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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.

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Today's Solutions for Tomorrow's Needs.

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Hear Directly from BCG's Client, Hickory Springs Manufacturing Company on Completing the U.S.' First Pension Buy-In Transaction with

Funded Status Raises Allocation Questions

Advisers to defined benefit (DB) retirement plans may face challenging allocation questions as the funded status of corporate pension funds improves. ---

Russell Investment's analysis in a recent paper shows an improvement of nearly 15% for a representative open plan, and 8% for a representative frozen plan. This is indeed good news, the investment manager says, and also a big change, which will likely spark some substantial changes to the asset-allocation policies of a number of plans.

Have a clearly articulated answer to the question of what the target is, advises Martin Jaugietis, managing director of liability-driven investing (LDI) solutions at Russell Investments.

A good strategy means considering several factors. First, a firm should decide what funded level it would like the plan to achieve. "Some clients want to reduce the size of the liability," Jaugietis tells PLANADVISER. This can be done by selling a portion of the liability to an insurance company. But this in turn results in the need to pay a premium. A firm might want the plan to be fully funded at 100%, or even above. Having 110% or 115% of assets relative to the liability is a possible endgame target, Jaugietis notes.

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Plan sponsors are looking for ways to minimize the PBGC premiums payable under the new laws as discussed in the article in [Planadviser.com](#)

Strategies to Address PBGC Premiums

A Sibson Consulting Compliance Alert notes that these increases are in addition to increases introduced by the 2012 Moving Ahead for Progress in the 21st Century Act (MAP-21). Since premiums do not fund plan benefits or increase a plan's funded status, plans sponsors and advisers may take steps to minimize the premiums payable, similar to taking step to avoid taxes.

Stu Lawrence, senior vice president and national retirement practice leader at Sibson in New York, says the PBGC is walking a fine line. "The agency has, by its own calculation, raised premiums because it

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has an unfunded liability," he tells PLANADVISER. "If it raises them too much, employers will start to take actions to reduce their premium base, for example, by taking actions to get folks out of the plan."

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ANNUITY RATES

Standard Pension Closeout/Terminal Funding Case Rates

No lump sums, no disability or unusual provisions

Immediates - 3.80%

Deferreds - 4.10%

50/50 Split of Immediates and Deferreds - 3.95%



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