replacement income plan - not hit the lottery arrangements.

In today's world of financial uncertainty, some employees opt to work at a company because they want a pension when they retire. Those companies may have advantages over their competitors.

It's About Risk

Businesses that sponsor DB plans incur unintentional debt in the form of "longevity risk". Companies with long term commitments to DB plans must think differently. They own the "extension risk" due to longevity. Pensions can very easily be maintained and risk can be reduced at the same time.

How?

As workforce populations grow older, more longevity risk is born by the plan sponsor.

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

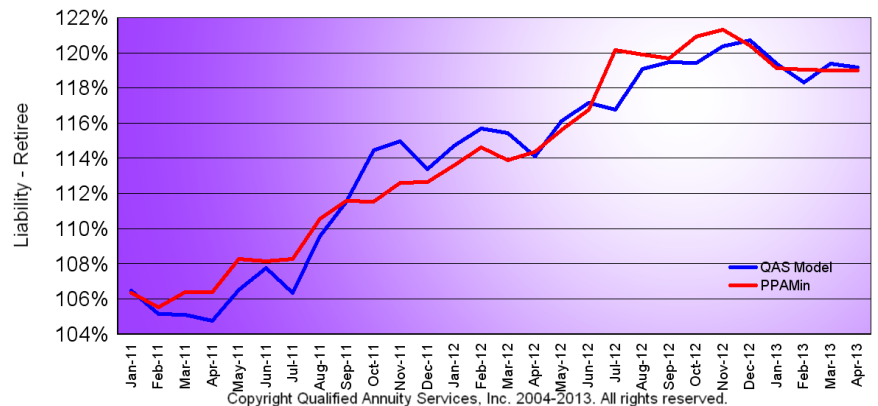
Get Informed. Think Strategic. Act Tactical.

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

Date	Immediate Life Annuity	Deferred Life Annuity
February 1, 2012	2.91%	3.40%
March 1, 2013	2.73%	3.35%
April 1, 2013	2.72%	3.34%

QAS PRT 1000 Settlement Index©

Relative Price for PRT v. PPA 417(e) Minimum



While not alarming or gut wrenching as to the year over year magnitude, longevity has increased relentlessly.

What to do?

The above QAS PRT 1000 Settlement Index© for a termination study uses 2 mortality tables:

- First - PPA 2006 unadjusted for projections (in other words, out of date).
- Second - PRT Index reflecting annuity mortality (the real deal).

Conclusion: *Get Acquainted*

In order to evaluate mortality, QAS recommends performing a feasibility study to assess the magnitude of the risk. Consider adopting QAS' Tactical view to PRT which can be tailored to provide a discerning view to mortality when calibrating your risk profile.