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Preparing a PRT Trade

Liability Driven Investing (LDI) has grabbed many headlines and garnered converts. However, many DB plans resisted the attraction of matched bonds with alpha. While interest rates remain volatile, the march up may finally be at hand.

The Pros and Cons

DB deficits are a drag; even more so if LDI has been adopted. As rates rise, bonds fall and contribution deficits remain.

The solution?

Business capital is best invested in the business - not the DB plan. Plans remaining invested in a typical 60/40 allocation will likely recover deficits more quickly.

What's the Benefit?

Contribution volatility is the primary reason for adopting LDI. Minimizing contribution costs is most likely with assets allocated in a classic 60/40 fashion.

How Does This Affect PRT?

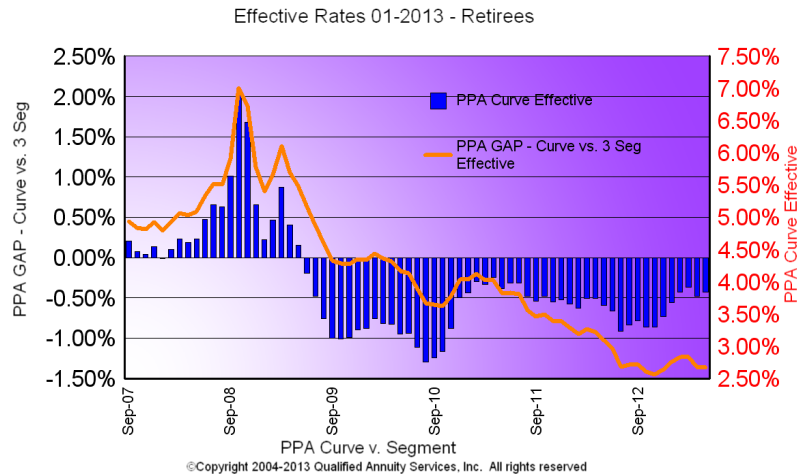
PRT is an embedded option. This option exists at all times -and costs nothing until exercised. All a plan sponsor needs to do is: *prepare*.

**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
March 1, 2013	2.73%	3.35%
April 1, 2013	2.72%	3.34%
May 1, 2013	2.57%	3.13%

QAS Pension Risk Transfer 1000 Index©



How Do You Prepare a PRT Trade?

Plan sponsors should engage a professional PRT advisor to develop a strategy and implement a plan. This is quite different than preparing for a new asset allocation or manager search.

QAS PRT services include: development of viable strategies, analysis of methods to implementation, and discussions of the pros and cons of PRT as a risk mitigation tool.

Conclusion: Let's Get Acquainted

In order to evaluate viable PRT solutions, QAS recommends performing a feasibility study to assess the economics of PRT. Consider adopting QAS' Tactical view to PRT which can be tailored to provide important trade value of PRT over time.