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## Risks

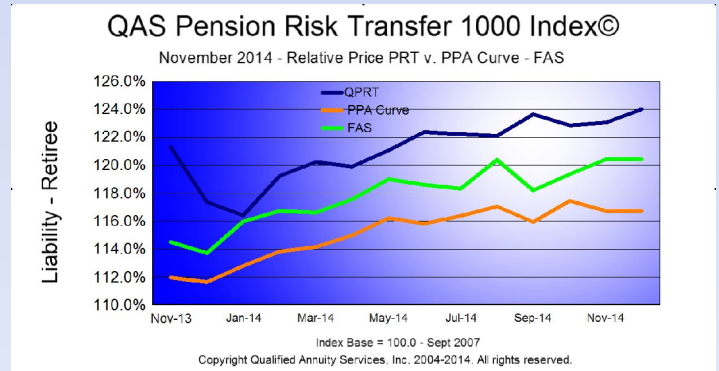
The world of Defined Benefit plan risk is historically only associated with assets. Risk is now driven by worldwide macro economic and geo-political events. DB asset risk is like an island: a tsunami can have serious ramifications.

### What's the point?

Mature DB plan risk is concentrated in cash flow risk. Is longevity the tsunami? Subtle longevity extension risk is now a factor. As new mortality is adopted, arguments will be made to refute the change. The QAS Longevity Extension Risk study was applied to IRC §430(h)(3)(A) from 2009 - 2014. We found that extension risk for purposes of funding increased by 1.55% over those five (5) Years before considering RP-2014.

### What's the outcome?

Cash flow risk is generally very high for mature plans. Although some may argue that a retiree population is predictable, extension risk may be a larger issue than expected by many. From our side, it is not surprising. Advances in longevity are not new.



## Conclusion

We believe that quantifying economic risk includes having a grasp of things like longevity. It is critical that we communicate these risks in a way that makes sense for our clients.

We develop solutions within a rational frame work based upon sound risk management principles. As the rules of risk change, QAS adds value for its clients.

Here is a summary of PRT volatility:

PRT Premium % to PPA Spot/FAS			
2014	Nov	Oct	Sept
PPA Spot	5.38%	4.60%	6.66%
FAS	4.68%	2.98%	2.22%

### QAS's Longevity Extension Risk Study

Request more about QAS's study here:

<http://qualifiedannuity.com/contact.html>

*Get more information on custom PRT 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	Deferred
October 1, 2014	2.76%	3.41%
November 1, 2014	2.68%	3.34%
December 1, 2014	2.57%	3.22%