
Alcoa transfers DB risk to Sun Life and others

By Editorial Staff Thu, Apr 5, 2018

Sun Life Financial, Desjardins Financial Security Life Assurance Company, and Industrial Alliance Insurance and Financial Services Inc. (IAFS) will begin making benefit payments to the affected plan participants by July 2018.

Alcoa Corporation has signed group annuity contracts to transfer approximately \$555 million in obligations, and related assets, of defined benefit pension plans in Canada, the giant producer of bauxite, alumina, and aluminum products announced this week. The transfer will be completed later this month.

The group annuity contracts with three Canadian insurers will cover about 2,100 retirees or beneficiaries. Sun Life Financial, Desjardins Financial Security Life Assurance Company, and Industrial Alliance Insurance and Financial Services Inc. (IAFS) will begin making benefit payments to the affected plan participants by July 2018. The timing and amounts of retirees' current monthly benefit payments will not change.

In the second quarter of 2018, Alcoa expects to record a non-cash settlement charge of approximately \$175 million (\$128 million after-tax, or \$0.68 per share) due to these annuity transactions.

Alcoa will contribute approximately \$95 million in mid-April 2018 to facilitate the annuity transaction and maintain the funding level of the remaining plan obligations. This amount represents a portion of the \$300 million in incremental contributions Alcoa expects to make in 2018 to the U.S. and Canadian defined benefit pension plans.

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