

Over the course of 2015, the regulatory and economic environment combined to change how plan sponsors may think about their Defined Benefit (DB) plans. The new environment has created additional financial and regulatory risk on top of the continued complexity of plan administration and oversight. There is good news, though: Opportunities to mitigate that risk and proactively manage your plan are available and increasingly cost-effective.

As Human Resources and Treasury personnel in your organization come together to set business objectives for 2016, here are five reasons why de-risking your pension plan should be one of your initiatives:



5 The stock market.

It's been a slow path to recovery, but market growth has finally enabled many DB plans to recoup losses from the 2008 recession. As plans become better funded, it's important to reexamine the plan investments. De-risking can help prevent dramatic losses should the market experience another downturn. It also serves as a way to *protect* the progress that's been made.



4 It isn't an all-or-nothing decision.

There are many options for de-risking, and implementation doesn't have to be complicated. Options range from simple asset allocation strategies to more complex full-plan terminations. In the middle though, many plan sponsors have found lump-sum windows and partial buyouts to be valuable approaches for "right-sizing" their pension plans. The number of strategies available increases the likelihood that there is an approach that will work well with your company's culture, financial strategy, and employee demographics.



3 Mortality rate calculations aren't changing . . . yet.

In a surprise move, the Internal Revenue Service (IRS) chose to keep mortality rates in 2016 the same as they were in 2015. This was in spite of Society of Actuaries (SOA) research suggesting that Americans are living longer. When the IRS decides to bring its mortality rate projections in line with SOA recommendations (likely to be in 2017), funding requirements will increase, and benefit restrictions may be activated. Lump-sum windows will get more expensive then, too. For plan sponsors considering a de-risking strategy, acting in advance of these changes could be a money saver.



2 Rising interest rates.

Last month the Federal Reserve announced the first interest rate increase in years. At less than a quarter of 1 percent, it is a modest start, but it is also the beginning of good news for DB plan sponsors. Increased interest rate projections mean improved plan funding. Much like increased stock market returns, higher interest rates make for healthier DB plans. Monitoring your plan's improved health and being ready to act once interest rates reach the desired level allows you to settle plan obligations quicker and at a lower cost.



1 Industry trends.

"Everyone else is doing it," wasn't a great rationale when we were kids, but as adults, working in an environment where precedent matters, it's a serious consideration. The de-risking of DB plans has become increasingly common. That makes for increasingly standardized procedures, better pricing from providers and easier communication with employees. If you choose to simplify your plan in 2016, there is an established game plan for how to do it.

When few people have saved enough to retire when and how they want, offering a retirement benefit is incredibly important. However, it doesn't have to be incredibly complex. If you'd like to discuss strategies to simplify and reduce risk in your organization's DB plan, contact your Lockton service representative today.

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