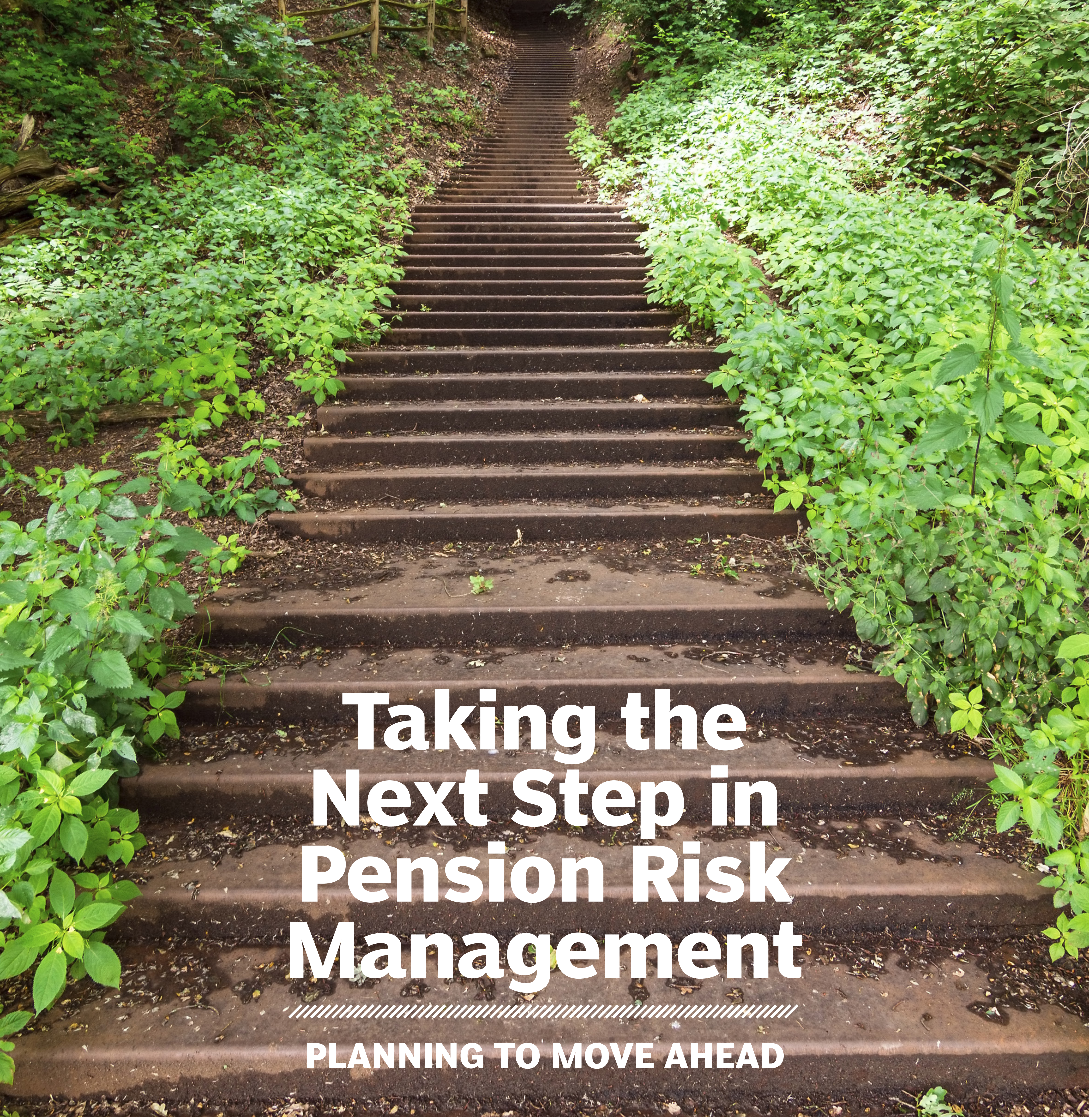

# Taking the Next Step in Pension Risk Management

## PLANNING TO MOVE AHEAD

A report prepared by CFO Research
in collaboration with Mercer

CFO research

MERCER

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# Research Sponsor's Perspective

## MERCER'S SUMMARY OF HIGHLIGHTS FROM THE RECENT STUDY CONDUCTED BY CFO RESEARCH AND SPONSORED BY MERCER

Since our 2013 survey, we have seen plan sponsors move from talking about their de-risking plans to taking action. Plan sponsors are committed to managing risk and mitigating funded status volatility—many of the trends to reduce pension risk identified in our 2013 survey have continued or accelerated. Lump-sum cashout and buyout activity has been evident since 2013 as more sponsors look to reduce their pension obligations.

During 2013, most plan sponsors saw funded status improve considerably with rising interest rates and strong equity returns. Yet in 2014, this trend reversed, and the aggregate funded status for the S&P 1500 fell from 88% to 79% through the calendar year. However, sponsors who took risk management steps to lock in the funded status gains from 2013 fared much better than those who did not.

In late 2014, reported pension plan funded status took another step back as the Society of Actuaries (SOA) updated its mortality assumptions to reflect increasing longevity. Many sponsors' plan liabilities increased by 5%–10% due to these new assumptions, but others were able to mitigate this increase by assessing how the characteristics of their population (for example, industry) might affect expected mortality:

- Our survey shows a high percentage of sponsors (37%) chose to adopt the new SOA mortality assumptions.[1]
- A significant number (31%) adopted alternative assumptions more appropriate for their plan.
- The new mortality tables affected broader pension risk management policy—they were the strongest influencing factor for sponsors considering modifications to pension funding policies and practices in the next two years.

We would note that the **Mercer Industry Longevity Experience Study (MILES)** can be a valuable resource for many sponsors seeking industry-specific mortality assumptions appropriate for their situation.

### Risk reduction

Over several years, we have witnessed the evolution of dynamic de-risking—from breakthrough concept to widespread strategy for pension risk management. We continue to see interest in dynamic de-risking strategies that systematically reduce risk as funded status improves, and sponsors that had taken steps to de-risk their pension plans prior to 2014 have reaped significant rewards:

- In 2015, over 80% of sponsors report that they either have implemented a dynamic de-risking strategy, or are currently considering one for their plan.
- Those that have already implemented dynamic de-risking are almost universally satisfied with the outcome (88%).

After years of sponsors looking to minimize cash contributions at every turn, this year's survey reports a majority of sponsors are increasing discretionary contributions:

- Seven in ten (70%) indicate they are funding more than the minimum required.
- Many sponsors are taking advantage of low interest rates and borrowing to fund the plan—improving funded status and reducing PBGC premiums. Normalized survey results show that more than 30% have implemented or plan to implement such a strategy, and an additional 12% are actively evaluating one.

[1]Where relevant, survey results have been normalized by excluding "don't know" responses.

Aside from dynamic de-risking, our respondents are undertaking further investment activities to manage pension risk. Our 2015 survey shows liability-driven investment (LDI) strategies remain popular: 60% of sponsors are likely or very likely to increase allocations to fixed-income investments, and 61% are likely or very likely to adjust the duration of fixed-income investments to hedge plan liabilities.

### Risk Transfer

Another notable development in the marketplace has been the interest in pension risk transfer transactions through either lump-sum cashouts to participants or annuity buyouts to an insurer.

- Nearly six out of ten sponsors (59%) have offered some type of one-time lump-sum payment to vested DB plan participants. Forty-nine percent are likely or very likely to offer some form of lump-sum risk transfer in 2015 or 2016.
- Annuity purchase has gained interest, with recent high-profile transactions and many smaller buyout deals over the past two years. This trend seems set to intensify, with 36% of those surveyed likely or very likely to take this action in 2015 or 2016.

However, many sponsors are still sitting on the sidelines, with funded status, interest rates, and cash implications cited as the largest deterrents. With 42% of respondents indicating current interest rate levels are likely to prevent the purchase of an annuity, an increase in rates could result in a rapid increase in demand for buyouts, leaving many plan sponsors unprepared to make the most of attractive prices. Sponsors that are prepared in advance to transact are likely to secure the best outcomes for their organization and plan participants.

We also notice that there is a misconception among plan sponsors of the cost of a retiree buyout, with most respondents potentially overestimating the costs. With the increase in projected benefit obligation (PBO) due to the new mortality tables, we have seen a relative reduction in the premium paid to insurers, indicated by the Mercer Pension Buyout Index. Buyout costs are now approximately only 105% of the PBO, with final settlement costs often coming in closer to or even below 100%.

### Mercer's Expertise

Mercer creates sustainable retirement programs that engage the workforce and protect business financial health.

Mercer is the advisor of choice for all aspects of pension risk. We provide strategic guidance and consulting across the full spectrum of pension risk from risk management and mitigation, via plan design and investment implementation, through to risk transfer and termination. Mercer's leadership and expertise in global pension risk management make us the first choice for your pension plan—regardless of where you are in your risk management journey.

# How Pension Plans Have Weathered a "Perfect Storm"

Finance executives at large U.S. companies with DB plans have been sorting through the options available to them to control the impact of pensions on their balance sheets.

Roger Roux, CFO of Rady Children's Hospital and Health Center in San Diego, describes the questions that he fields from rating agencies about the company's defined benefit (DB) plan during their annual reviews. "It is always a topic," he says. "It's, 'How well is your plan funded? What are you doing about it? What do you see as the future of it?' It absolutely is on their minds."

These days, those same questions are also on the minds of finance executives responsible for their companies' DB plans. Especially over the past two years, as funded status bounced up and then tumbled back down, finance executives at large U.S. companies with DB plans have been sorting through the options available to them to control the impact of pensions on their balance sheets.

The good news is that most plan sponsors are very pleased with the outcomes of the options they've implemented so far, and many plan on continuing down the same path. They've taken a series of carefully considered and carefully timed actions to help maneuver their plans into a position where they can have maximum impact with minimum expense. As Don Suray, treasurer for Noranda Aluminum, notes, "Our whole focus right now is to invest in a way that will give us an optimal return on the assets in order to minimize contributions."

In April of 2015, CFO Research, in conjunction with Mercer LLC, carried out a study to gauge the current outlook on risk management for large DB plans. Conducted through an online survey among finance executives at U.S. companies with DB plan assets of more than $100 million, and supplemented with ten interviews with senior finance executives, the current program follows on similar studies CFO Research and Mercer first conducted in 2011, and then again in 2013.

In the 2013 survey, a little more than half of the respondents said that they were planning on exploring a number of options for better managing risk in their DB plans. At the time, plan sponsors expected to be able to build on the improvements in funded status their companies had made, locking in gains, for example, by shifting more assets into fixed-income, longer-duration investments.

However, in 2014 many companies discovered that they could lose ground just as quickly as they had gained it. According to Mercer's tracking of the funded status of the S&P 1500, the total funding deficit in 2014 ballooned back to its 2012 level, and the aggregate funding level of pension plans sponsored by S&P 1500 companies sank to 79% by year end, a decline of 9 points from the previous year.[1]

Ken Dale, SVP and CFO for Associated Press, describes the "perfect storm" of pressures, as he puts it, that bore down on his company's DB plan. "First, the market turmoil adversely affected our asset balances," he says. "Second, lower interest rates, as a consequence of the economic conditions, increased our liability balance. And a third factor was that we had an economic fallout within our industry, with some revenue contraction happening at the same time."

Add to this mix the need to factor in new mortality standards threatening to lower funded levels even more, and it's not very difficult to understand how the confluence of all these forces could turn a well-funded plan into an underfunded one, requiring additional infusions of cash or other measures to shore up funded status.

Ralph Balestriere, EVP and CFO of Red Wing Shoe Co., Inc., provides a case example: "Back before the recession, we were 100 percent funded. Then, interest rates remained low and the market didn't perform. At the time, we were heavy into equities—at one point we were 70/30 equity—so our funded status declined significantly, which forced the company to infuse a significant amount of cash in order to retain an 80% funded status, required by our company's bylaws. And now, with the mortality rates changing last year and inflating liabilities some more, along with low interest rates, we remain underfunded at 80%."

Upturns in both equity markets and interest rates helped the aggregate funded status for the S&P 1500 rebound to 84% in June 2015, according to Mercer calculations. Still, this kind of volatility helps explain a growing acknowledgement of the importance of dynamic de-risking—asset allocation strategies designed to lock in gains as they occur and protect funded status improvements. Taking the long view, then, it is little surprise that this year's research shows companies have taken steps to trim what liabilities they can from their balance sheets while still safeguarding their employees' financial well-being.

Companies have taken steps to trim what liabilities they can from their balance sheets while still safeguarding their employees' financial well-being.

[1] http://www.mercer.com/content/mercer/global/all/en/newsroom/SP-1500-pension-funded-status-declines-in-2014-as-low-interest-rates-and-new-mortality-tables-overpower-positive-asset-returns.html

# Dealing with Bumps in the Road

Survey respondents point to changes in mortality assumptions as the factor most likely to influence pension funding policies and practices.

Roger Roux at Rady Children's Hospital sums up his main concern: "Our actuary has a preliminary estimate that our expense will nearly double next year. That's a pretty significant part of our operating income. And there are two factors causing that expense to increase. One is the continued decrease in interest rates. The other factor that's new this year is the mortality table that the Society of Actuaries put out."

Survey respondents echo these concerns. For example, a VP of finance at a nonprofit with a funded ratio of less than 70% writes, "Historically, the investment performance of our DB plan more than covered the growth in the pension liability. However, the aging of our workforce, along with the increase in pension liability and coupled with low discount rates, have all resulted in a significant shift to require annual funding that takes resources away from our operations."

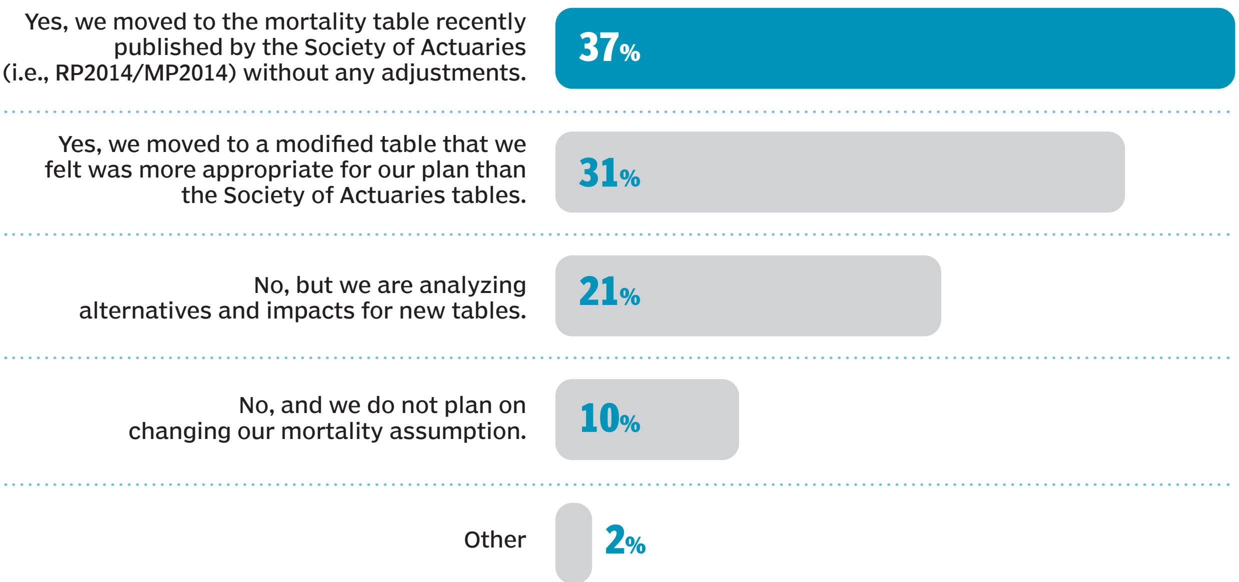
Stubbornly low interest rates certainly influence the choices companies are making. Mike Ray, CFO and Treasurer of California Casualty, says, "We're funding well over the minimum required. Cash has rarely been a problem for our organization, so it wasn't a strain on the balance sheet. [But] the decline in interest rates has created huge actuarial losses, and the problem is you can't put enough cash in to make the pension expense decline materially."

Overall, though, survey respondents point to changes in mortality assumptions as the factor most likely

### Figure 1

**Some plan sponsors have moved to the new mortality tables without accounting for workforce demographics—potentially taking on more of an increase in liabilities than may be necessary.**

Did your company change its mortality assumption at your most recent year-end disclosure?




*Percentage of respondents*
*Note: Normalized by excluding "Don't know"*
*Percentages may not total 100%, due to rounding*

to influence pension funding policies and practices over the next two years. Roux comments wryly, "The good news is that we're all living longer. But the bad news is that we're all living longer." The bad news for pension plans, of course, is that companies will be paying pension benefits to retirees for longer than the historical actuarial tables have estimated. "That brings on a significant increase to the liability," says Roux, "and to the expense."

In fact, some companies may be taking on more of an increase than they need to. Thirty-seven percent of this year's respondents say that they have moved to the new mortality table published by the Society of Actuaries without making any adjustments. (See Figure 1.) If the demographics of their own workforce differ from the SOA assumptions, they run the risk of incurring a sizable uptick in the calculation of pension liabilities that may not be entirely warranted.

Regardless of how the liabilities are calculated, employees are expected to live longer, and the increase in projected liabilities also increases pressure to reduce or transfer that obligation. "It's very expensive to hedge mortality," notes Gloria Griesinger, who is Assistant Treasurer – Global Treasury and Pensions, for Cummins Inc., the manufacturer of engines and power generation equipment. Consequently, Griesinger points to lump-sum payouts as one way to help manage the expense.

Some companies may be taking on more of an increase in recalculated pension liabilities than they need to.

# Smoothing the Glide Path

Disciplined adherence to a glide path can help a company weather the storm.

Mike Ray at California Casualty raises a central question: "How do we insulate ourselves with asset allocation to protect ourselves from volatility in expense and unanticipated cash contributions in the future?"

Disciplined adherence to a glide path—that is, automatically reallocating assets to more stable investments as funded status reaches predetermined levels—can help companies weather the storm. In this year's survey, a senior benefits executive at a privately held company writes, "Moving to an LDI [liability-driven investment] approach to investment has allowed us to concentrate on funding over a specific timeframe rather than being whipsawed by asset returns. We now have a target date to fully fund the plan."

In this year's survey, about eight in ten respondents either already have a dynamic de-risking strategy in place (42%) or are considering one (39%). While dynamic de-risking is still less than a decade old, it appears to have established itself as the strategy of choice for dampening volatility of funded status movements in pension portfolios. For example, says Mike Ray, "As we increase our duration allocation and do better at asset liability matching, we will hedge against the volatility spikes that we've seen. We won't have that year where pension expense is $4 million, and the next year it's $13 million."

Douglas Stenske, VP, Treasury and Risk Management at Rockwell Collins, writes in with an added benefit: "We believe that implementation of a 'glide path' investment strategy is a prudent approach for reducing plan interest rate risk over time. By predefining funded status 'triggers' for increasing the allocation to fixed income assets, emotion is removed from the asset allocation decision."

# Taking Action, Step by Step

Plan sponsors appear firmly committed to improving funded status through holistic strategies.

However, a single strategy simply may not be enough to cope with the complex web of forces—regulatory, economic, and competitive—that interact to determine the adequacy of a company's DB plan. And, in fact, our research shows many companies taking a staged approach to plan management, carving out segments of plan participants to address separately or setting intermediate goals on their path towards equilibrium.

Among survey respondents, 22% have already closed plans to new hires, most typically substituting a defined contribution plan as a retirement offering. One-quarter (26%) have gone even further, either partially (10%) or completely (16%) freezing their plans in order to "get ourselves on sounder footing," as AP's Ken Dale says of the company's own freeze. Looking ahead, a third of the respondents (34%) report that they are likely to close DB plans to new hires within the next two years, and 28% say they are likely to implement a full "hard" freeze.

In addition, plan sponsors appear firmly committed to improving funded status. Approximately 70% of the respondents report that their companies fund beyond the minimum required contribution. Approximately half of the respondents are working either to fully fund their plans sooner than required (24%), or to fund beyond the minimum when necessary to reach certain funded status thresholds (25%), such as to avoid benefit restrictions. Another 21% use alternative strategies to accelerate funding. (See Figure 2.)

The totality of a company's goals—financial performance, working capital management, and strategic objectives, in addition to funded status and pension risk management—informs the decisions on contribution levels. So, for instance, Don Suray at Noranda Aluminum explains, "We want to contribute the minimum amount to our DB plan because liquidity in cash flows in the aluminum industry is at a premium right now. ... A lot of what has driven our decision making in recent years has been cash constraints and increasing capital expenditures. We think it's better for everybody involved, including employees who are affected by these retirement plans, for us to be investing in plant, property, and equipment. We are stepping up our efforts right now to modernize our facilities and improve efficiencies and productivity, all to make us a better aluminum producer."

In three or four years, Suray says, after it completes the capital expenditure program, the company will once again be throwing off more cash and may well reconsider DB contribution levels.

AP is taking another tack, and for different reasons. Ken Dale says, "As we have excess cash, we're going to keep putting money in, even beyond the required minimums. In that way, we safeguard the promise made to employees, still maintain our financial footing, and get that legacy liability behind us. When we reach that point, then the company and the employees won't have to worry about it."

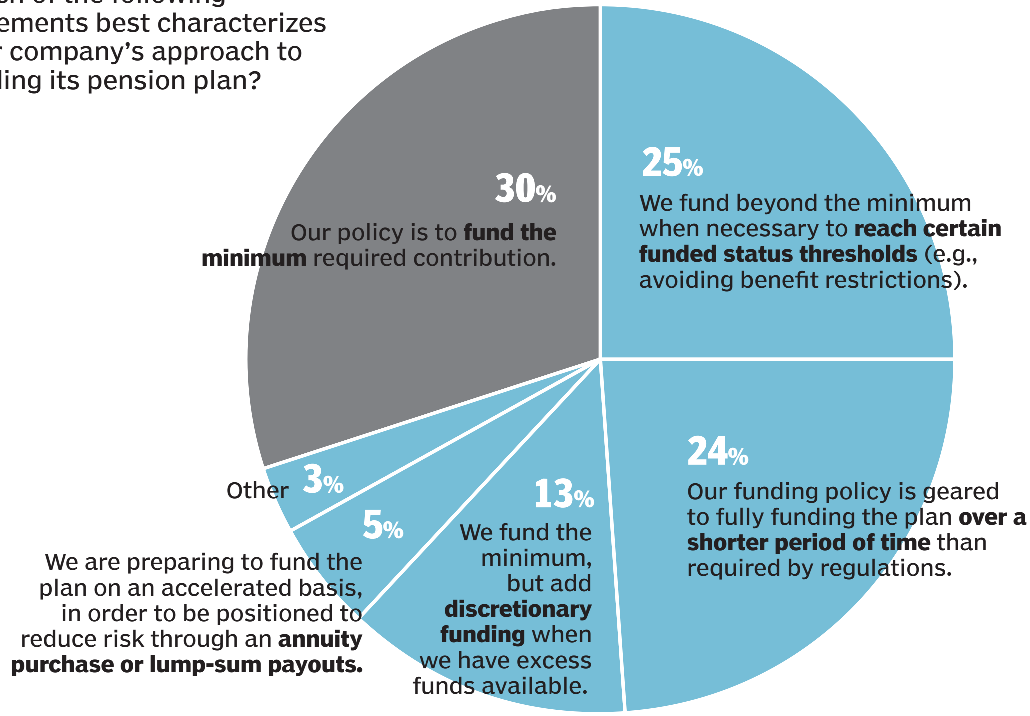
As the treasurer of a large health insurer notes, "The bottom line has to be, does it make sense for your company—not somebody else's company."

The totality of a company's goals informs the decisions on contribution levels.

**Figure 2**

**A majority of companies surveyed expect to fund their pension plans beyond the minimum required.**

Which of the following statements best characterizes your company's approach to funding its pension plan?




*Percentage of respondents*

# Full Speed Ahead with Pension Risk Management

Finance executives are nearly universally satisfied with the outcomes of de-risking actions their companies have taken to date.

For most companies participating in the research, respondents believe the actions they've taken to date do, indeed, make sense. At companies that have already taken some kind of action to manage pension risk, respondents are nearly universally satisfied with the outcomes, regardless of the action. (See Figure 3.)

In general, action is usually preferable to inaction—but for this set of finance executives, it appears that they have been taking the right actions, as well. Accordingly, for most of the actions listed, approximately six out of ten respondents expect their companies will take additional risk-management actions in 2015 or 2016. (See Figure 3.) The survey results indicate that companies are most likely to continue in the direction they have already started.

Cummins' Gloria Griesinger is one of those who is satisfied with the de-risking the company has been undertaking. When the company first implemented its LDI strategy about seven years ago, Griesinger points out, "Everyone said, 'Oh, your timing is poor. Why don't you wait because interest rates are going to go back up.'" But, she cautions, "You never know when the right time is. You have to view it from a corporate finance perspective as well—it's like hedging currency or hedging interest rates on your corporate debt. You go ahead and hedge because you don't want the volatility."

With between 60% and 65% of its assets in fixed income, she says, they are hedging about 100% of their liability, and they are now 119% funded on an accounting basis and better on a funding basis. "The best way to describe it is we're now in maintenance mode," she says. "We have gotten over that hump, and it's really a milestone for the company when we did that. The decisions that we make now are tweaking around the edges."

Tom Kaczynski, VP and Treasurer for The Goodyear Tire & Rubber Company, is of the same mind. "Our focus is on building tires, not on predicting rates," he says. "Our funding action was based on our strategy to eliminate volatility in our cash flow, so we didn't take a position on movement in the discount rate. In fact, rates actually decreased after we funded."

The payoffs for achieving these kinds of goals often can extend beyond plan management itself and contribute substantively to the business. Griesinger goes on to say, "Getting our pension plan in a good funded position has contributed to an improvement in our credit ratings. When I started at Cummins in 2005, we were not investment grade. Today we're A+ with Standard & Poor's. That's a big difference, and a lot of it is because our balance sheet is so good, and a big piece of our balance sheet was the pension liability. The LDI strategy has saved the company at least $380 million in pension funding over the last five years."

The payoffs from de-risking and improving funded status often can extend beyond plan management and contribute substantively to the business.

**Figure 3**

**Finance executives believe that actions taken to reduce pension risk have been and will continue to be successful in the future.**

To the extent that you have implemented any of the following investment-related actions for managing pension risk, how satisfied are you with the outcome so far? How likely are you to implement or increase each action in 2015 or 2016?

| Action | Satisfied or very satisfied with outcome | Likely or very likely to employ over next two years |
|---|---|---|
| Employ dynamic de-risking or glide path strategies (i.e., lowering risk as funded status improves) | **88%** | **64%** |
| Increase allocations to fixed-income investments | **87%** | **60%** |
| Adjust the duration of fixed-income investments to hedge plan liabilities | **86%** | **61%** |
| Make greater use of synthetic financial instruments and derivatives to limit risk | **83%** | **45%** |

*Percentage of respondents*
*Note: Normalized by excluding "Don't know/Have not implemented" or "Don't know/Does not apply"*

# Trimming Liability Exposure with Lump-Sum Distributions

Companies that have offered lump-sum payouts typically are satisfied with the outcomes.

Given the uptake in lump-sum payouts seen in recent years, many companies have positioned themselves to take advantage of this opportunity to reduce pension liabilities. Lump-sum payments have become fairly common as a way to reduce future pension obligations: 59% of the respondents report that their companies have offered or are planning for one or more kinds of lump-sum payment either for terminated vested employees, for retirees, or for active employees by amending plans to allow lump-sum payments.

This trend seems set to continue, with 49% of respondents saying their companies are likely to employ some form of lump-sum payout over the next two years. (See Figure 4.)

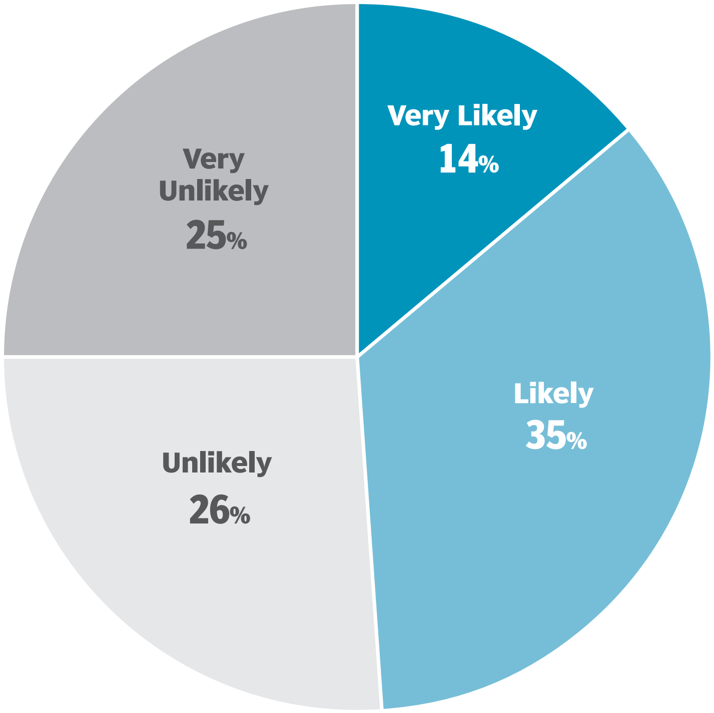
Companies that have offered lump sums are nearly universally satisfied with the outcomes, with 87% of those having an opinion reporting that their companies were either satisfied or very satisfied with the result. (See Figure 5.) Companies that have already offered lump sums are also more likely to say they are considering offering a lump-sum payment either this year or next.

Gary Crowe, SVP and CFO at Ricoh Americas Corporation, provides an example from his company: "We targeted ex-employees with balances under $80,000 in value with an opportunity to cash out of our plan. This was very well received by the employees. The lump sum program has helped us manage the increasing PBGC premiums that were coming up, as well as the possible changes to actuarial tables."

### Figure 4

**Nearly five out of ten finance executives say they are likely to consider lump-sum offerings in the near term.**

How likely do you think it is that your company will take some form of lump-sum-based risk transfer action in 2015 or 2016?

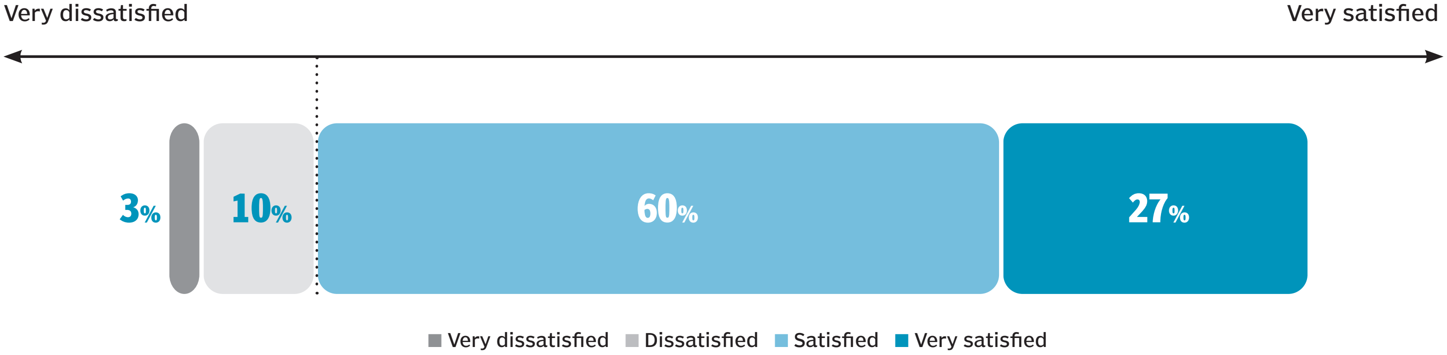



*Percentage of respondents*
*Note: Normalized by excluding "Don't know"*

### Figure 5

**Companies' experiences with lump-sum offerings have been very positive, and 87% are satisfied with their results.**

If your company has offered a one-time lump-sum payment, how satisfied was it with the result?




*Percentage of respondents*
*Note: Normalized by excluding "Have not offered" and "Don't know"*

# Looking Forward: Making the Move to Annuities

The time for a fresh look at annuity transfers may well be coming.

The case for annuities appears to be viewed differently from lump-sum payouts by the finance executives participating in this research. Several interviewees commented on the perceived expense of an annuity, typically saying that the time wasn't right to look into it. And in the survey, cash implications (44%) and current low interest rates (42%) are the two factors cited most often as likely to prevent the purchase of an annuity. A majority of respondents (59%) also still perceive annuities as expensive—that is, amounting to 110% or more of PBO (pension benefit obligations held on a company's balance sheet)—although Mercer's latest calculations of annuity expense indicate that the cost for a retiree group is now closer to 105% of PBO.[2] Mercer attributes the observed reduction in the annuity premium to PBO increases caused by new mortality assumptions, rather than absolute reductions in prices quoted.

Regardless of the perceptions of cost, however, approximately a third of this year's respondents (36%) believe their companies are likely or very likely to purchase an annuity sometime in 2015 or 2016. (See Figure 6.) This could indicate growing interest in the opportunity to take a significant portion of a company's pension liabilities completely off its books.

[2] Mercer Pension Buyout Index

For example, one finance executive writes in the survey that the most effective thing his company could do would be to "increase the funded status as quickly as possible in order to buy an annuity and remove assets and liabilities from financial statements."

Red Wing Shoes' Balestriere agrees. He says, "One hundred or 110 percent funding would be our goal, and then our plan would be to annuitize. We're not in the pension business, after all. It's something we'd like to put aside and have it guaranteed to our pensioners, and our company and our employees could benefit alike."

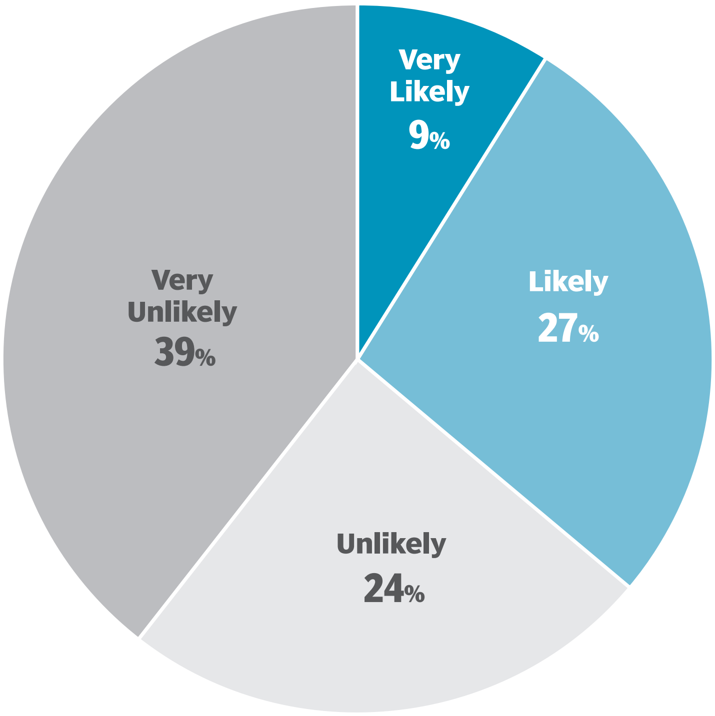
Gary Crowe from Ricoh Americas also says, "The next step to consider is looking at providing annuities in lieu of staying with the traditional defined benefit structure." But he continues, "Right now we would need to commit a significant amount of cash to do something along that line. We will continue to periodically evaluate the annuity option, monitoring key factors such as interest rates, cost to run the pension plans, cash requirements, and offerings from annuity providers."

The time for a fresh look may well be coming. Conditions are changing, considering the size of the liabilities now appearing on a company's balance sheet from pension obligations, the increased costs of running a plan, and increasingly competitive offers from the insurance market. If this year's survey results are an indication, buyout activity through 2016 may have the potential to strain the capacity of the insurance market. Sponsors who are not prepared to move quickly when interest rates rise may run the risk of being shut out of the most attractive pricing. Companies that put in the work now will be prepared to strike when the iron eventually heats up.

**Figure 6**

**Approximately a third of finance executives in the survey now say they are considering annuity transfers.**

How likely do you think it is that your company will transfer some or all risk from its DB plan through the purchase of an annuity in 2015 or 2016?




*Percentage of respondents*
*Note: Normalized by excluding "Don't know"*

# Understanding Options and Preparing for the Future


Many companies are likely to continue to build on the successes they have achieved to date.

Overall, the finance executives participating in this year's research exhibit a determination to continue making steady and measured progress toward greater stability and certainty in pension planning. They have taken a variety of steps already, such as employing dynamic de-risking strategies, increasing allocations to fixed-income investments, and managing balance sheet liabilities through staged offerings of lump-sum distributions. And by far the largest proportion of those who have taken these steps report that they are pleased with their outcomes.

Survey results suggest that many companies are likely to continue to build on the successes they have achieved to date. They recognize the importance of keeping the end state in view while continuing to adapt their pension planning to changing factors (such as revised mortality tables)—or, in some cases, to the absence of anticipated changes (such as interest rates remaining lower than expected).

They are also looking forward to the next stages of pension planning, and starting to evaluate when conditions and timing might be right for other options, such as annuity transfers. As Mike Ray from California Casualty points out: "It's now time to educate ourselves and find out what's out there to help us mitigate the risk in the long term."

Or, in the words of Cummins' Gloria Griesinger, now is the time to develop "a truly long-term strategy—a commitment to reduce volatility, reduce the company's sensitivity to interest rates, and immunize us from the changes [taking place around us]." As the current survey shows, other finance executives are working to get their companies ready to make that same kind of commitment.

# About This Report

In April 2015, CFO Research, in conjunction with Mercer LLC, surveyed senior finance executives at U.S. companies. These executives were asked about their companies' progress in defined benefit (DB) plan management and their outlook for the path forward. This research follows on similar studies sponsored by Mercer in 2011 and 2013. For this year's study, we collected 213 qualified responses to the survey, from finance executives employed at companies and nonprofit organizations with defined benefit plans that had $100 million or more in assets. We also conducted an interview program with 10 senior finance executives at large North American companies with DB plans.

Survey respondents work for companies in a broad range of company segments, as follows:

**DB plan assets**

| | |
|---|---|
| $1000M-$500M | 35% |
| $500M-$1B | 26% |
| $1B-$5B | 24% |
| $5B-$10B | 9% |
| More than $10B | 6% |

**Annual revenue**

| | |
|---|---|
| Less than $100M | 6% |
| $100M-$500M | 16% |
| $500M-$1B | 19% |
| $1B-$5B | 30% |
| $5B-$10B | 10% |
| More than $10B | 19% |

**Ownership structure**

| | |
|---|---|
| Publicly traded U.S. company | 48% |
| Privately held U.S. company | 26% |
| U.S. subsidiary of a foreign corporate parent | 8% |
| Nonprofit organization (other than government) | 16% |
| Other | 2% |

**Titles**

| | |
|---|---|
| Chief financial officer | 27% |
| VP of finance | 21% |
| Senior benefits manager or director | 11% |
| Director of finance | 9% |
| Controller | 8% |
| EVP or SVP of finance | 8% |
| Treasurer | 6% |
| Senior risk officer | 3% |
| Other senior finance or benefits title | 6% |
| Other | 2% |

Note: Percentages may not total 100 percent, due to rounding.

Respondents work for companies in nearly every industry, with the largest segments representing financial services (including real estate) (23%), insurance (12%), chemicals/energy/utilities (11%), and health care (9%).

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