From: BCG Terminal Funding Company
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Subject: The Pension Insider - September-October 2014 Edition
Date: Thursday, October 02, 2014 4:06:11 PM

The Pension Insider

September-October, 2014 - Volume 52, 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.

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40 Years of ERISA

From PLANSPONSOR.com - September 2014

The transformational law makes waves in the retirement plan industry not anticipated in 1974

Forty years ago this month, Congress passed and President Gerald Ford signed into law the Employee Retirement Income Security Act (ERISA) a law created to protect employees entitled to benefits in private-sector retirement plans and group welfare plans.

Automobile manufacturer Studebaker Corp.'s plant-closure and default on fulfilling pension benefit obligations to many of its employees leaving them just a fraction of what they had been promised, or even nothing was seen as so egregious that the "Act to provide for pension reform" (the long title of the bill) received wide bipartisan support. After coming out of the Joint Conference Committee, and having been initially passed by significant majorities, the combined legislation was agreed to by the House on August 20, 1974. The vote was 407–2; it was unanimous in the Senate two days later.

The ongoing administration and enforcement of the far-reaching law requires the involvement of the U.S. Department of Labor (DOL), the Internal Revenue Service of the Department of the Treasury (IRS), and the Pension Benefit Guaranty Corp. (PBGC). It has undergone more than four dozen changes in the past four decades. On the following pages, we look at a timeline of some of those developments (admittedly, many are not included as we had limited space) and speak to various industry insiders including one who was present at the act's signing about the importance of ERISA and its evolution.

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Why More Companies Want Pensions Off Their Books

From The Washington Post By Michael A. Fletcher July 21

Verizon has done it. General Motors has done it. And so have Ford and, recently, ketchup kingpin Heinz.

These brand-name companies have all moved part of their pension obligations off their books and into annuities run by insurance companies.

The move, called de-risking, requires companies to pay a lump sum to purchase a group annuity from an insurance company. The insurer then takes over the retirement payments, wiping troubling and erratic pension obligations off the books of the purchaser.

For retirees, the move should make no difference: Their checks come as always, assuming the insurance company that sells the annuity remains in fine financial shape.

But for the companies buying the annuities, the change offers an opportunity to shed volatile risk. That prospect has grown more appealing to companies in recent years as low interest rates and a volatile stock market have caused companies to pour billions into their pension funds to keep pace with accounting rules. The chart below shows how the funding status of pension funds has fluctuated since 1999.

Now that the stock market is roaring and interest rates are expected to increase, buying

annuities to get rid of pension obligations is becoming less expensive. That means interest in de-risking is rising. A recent survey of 182 companies by Prudential found that 53 percent of them have either transferred defined benefit pension liabilities to a third-party insurer or "are likely to" in the next two years. That is a sharp increase from a 2010 survey.
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Prudential, Motorola Seal Third Largest US Pension-Risk Transfer Deal

From Pensions & Investments September 25, 2014

Motorola Solutions has agreed to offload $3 billion in pension liabilities to Prudential.

Prudential has scored another mega pension-risk transfer deal, this time with Motorola Solutions.

The Illinois-based communication company has agreed to purchase a group annuity contract from the insurer by the end of 2014, reducing its pension obligations by $3 billion.

"We have substantially reduced the funding volatility associated with our pension plans while protecting benefits for retirees," said Gino Bonanotte, Motorola's CFO. "Our retirees' benefits are not changing, just who provides them."

On top of the Prudential deal, which affects 30,000 pensioners, Motorola is to offer lump sum payments to 32,000 deferred members, up to a limit of $1 billion. The two plans combined will halve the company's pension liabilities to $4.2 billion from $8.4 billion, Motorola said.

The transaction is expected to be completed in 2014, Prudential said, and it will assume benefit payments starting early next year.

This is the third largest US pension buyout deal and another win for the insurance giant.

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Prudential Signs Pension Transfer Agreement with Bristol-Myers Squibb

Bristol-Myers Squibb announced today it will settle $1.4 billion in pension obligations through the purchase of a group annuity contract from The Prudential Insurance Company of America.

The deal transfers liabilities and related assets for approximately 8,000 current Bristol-Myers Squibb U.S. retirees and their beneficiaries who started receiving their monthly retirement benefit payments on or before June 1, 2014.

"Prudential's pension and actuarial expertise combined with our investment capabilities and financial strength uniquely position us to execute large complex transactions that help companies reduce pension risk on their balance sheets while providing secure retirement income to their retirees," says Peggy McDonald, senior vice president and actuary, Prudential Retirement. "We believe this is an attractive business opportunity for us, and we will continue to pursue additional opportunities."

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ANNUITY RATES

Standard Pension Closeout/Terminal Funding Case Rates:
(No lump sums, no disability or unusual provisions)
Immediates - 2.75%
Deferreds - 2.80%
50/50 Split of Immediates and Deferreds - 2.75%

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