From: BCG Terminal Funding Company [service@bcgtermfund.com]
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To: Terry McCauley
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BCG TERMINAL FUNDING CO.
Today's Solutions for Tomorrow's Needs.

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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A recent article on ***Plansponsor.com*** mentions that Towers Watson is sharing that many plan sponsors are choosing to accelerate plan contributions as a method of de-risking their pension plans, through low interest borrowing.

DB Sponsors Should Consider Borrowing to Fund Contributions

November 21, 2012 (PLANSPONSOR.com) - Choosing to accelerate plan contributions, financed through borrowing, could benefit many defined benefit (DB) plan sponsors.

A research paper from Towers Watson contends borrowing to fund can lessen the risk of near-term interest rate movements and provide more security for sponsors during the continued turbulence of global financial markets. In addition, taking action now to reduce risk exposure can alleviate some of the worry about future volatility and allow sponsors to focus more attention on their core business operations.

Many plan sponsors are looking to manage plan costs, and the idea of accelerating cash contributions may seem counterintuitive, especially with the passage of funding relief (also known as the Moving Ahead for Progress in the 21st Century Act, or MAP-21), which lowers near-term cash contribution requirements, Towers Watson concedes. However, many plan sponsors are no longer willing or able to bear annual cost volatilitycash or accounting.

De-risking actions can reduce this volatility, but often this can only be done at a point of relatively strong funded status, the report noted. As a result, sponsors have considered accelerating contributions beyond required minimum levelssourced from current resources or capital marketsto help reduce the ongoing risk exposure of the plan and increase the predictability of plan costs.

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PlanSponsor.com has a few more recent articles pertaining to

BCG's Client, Hickory Springs Manufacturing Company on Completing the U.S.' First Pension Buy-In Transaction with Prudential
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risk management considerations for plan spoonsors as follows:

5 considerations for transferring pension risk

More stringent funding requirements from the Pension Protection Act of 2006 (PPA), as well as higher pension benefit obligations (PBO) due to a low interest rate environment, have led to an increased focus on managing pension risk.

Liability-driven investing (LDI), which matches investments to liability growth, has been touted for years as a way to manage that risk, but many defined benefit (DB) plan sponsors have been looking to transfer it to other parties altogether. Pension risk transfer can take multiple forms, including plan freezes and terminations, as well as lump-sum payouts or the purchase of annuities to insure benefit payment amounts.

High profile examples of companies pursuing this strategy show the variations pension risk transfer can take. In May 2011, Hickory, North Carolina-based Hickory Springs Manufacturing Company signed on as Prudential's inaugural U.S. pension buy-in client, transferring $75 million of pension obligations to the insurance company (see "Plan Sponsors of the Year," PLANSPONSOR, March 2012). Stephen Ellis, Hickory Springs' chief financial officer, notes that there is no other investment choice 100% guaranteed to match liabilities. "We feel really good that we've maintained the culture that we take care of employees, even after retirement," he says.

In June, General Motors announced that it was offering 42,000 salaried retirees and surviving beneficiaries voluntary, single lump-sum payment options. Since then, a flurry of pension plan sponsors has been offering lump sums.

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Russell White Paper Explains Pension Risk Transfer

A white paper from Russell Investments describes pension risk transfer options and considerations for plan sponsors.

According to the report, unlike liability-driven investment strategies, which assist in managing pension plan risk, transfer options can actually trim down the plan's financial footprint on the corporation by shifting certain risks to plan participants or insurance companies. Risk transfer options vary, from the extreme option of full plan termination, to that of taking incremental steps of targeted lump sum options and annuity purchases. If plan termination is the ultimate goal, these smaller steps might simplify the termination process.

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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 - 3.00%

50/50 Split of Immediates and Deferreds - 2.87%

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