

The Shortcomings of LDI

Funded status continues to improve as higher rates remain subdued. Volatility is as predicted and will continue. Demand for mitigating Defined Benefit plan financial risk is rising. We begin this year with a question:

What is the biggest shortcoming of LDI?

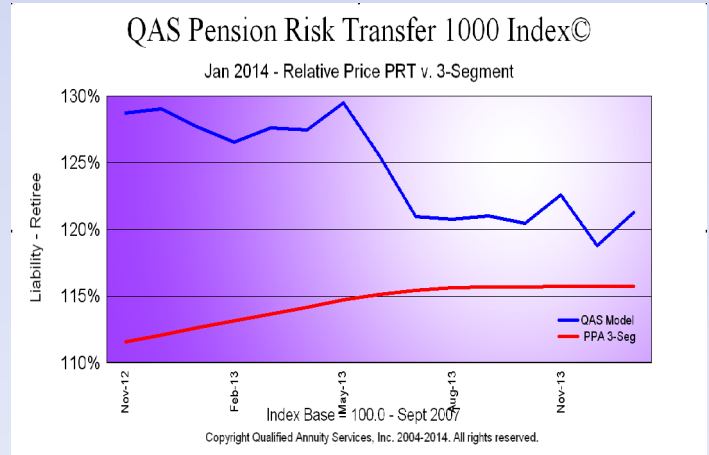
When PRT is implemented, dynamics unfold that allow for flexibility. Retirees are cash recipients. There are no IOU's. Cash calls disrupts investments. That is why Liability Driven Investing ("LDI") came about. The shortcoming of LDI is

its inability to eliminate risk.

Conversely, Pension Risk Transfer ("PRT") is precisely what the name says. The ability to exercise a discrete option to transfer risk at any time. Implementing PRT seems fraught with regulations and obstructions. QAS provides advice to implement PRT projects that meet stated objectives with an eye toward innovation.

Tactical Approach

We view PRT as a tactical decision. An approach for one client may not fit another.



Market Comment: Topped Out...

QAS PPA 3-Segment liability was unchanged at 115.7 and level from September at 115.7. The QAS PRT Index bumped up from 118.8 to 121.3 in Dec - Jan. The velocity of how quickly rates rise will determine when PRT prices at discounts to PPA.

QAS as Independent ERISA Fiduciary

Advice is critical for an effective PRT plan. Our Independent ERISA Fiduciary service navigated the Great Recession. The demand for sound ERISA governance begins and ends with one word: **experience.**

Learn more about QAS's Independent ERISA Fiduciary services here:

http://qualifiedannuity.com/services_fs.html

Call now to get more information on custom PRT index modeling capabilities.

Get Informed. Think Strategic. Act Tactical.

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

Date	Immediate	+ 1 Sdev	Deferred	+1 SDev
November 1, 2013	3.20%	3.56%	4.03%	4.32%
December 1, 2013	3.37%	3.77%	3.87%	4.21%
January 1, 2014	3.50%	3.85%	3.90%	4.25%