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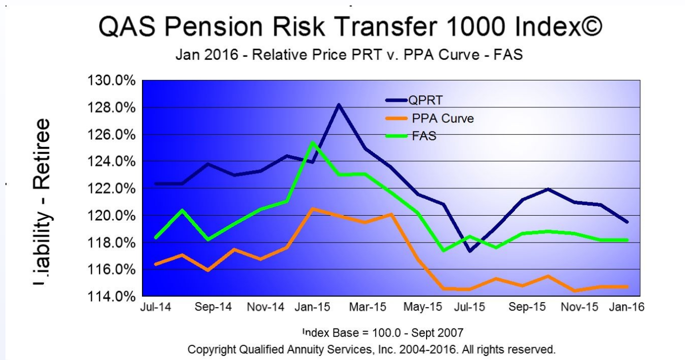
Volatility Rules the Risks



Macro events continue to plague underlying momentum of economic recovery. While the US continues a very modest advance, the impact of China's slowdown and its resulting impact upon the world economy cannot be ignored. The consumer oil tax has been replaced by an oil dividend - allowing for more spendable household income. However, the inelasticity of oil will limit the benefits. Supply will outpace demand for some time to come as the adjustments to imbalance wreak havoc.

What to do now?

The fundamentals of the US recovery appear to be a prelude for growth. As the cost of money increases, risks will grow. And returns will ultimately reflect this with higher borrowing rates. This will occur even if the Fed skips an increase here or there.

What's the point?

De-risking strategies have recently been driven by an arbitrage opportunity against new mortality. Lump sums have been offered to term vested participants in a number of instances. He IRS has closed the strategy of offering lump sums to retirees. With fewer choices, de-risking now focuses on retiree strategies.

Advantages of De-Risking

Not all retiree populations are the same. Providers will underwrite retiree risks with consideration to plan optionality. Plans with cash balance or lump sum options may garner closer scrutiny. Selection risk is real. Quantifying it may be more art than science.

What Should Plan Sponsors Do?

De-risking is now dynamic. Few PRT advisors are prepared to monitor de-risking in a dynamic market. Advance planning and strategy development are key and begin with knowing the risks and costs.

As the rules of risk change,
QAS adds value for its clients.
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Date	Immediate	Deferred
December 1, 2015	2.89%	3.65%
January 1, 2016	2.99%	3.70%