

Big 4Q rally for US pension risk transfer deals: LIMRA SRI

By Editorial Staff Tue, Mar 2, 2021

'Fourth quarter 2020 buy-out sales continue this trend and represented the highest quarterly sales total recorded since fourth quarter 2012,' said Mark Paracer of SRI.

The US single premium buy-out sales totaled \$13.7 billion in the fourth quarter, up 21% from fourth quarter 2019, according to the Secure Retirement Institute (SRI) US Group Annuity Risk Transfer Sales Survey. For the full year of 2020, buy-out sales were \$25 billion, down 10% from 2019 results due to sluggish sales in the second and third quarters.

A group annuity risk transfer product, such as a pension buy-out product, allows an employer to transfer all or a portion of its pension liability to an insurer. In doing so, an employer can remove the liability from its balance sheet and reduce the volatility of the funded status.

Under a *buy-out*, the insurer would go further and take legal responsibility for paying monthly pensions directly to each individual plan member. A *buy-in* is an investment contract and the fiduciaries of the plan retain the legal responsibility to pay members' benefits.

"After a quick start to the year, pension risk transfer sales slowed in the second and third quarters as employers addressed the impact of COVID-19 on their businesses," said Mark Paracer, assistant research director, SRI, in a release. "This disruption was temporary and sales picked up by year-end.

"Low interest rates, market volatility and rising administration costs continue to challenge defined benefit plan sponsors and drive them towards de-risking opportunities like pension risk transfer. We expect this trend to continue in 2021," he added.

"Historically, fourth quarter sales results tend to be higher than in other quarters. Fourth quarter 2020 buy-out sales continue this trend and represented the highest quarterly sales total recorded since fourth quarter 2012. For the year, more than 60% of carriers reported year-over-year growth."

There were 177 new buy-out contracts sold covering 259,342 participants in the fourth quarter. For the full year, there were 432 buy-out contracts sold, representing 408,277 participants.

In the fourth quarter 2020, there were two “buy-in” contracts totaling \$1.6 billion. This is the highest quarterly total for buy-in products ever reported. For the year, buy-in product sales totaled \$1.8 billion, 4% below 2019 sales results.

The overall group annuity risk transfer sales were \$15.3 billion for the quarter, 24% higher than fourth quarter 2019. In 2020, total group annuity risk transfer sales were \$26.8 billion, down 10% from prior year results.

Total single premium buy-out assets were \$168.4 billion and total buy-in assets were \$3.4 billion. Together, they totaled \$171.9 billion in single premium assets, 10% over last year.

Nineteen companies participated in this survey, representing 100% of the U.S. pension risk transfer market. Breakouts of pension buy-out sales by quarter and pension buy-in sales by quarter since 2015 are available in the LIMRA Fact Tank.