# The Pension Insider

November, 2013 - Volume 43, Edition 1

*The Pension Insider is a monthly newsletter developed for Actuaries, Third Party Administrators, Attorneys, and Consultants who work in the pension arena. The Pension Insider was created to share ideas, success stories, coming events, and industry specific articles.*

BCG Terminal Funding Company specializes in settling pension liability for terminating and ongoing pension plans.

Pension Risk Consultants

Today's Solutions for Tomorrow's Needs.

Contents



We are seeing more plan sponsors exploring options to de-risk their defined benefit plans. As we see in this article from Plansponsor.com, many plan sponsors feel they are under a lot of pressure to reduce liabilities.

## DB Plan Sponsors Proceed with De-Risking

More U.S. companies are formalizing plans to de-risk their defined benefit (DB) plans.

A survey from Towers Watson and Institutional Investor Forums indicates DB plans taking such steps are benefiting from rising interest rates and improved equity performance. In addition, employer interest in offering lump-sum buyouts to former employees remains strong, and a majority of plan sponsors with DB plans still open to new hires intend to offer a pension to all employees five years from now.

Three-fourths (75%) of respondents have implemented, are planning to, or are considering developing a formal journey plan to de-risk their DB plan. A journey plan details actions a plan sponsor will take to de-risk its pension plan once certain trigger points have been reached. Forty two percent of respondents had a journey plan in place before this year, while 8% implemented a plan during this year.

click here

## Using Pension Risk Transfer Options

PLANSPONSOR (PS) spoke with Scott Gaul, (Gaul) Senior Vice President, Head of Distribution/Pension Risk Transfer at Prudential Retirement, about how sponsors are considering using pension risk transfer (PRT) options with their DB Plans.

2012 was a game-changer for the pension buy-out market in the United States, reaching $37 billion across two large deals involving General Motors and Verizon. These deals demonstrate the need many plan sponsors have to wind down or close their DB plans, as well as the trend to move toward a defined contribution (DC) focus.

PS: What is the approximate cost of a buy-out for a plan sponsor, and how large is the buy-out market?

Prudential
click here

Rate Update
Request A Quote

Contact Us

Austin Operations Office
Patrick McLean, CPA
800-832-7742
pmclean@bcgtermfund.com

Boston Office
Michael E. Devlin, AIF
800-566-0046 ext.403
mdevlin@bcgtermfund.com

Chicago Office
Dave Rumas, FCA, EA, MAAA
219-513-9186
drumas@bcgtermfund.com

Cincinnati Office
Debbie M. Sharp, CEBS
800-566-0046, ext. 405
dsharp@bcgtermfund.com

Boise/Los Angeles Offices
Sean O'Flaherty, AIF, CRPS
800-566-0046 ext.402
sean@bcgtermfund.com

Gaul: The cost of a buy-out or a buy-in on the retiree side is roughly 110% or 111% of the liability not 130% or 140% as some purport. Whether a sponsor is ready to exit now or later, one of the key messages is to know your end-point number because the last thing you want to do is take this risk, get 130% funded and realize you needed less to exit. Plan sponsors are unable to capitalize on excess funding at termination.

The market last year was $37 billion. For the past decade, it's been $1 billion to $2 billion - risk transfer strategies were once very popular, and they are regaining popularity.

click here

BCG is in and On the Air

Be sure to check out BCG's Mike Devlin's interview on American Airlines' in-flight news channel when traveling on American during December 2013 and January 2014.

Annuity Rates

Standard Pension Closeout/Terminal Funding Case Rates

*No lump sums, no disability or unusual provisions*

Immediates - 3.55%

Deferreds - 3.95%

50/50 Split of Immediates and Deferreds - 3.75%

service@bcgtermfund.com • BCG Terminal Funding Company