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The Pension Insider

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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. Today's Solutions for Tomorrow's Needs.

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JPMAM: Pension Plan De-Risking an Impossible Dream

November 11, 2011 (PLANSPONSOR.com) – According to new research released by J.P. Morgan Asset Management, more firms are seeking to de-risk their pension plans.

The research, which was compiled by Paul Sweeting, European head of Institutional Strategy Group, finds that plan sponsors that seek de-risking pension plans entirely are "dreaming an impossible dream." Strategies such as tax arbitrage are not feasible in a low yield, low liquidity environment. Similarly, arguments in favor of de-risking, such as agency costs and "creative accounting," can actually end by increasing overall risks.

According to the white paper, de-risking has become a key feature of the pension landscape. As a result of escalating costs and increasing regulation, de-risking is seen as the ultimate aim for defined benefit pension plans, according to a recent survey from Aon Hewitt. The survey found that 78% of U.S. respondents thought it was prudent to reduce risk as funded status improved, in the U.K. 69% of respondents stated that their longer term objective was to take less or no risk in their schemes. In continental Europe, 53% of respondents stated that their long-term plan was to de-risk their pension plans and run them off, while a further 10% were targeting a buyout.

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When Does a Buy-In Make Sense?

Ongoing Plan – Use of Buy-In eliminates Asset and Liability Risk for retired population.

Closed Plan – Buy-In for Retirees now then converts to Buy-Out at plan termination.

Termination in Sight – Transact Buy-In when market conditions are favorable, then convert to Buy-Out once plan termination process is completed.

Mergers & Acquisitions – Purchasing firm acquiring firm with an underfunded pension plan. Payment of any underfunded amount is built into the deal; Buy-In is purchased; converts to Buy-Out at plan termination.

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For more information on Buy-Ins, Buy-Outs, and Plan De-Risking options – please contact Mike Devlin, Principal at 800-566-0046, x. 403 or mdevlin@bcgtermfund.com. Mr. Devlin handled the first Buy-In transaction in the U.S. Retirement Market along with Prudential Life Insurance Company in May 2011.

Defined Benefit Retirement Plans Especially Valuable to Low- and Middle-Income Workers

Baby Boomer and Generation X households that have a defined benefit (DB) pension plan accrual at retirement age are overall almost 12 percentage points less likely to be "at risk" of running short of money for basic needs and uninsured health costs in retirement, according to a new report by the nonpartisan Employee Benefit Research Institute (EBRI). The EBRI report finds that having a DB pension plan is particularly valuable for those with the

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Annuity Rates

Standard Pension Closeout/Terminal Funding Case Rates

No lump sums, no disability or unusual provisions

Immediates - 3.30%

Deferreds - 3.53%

50/50 Split of Immediates and Deferreds - 3.42%



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