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## The Pension Insider

October, 2013 - Volume 42, 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

Corporate Pension Funded Ratio at Highest Level Since 2008

[click here](#)

Rising Interest Rates Redefine Options for Frozen DB Plans

[click here](#)

BCG Terminal Funding Co. is again named in the Top 100 by PLANADVISER for 2013

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Hear Directly from BCG's

According to recent articles in the Employee Benefit News, Pension Funded Ratio is at a high level. In addition, the rising interest rates redefine options for frozen defined benefit plans. .

### Corporate Pension Funded Ratio at Highest Level Since 2008

In September the funded status of the 100 largest corporate defined benefit pension plans improved by \$32 billion, as measured by the Milliman 100 Pension Funding Index. The deficit dropped to \$132 billion from \$164 billion at the end of August, primarily due to a robust investment gain of more than 2% during September. The PFI funded ratio increased to 91.4% from 89.3% at the end of August. Analysts report that this marked the fourth consecutive quarter of improvement in funded status.

"It looks like the good news surrounding pension funded status has returned, at least temporarily, after a slight reversal of direction in August," said John Ehrhardt, co-author of the PFI at the global consulting and actuarial firm. "The market value of assets increased by \$27 billion as a result of September's investment gain of 2.10%," Ehrhardt noted.

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### Rising Interest Rates Redefine Options for Frozen DB Plans

For nearly 30 years, institutional investors have lived within a regime of falling interest rates. In the 1980s, U.S. 10-year Treasury bond interest rates peaked at 14%. In 2012, they reached new lows, falling below 2%. On the upside, this secular trend helped fuel one of the most powerful bull markets for both stocks and bonds in history.

On the downside, it can be argued that low rates have helped fuel a cycle of booms and busts, centered on technology stocks and real estate, since the year 2000. What's certain is that falling interest rates caused the valuation of defined benefit (DB) pension plan liabilities to soar. This is simply a function of the formula used to calculate plan liabilities: Lower assumed

Client, Hickory Springs Manufacturing Company on Completing the U.S.' First Pension Buy-In Transaction with Prudential  
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interest rates result in higher liabilities. As a result, the average funded percentage of DB plans sank to a low of 70.5% during 2012,

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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.

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The PLANADVISER Top 100 Advisers is a listing of the advisers and adviser teams competing for the annual PLANSPONSOR Retirement Plan Adviser and Adviser Team of the Year awards who stand out in terms of a series of quantitative measures.

For the 2013 list, we added a new category alongside the individual and team categories: multi-office team. As for how they are defined: An individual adviser is a single adviser with one group of clients; a team is a group of two or more advisers in one office location who collectively serve one group of clients, sharing relationships and sales and using the same client support team; a multioffice team is a group of two or more advisers across multiple office locations who share support staff and follow the same guidelines and procedures to serve clients.

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#### Annuity Rates

Standard Pension Closeout/Terminal Funding Case Rates

*No lump sums, no disability or unusual provisions*

Immediates - 3.50%

Deferreds - 3.95%

50/50 Split of Immediates and Deferreds - 3.73%



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