



July 1, 2016

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Cyclical Syndrome of PRT

Each year providing Pension Risk Transfer (PRT) advice at year end comes with great expectations. Often this was unfulfilled due to the market size. Things have changed.

Last month we focused on PRT as a tactical opportunity and noted how few plans acted when funded status was high versus when interest rates were better:

http://qualifiedannuity.com/newsletters/2016_6.pdf
(We introduced the concept of “liability alpha” in the form of longevity tail risk. Look for more as we expand on this subject.)

Year End Syndrome

Financially driven PRT differs from plan terminations. In the end, timing is everything - again. So a fundamental principle is:

PRT is best executed when a plan is over funded. Period.

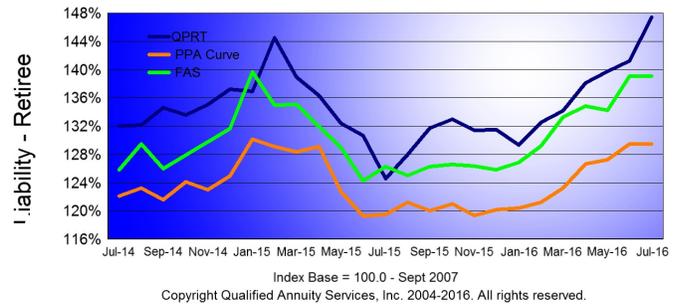
Of course, accounting settlement happens to drive shareholder views on that matter.

The Critical Clue: Easing Into the Future

It is best to be able to choose an entry point best suited for the plan - not a rate dictated by year end conditions and the force of seasonal market demand from terminations.

QAS Pension Risk Transfer 1000 Index©

Jul 2016 - Relative Price PRT v. PPA Curve - FAS



Getting There

PRT must be thought about PRT in terms of tactical execution. Hiring a PRT advisor to join the team is critical. Any such advisor should possess unique and adaptable skills equal to those found in the world forecasting with scenario outcomes. This means having the ability to understand and quantify risks with an ability to forecast scenario outcomes.

QAS Answers

For years we viewed pensions as affordable. How? **Manage the Duration.**

Retiree PRT can right size the duration of a DB plan. It extends durations of remaining liabilities - albeit not without liability “alpha”.

Talk to QAS.

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

Request more about QAS here:

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

Learn More About Custom PRT Modeling and Glide Path Capabilities.

Get Informed. Think Strategic. Act Tactical.

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Date	Immediate	Deferred
June 1, 2016	2.49%	3.13%
July 1, 2016	2.12%	2.78%