

Publications

# “De-Risking” Strategies Still Making Headlines

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Employers who sponsor defined benefit pension plans are currently considering various approaches to de-risk (reduce or eliminate) some or all of the plans liability for benefits to participants. The focus on de-risking arises primarily from increased longevity of participants and volatility in investment returns, which create risks that the plans assets will fall short of its liabilities. To the extent that plan liabilities can be discharged early, these risks are eliminated.

Two popular methods of de-risking, purchase of annuities without terminating the plan and lump-sum cashout windows for former participants, have been making headlines recently: (1) the federal court in Texas issued a favorable ruling in support of Verizons purchase of annuities to provide for the pension benefits; and (2) the Internal Revenue Service has issued another line of private letter rulings permitting lump-sum cashout windows for retirees. Please see the attached article for further information.

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