

October 1, 2015

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Fixing Pensions

Retirement security is important. After years of labor and toil, workers need a way to replace the income derived from employment. Risky Years in retirement have increased due to advances in longevity. Retirees with a nest egg must either consistently out perform the market or risk exhausting their savings.

What Role Do Pensions Play?

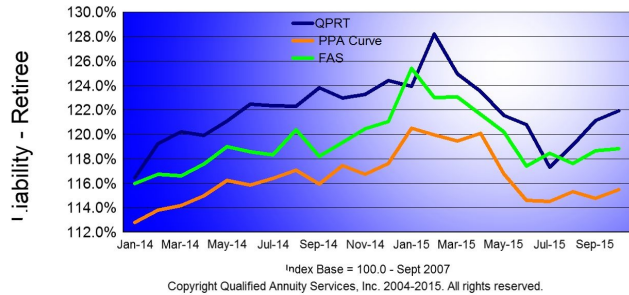
In spite of the savings inertia of 401-k plans, income replacement is an expensive proposition. When the risk of longevity is coupled with erratic returns, risk in retirement increases. Throw in a dose inflation risk and you have a risky recipe for the average retiree. Pensions play the role as a replacement income scheme. If earned income is substantially replaced between Social Security and pensions, retirees have a better chance of remaining independent during retirement.

What's the Point?

As congress continues to tinker with PBGC deficits, private sector DB plans sponsors face increased costs for maintaining them.

QAS Pension Risk Transfer 1000 Index©

Oct 2015 - Relative Price PRT v. PPA Curve - FAS



How Should Plan Sponsors Respond?

De-risking (and not dismantling) a DB plan is a good first step.

What to Do

De-risking through discrete cost reduction can help control operating and carrying costs. Offering one time lump sums to former participants not receiving benefits is next. Carving out retirees can reduce volatility.

**As the rules of risk change,
QAS adds value for its clients.**

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Date	Immediate	Deferred
September 1, 2015	2.82%	3.60%
October 1, 2015	2.73%	3.54%