

# Pension Risk Transfer Monitor



Legal & General Retirement America

## US PRT Market Overview

### Market update

Almost a year after the US Pension Risk Transfer (PRT) market had one of the largest quarters on record, over \$15 billion in Q4 2020<sup>1</sup>, market volume during Q3 this year rose even higher. We estimate the total volume for Q3 to be over \$16 billion, which would make it the second largest quarter to date, surpassing the \$8.8 billion we saw during Q1 and Q2 of this year combined and more than triple of Q3 2020's sales.<sup>2</sup>

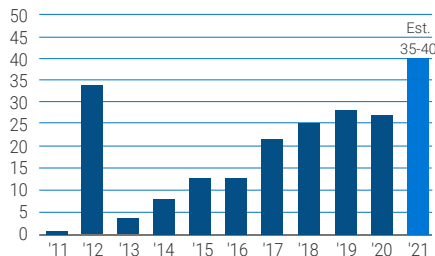
The estimated large total market volume for Q3 is due in part to an increase in funding levels arising from strong equity returns and rising interest rates during the past 18 months, as economic conditions not only recovered from pandemic lows, but improved across the US.

We have seen an increase in the percentage of retiree lift-outs versus plan terminations by premium during the third quarter. Lift-outs accounted for approximately 90% of transactions by premium mostly due to two jumbo lift-out deals transacted during Q3, one being a \$4.9 billion transaction by Lockheed Martin,<sup>3</sup> the other a \$5.2 billion transaction by HP Inc.<sup>4</sup> The dominance of lift-outs over plan terminations this quarter also marks a shift in the trend we have seen during

the first half of the year when plan terminations were more prevalent.

As the market continues to recover from a slow start to the year and overall impacts of the pandemic, we estimate the total market volume for Q4 to be between \$10-15 billion. Although this total is not quite as large as Q3, it could still bring the annual market volume to be between \$35-40 billion, potentially surpassing the record-breaking 2012 when the General Motors (GM) and Verizon deals were completed. Compared to previous years, the PRT market has forged ahead, representing a true testament to the value of de-risking solutions for plan sponsors nationwide.

### US Historical PRT Market (\$billion)

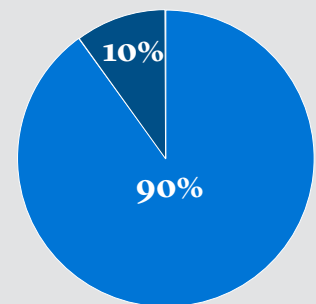


Source: LIMRA Secure Retirement Institute Group Annuity Risk Transfer Survey. 2021 figure based on Legal & General Retirement America's estimation.

Over **\$16bn**

Estimated Q3 2021 total market size

### Q3 2021 Transaction Type Breakdown (by premium)



- Retiree lift-outs
- Plan terminations

**\$35-40bn**

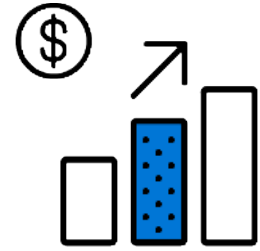
Estimated total annual volume for US PRT market

1. <https://www.limra.com/en/newsroom/news-releases/2021/secure-retirement-institute-fourth-quarter-u.s.-single-premium-pension-buy-out-sales-jump-21/>  
 2. <https://www.limra.com/en/newsroom/news-releases/2021/secure-retirement-institute-while-u.s.-single-premium-pension-buy-out-sales-drop-in-first-quarter-2021-buy-in-sales-break-all-time-quarterly-record/>  
<https://www.limra.com/siteassets/newsroom/fact-tank/sales-data/2021/q2/q2-2021-buy-out.pdf>  
 3. <https://www.pionline.com/pension-risk-transfer/lockheed-martin-offloads-49-billion-pension-liabilities>  
 4. <https://www.pionline.com/pension-risk-transfer/hp-ships-52-billion-pension-liabilities>

## Market trends

### Jumbo deals

As we noted in our [Q1 PRT monitor](#), we began to see the trend of large transactions come to market at the beginning of the year, and this has continued into the second half of the year. Three jumbo transactions (deals over \$1 billion each) closed during the third quarter alone. This year, we have seen five jumbo transactions, with a few more expected to close by the end of Q4. The increased number of large-to-jumbo sized deals may indicate that plan sponsors are becoming more comfortable with PRT as a tool to manage their pension risk.



### Buy-ins

Although buy-outs are typically more popular for plan sponsors in the US, we saw more buy-in activity during Q3, bringing total estimated buy-in premiums over \$3 billion YTD with more transactions expected before year-end, and already some transactions in the pipeline for Q1 2022.

A plan sponsor may want to perform a buy-in to remove asset and longevity risk while taking advantage of insurer pricing available in the current market environment. A buy-in may also provide the sponsor the option to convert to a buyout at a later time to completely remove the obligations off their balance sheet. This can be an appealing option for plan sponsors who are considering terminating their plan and want to remove some of the risk sooner than at the end of a plan termination process, which can take 12 to 18 months. As demand for PRT continues to grow in the US, we expect more sponsors to consider buy-ins when choosing to de-risk.

### Contact us

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