



Pension Risk Transfer Monitor

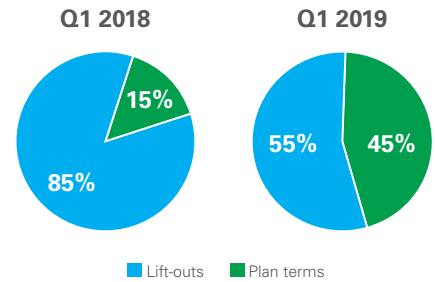
April 2019

Market update

The first quarter of 2019 has been an active one for the Pension Risk Transfer (“PRT”) market. We’ve seen an approximately 14% increase in the number of deals we’ve received for consideration compared to the first quarter of 2018, though a slight decrease in total premium compared to last year.

As we anticipated, plan terminations have been at the forefront of the deals we’ve received thus far, which is likely due to well hedged plans continuing to improve funding. Compared to Q1 2018, we’ve seen an increase in Request for Proposals for plan terminations in Q1 2019 by both count and, as shown to the right, by premium size.

Lift-outs vs Plan Terms*
(by premium size)



Hot topic - retiree lump sums

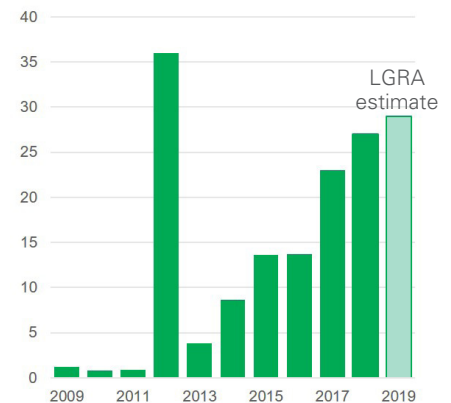
The US Treasury Department and Internal Revenue Service released a notice in March (Notice 2019-18) that suggests it would again permit plan sponsors to offer in-pay retirees and beneficiaries under a qualified defined benefit plan a lump sum instead of future annuity payments. This is a retraction of a 2015 notice in which the government announced it was considering making regulatory amendments to prohibit retiree lump-sum offerings.

From an insurer standpoint, retiree lump sum offers will need to be considered when pricing a group annuity contract. Our Head of Pricing, Joe Cella, discusses the effects this may have on future PRT transactions:

“Offering lump sums to retirees, especially those with a retirement date that has long passed, raises concerns about the level and variability of the expected longevity of those remaining in the Plan. This could particularly impact large pension plans planning a PRT transaction, where insurers rely upon and sometimes require a historical mortality experience study. The use of lump sums for this retiree group could largely invalidate the credibility of the mortality study.”

Source: <https://www.irs.gov/pub/irs-drop/n-19-18.pdf>

Historical PRT volumes (\$bn)



Source: LIMRA Secure Retirement Institute Group Annuity Risk Transfer Survey



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