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Recent Presentation

Viewing pension plans as part of the overall corporate finance framework is central to managing pension plans in today's environment. Dan gave a presentation at a recent actuarial conference on this very topic. For a copy of the presentation, please email maureen@cassidyretirement.com.

CRG Retirement Plan Update - DB and DC Plans

Recent Guidance

- **October 27 (DB):** U.S. House Representatives Earl Pomeroy (D-North Dakota) and Pat Tiberi (R-Ohio) introduced a pension funding relief bill titled the "Preserve Benefits and Jobs Act of 2009". Key provisions for single employer plans include: (1) extension of amortization periods for recent losses (including so-called "maintenance of effort" provisions), (2) widening of the asset averaging corridor around market value from 10% to 20%, (3) permission to lookback to the funded status for the 2008 plan year for the determination of benefit accrual freezes for the 2009 and 2010 plan years, (4) permission to lookback to the funded status for the 2008 plan year for the determination of whether funding balances may be used to offset minimum contribution requirements for the 2009 and 2010 plan years, (5) clarification that investment-related expenses are excluded from "plan-related expenses" in a plan's target normal cost, and (6) modified reporting rules under ERISA §4010. The bill contains other provisions, as well as relief targeted for multiemployer plans. While the preservation of jobs is cited as the impetus for such funding relief, the bill will need to be reconciled with any forthcoming Senate version, which may add other provisions, and the timetable for ultimate passage is unknown at this time.
- **October 27 (DB):** The PBGC announced the maximum insurance benefit for participants in an underfunded pension plan which terminated in 2010: \$54,000 per year for those participants retiring at age 65. This amount is unchanged from the 2009 level.
- **November 10 (DB):** The IRS/Treasury released Announcement 2009-82 which provides relief for statutory hybrid plans (e.g., cash balance plans) and guidance on the timing of plan amendments addressing interest crediting rates not being in excess of "permissible market rates of return." The Announcement states that proposed and final regulations related to hybrid plans are expected in the "near future" and, once issued, a plan amendment that brings the interest crediting rates into compliance will not result in a impermissible cutback under §411(d)(6). In

addition, the Announcement indicates that final regulations regarding permissible market rates of return will not be effective before "the first plan year that begins on or after January 1, 2011."

For a list of past guidance, please click [here](#).

Looking Ahead

- **December 1 (DC):** The special notice (to participants) of intent to use a safe-harbor formula for calendar year 2010 plans is due.
- **December 15 (DC):** Due date for the Summary Annual Report (SAR) for plan year 2008 (for calendar-year plans that were granted an extension of time to file the Form 5500).

Market Summary - Total Returns Through November 12, 2009

Year-to-date and one-year returns for key market indexes are summarized below:

	Dow Jones Industrial Average	Standard & Poor's 500 Index	Russell 2000 Index	MSCI EAFE International Equity Index	Barclays Capital Aggregate Index
Year-to-date	16.2%	20.4%	16.2%	27.8%	6.4%
Last 12 Months	15.4%	19.3%	18.1%	37.7%	11.6%

Source: The Wall Street Journal

Defined Benefit Plans - Liability Returns

The return on assets in a pension trust is clearly a key driver of the funded status of a pension plan. However, pension liability values can also fluctuate significantly with changes in market interest rates. In essence, pension liabilities carry their own market returns. Plan sponsors should therefore focus on the *net* impact of changes in assets and liabilities on a plan's funded status. The following table provides the estimated return on pension plan liabilities as of October 31, 2009 as calculated by Ryan Labs, Inc. (used with permission):

	Ryan Labs, Inc. PPA Liability Index (Funding)	Ryan Labs, Inc. FAS 158 Liability Index (Accounting)
Qtr through 10/31/2009	1.0%	1.1%
Year-to-Date	17.2%	13.7%
Last 12 Months	50.4%	47.6%

Source: Ryan Labs, Inc.

Ryan Labs, Inc. Asset Management specializes in managing custom fixed income portfolios for pension plans and institutional clients. For more information on Ryan Labs, please visit <http://www.ryanlabs.com>, or call 800-321-2301.

Defined Benefit Plans - Key Interest Rates

- **IRC §430 Corporate Bond Yield Curve (DB Funding):** For a graph showing the year-to-date and 12-month change in the yield curve as of October 2009, please click [here](#). (Note that, in light of the IRS/Treasury guidance released on March 31, 2009, we have included the October 2008 spot rates on this graph.)
- **IRC §417(e)(3) Lump Sum Rates (DB Plans):** For a graph showing the year-to-date and 12-month change in lump sum interest rates as of October 2009, including rates for the 2010 plan year, please click [here](#).

Resources

For more information on Cassidy Retirement Group, please visit www.cassidyretirement.com.