



### Tailor Made PRT

Managing DB risk means getting a handle on the dynamics of PRT trades. One way to do this is to closely monitor the trends in rates. From the attached chart, we see very strong correlation between the rate on U. S. 10 Year Treasury bonds and the QAS PRT Rate Index© (Retirees).

#### What's the Point?

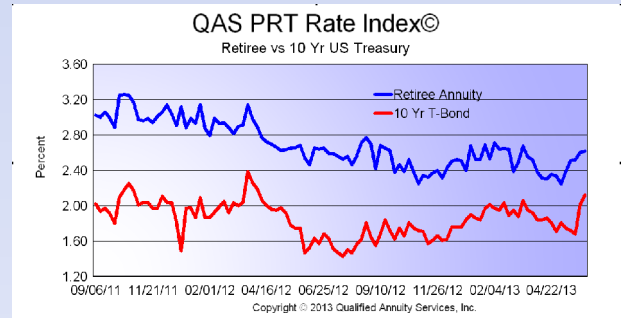
QAS' PRT advice and analyses utilize proprietary technical indicators to closely monitor turning points in rate trends. PRT Trades are driven by plan and business economics. When business balance sheet cash is allocated for a pension, that cash should be deployed when the time is right. The question is:

#### When is the right time?

The right time varies for every business. In the recent runup in rates, we see that spreads between U. S. 10-Year and the QAS PRT Rate Index© have become volatile (second chart). This means that rates have risen too far, too fast. Higher spreads mean lower PRT prices.

#### How Does PRT Relate to LDI?

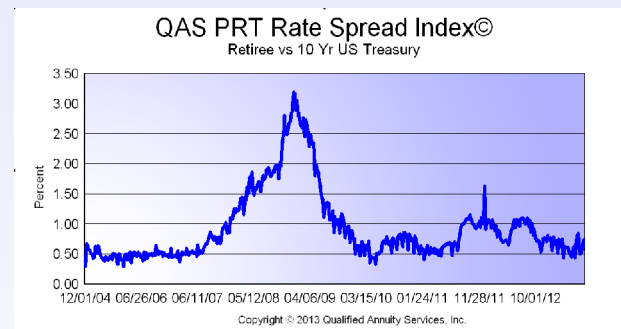
Liability Driven Investing (LDI) assumes a gradual movement away from equities and more towards bonds as funded status improves. The trade-off is that contributions must be made in the mean time. Filling the DB pot comes from one of two sources: **cash or alpha**. Bonds provide little alpha. Therefore, more



contributions are required.

#### What Is QAS's View?

We take a tactical view for both PRT and plan termination. The goal of a Tactical PRT strategy is to deploy dedicated DB cash in such a way and at such a time that optimizes a PRT trade result.



Maximizing PRT results is a delicate balancing act that requires services of a skilled PRT advisor.

**Conclusion:** Let's get acquainted. In order to evaluate PRT options, clients engage QAS to assess costs and economics of PRT. We help tailor a PRT trade designed just for you.

*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
April 1, 2013	2.72%	3.34%
May 1, 2013	2.57%	3.13%
June 1, 2013	2.96%	3.51%