

November 1, 2015

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## *Effectively De-Risking Pensions*

Volatility is not a worn out or temporary risk. Right sizing a DB plan involves a macro view to what's going on with the embedded risks of DB plans. You need look no further than the RP-2014 mortality update. Risks were not well accepted. Reality sinks in:

***as people live longer, pensions cost more***

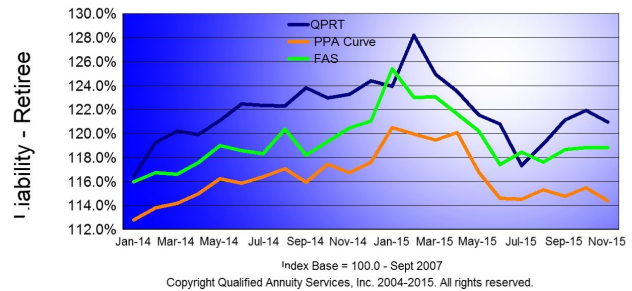
It might be a given. However, it was put at the bottom of the CFO's priority list with a simple assumption: "you always do better in the market." The idea that the market will bail out DB plans is flawed. Volatility weighs more heavily as retiree populations increase as a per cent of overall plan liability. Ask GM.

### ***What's the point?***

Mortality generally improves due to advances in medicine and self discipline in leading a healthy life style. Periodically, mortality is updated for purposes of analyzing Social Security or monitoring private sector life insurance and annuity products for reserving and pricing purposes. Longevity isn't dramatic, but ignoring it as a risk can be a bit of a shock.

### **QAS Pension Risk Transfer 1000 Index©**

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



### ***What Should Plan Sponsors Do?***

Risk transfer focuses on right sizing a DB plan. The process involves carving out retirees. The result eliminates longevity risk of retirees.

### ***Advantages of De-Risking***

De-risking is discretionary, can be implemented on timetable and under conditions that are evaluated for outcome. De-risking is transitional while termination is final. Securing retiree benefits sows positive stewardship of plan and business balance sheet risks. De-risking reduces volatility in the face of rising rates and reduces carrying costs.

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

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***Get Informed. Think Strategic. Act Tactical.***

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Date	Immediate	Deferred
October 1, 2015	2.73%	3.54%
November 1, 2015	2.83%	3.62%

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