



October 1, 2017

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Mortality Redux

The adoption of MP-2016 by the IRS is translated in three words:

higher settlement costs

Mortality is a part of the cost of defined benefit plans which is amortized over time in pensions only schemes. Plans offering lump sums at retirement incur higher distribution costs now.

What's The Point?

The cost of settlements is more closely watched now than in the past. If a DB plan terminates, a distribution is often made available to deferred participants in conjunction with the termination.

What's The Impact?

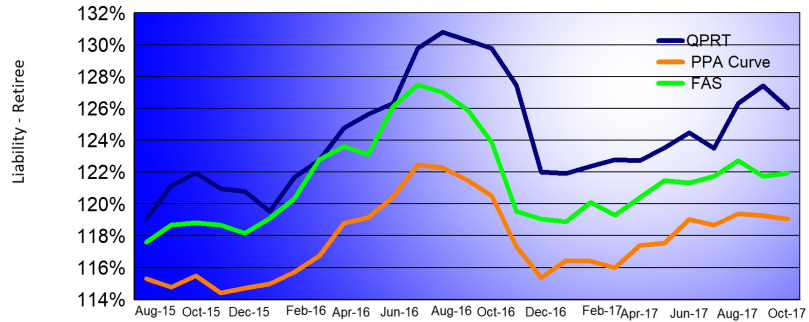
Participants may be more inclined to take lump sums when a plan terminates since it results in a higher payout. Evaluating the pension annuity becomes more problematic and measuring outcomes more critical. Plan sponsors may want to understand how information is communicated by advisors within new DOL fiduciary rules.

What Should Plan Sponsors Do?

Plan sponsors should weigh the merits of costs and budgets of annuities before offering lump sums. Sponsors need to review organic pension costs by exploring annuity costs.

QAS Pension Risk Transfer 1000 Index©

Oct 2017 - Relative Price PRT v. PPA Curve - FAS



Index Base = 100.0 - Sept 2007

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Rates

Rates rose by 10 basis points for retirees during July nudging PRT prices a bit lower. However, 12-month volatility has dampened somewhat from 12.5% to 7.3% illustrating a somewhat narrower range of movement. The upward trend in rates has stalled. Tactical strategy remains key to opportunity.

PRT Trax Index +/-	
12 mo Hi-Lo %	+/- 7.1%
YTD % Δ	+ 4.7%
3 mos % Δ	+ 1.7%
1 mo % Δ	- 1.0%

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Date	Immediate	Deferred
September 1, 2017	2.59%	2.87%
October 1, 2017	2.73%	2.99%

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