Breaking News

By Editorial Staff *Thu, Feb 24, 2022*

Labor Department investigates Alight, a major recordkeeper; Timber Operators transfer $245 million in pension risks to Prudential; Lincoln enhances its flagship fixed indexed annuity; Price of pension risk transfer is 99.9% of liabilities: Milliman.

Labor Department investigates Alight, a major recordkeeper

On July 30, 2019, the department's Employee Benefits Security Administration opened an investigation of Alight, a healthcare and retirement benefits administration and cloud-based human resources services company.

Alight appealed to the Seventh Circuit, and the Solicitor of Labor's Office, Plan Benefits Security Division, filed an appellee brief on February 18, 2022, responding to Alight's brief.

Alight provides recordkeeping service to over 750 ERISA-covered employee benefits plans that serve over 20.3 million plan participants. EBSA began investigating Alight, which provides cybersecurity services to Employee Retirement Income Security Act plans, when EBSA discovered that Alight processed unauthorized distributions of ERISA plan benefits due to cybersecurity breaches in its ERISA plan clients' accounts and failed to disclose those breaches and unauthorized distributions to those plan clients for months.

Alight failed to produce most documents sought by EBSA's subpoena, and after attempting to negotiate, EBSA moved for subpoena enforcement in the Northern District of Illinois. The district court granted subpoena enforcement and denied Alight's request for a protective order.

Timber Operators transfer $245 million in pension risks to Prudential

Prudential Financial, Inc., announced a new pension risk transfer (PRT) this week. Timber Operators Council Retirement Plan (TOCRP) purchased a $245 million group annuity from Prudential, replacing its pension obligations to about 3,000 retirees, beneficiaries and deferred participants.

A unit of Prudential, the Prudential Insurance Company of America (PICA) is expected to assume responsibility for paying these benefits beginning April 1, 2022. The TOCRP is a defined-benefit pension plan that was established by a group of Western wood products employers in 1961 to provide retirement benefits for their non-union employees.

Brentwood Companies is the plan fiduciary for the TOCRP and served as consultant for the transaction. Stoel Rives LLP represents TOCRP and served as legal counsel in connection with the termination of the TOCRP and the related pension risk transfer transaction.

Prudential's PRT business began in 2012 when it bought out General Motors and Verizon's defined benefit plan assets and liabilities. Other PRTs following, including the buy-out of HP, Inc.'s pension in 2021, the fourth largest PRT recorded.

Lincoln enhances its flagship FIA

Lincoln Financial Group is expanding its flagship fixed indexed annuity, Lincoln OptiBlend, to include the 1-Year BlackRock Dynamic Allocation Participation Plus account. By paying an added fee, investors will be eligible for higher potential year-over-year returns.

Two of OptiBlend's indexed accounts will link to the BlackRock Dynamic Allocation Index, which launched in August 2021. The index gives investors exposure to global and diversified multi-asset securities. Lincoln's new Participation Plus account enable investors a chance to, in effect, buy more upside potential.

Fixed indexed annuities (FIAs) involve the purchase of options on an equity index. If the options have appreciated by a certain strike date, the contract owner can lock in gains. The index might be a pure equity index, like the S&P 500. It could also be a balanced stock/bond index, a customized hybrid index, or a volatility-controlled index.

"The new Participation Plus account in Lincoln OptiBlend is yet another option that can empower clients to tailor-fit their financial strategy, with the opportunity to boost their long-term return," said Tad Fifer, VP and head of Fixed Annuity Sales, Lincoln Financial Distributors, in a release.

Price of pension risk transfer is 99.9% of liabilities: Milliman

Milliman, Inc., the global consulting and actuarial firm, today announced the latest results of its Milliman Pension Buyout Index (**MPBI**). "As the Pension Risk Transfer (PRT) market continues to grow, it has become increasingly important to monitor the annuity market for plan sponsors that are considering transferring retiree pension obligations to an insurer," a Milliman release said.

During January, the estimated cost to transfer retiree pension risk to an insurer in a competitive bidding process increased from 99.3% of a plan's total liabilities to 99.9% of those liabilities. For these plan sponsors, the estimated retiree PRT cost is roughly the same as plans’ retiree accumulated benefit obligation (ABO).

Meanwhile, the average annuity purchase costs across all insurers also increased, from 102.8% to 103.5%. This means that the competitive bidding process is estimated to save plan sponsors on average around 3.6% of PRT costs as of January 31.

“The US pension risk transfer market set records in 2021, with nearly $40 billion in transactions,” said Mary Leong, a consulting actuary with Milliman and co-author of the MPBI. “We’re expecting to see similar high volume in 2022 given recent funded status improvements and the potential for interest rates to rise as the year progresses.”

The MPBI uses the FTSE Above Median AA Curve, along with annuity purchase composite interest rates from eight insurers, to estimate the competitive and average costs of a PRT annuity de-risking strategy. Individual plan annuity buyouts can vary based on plan size, complexity, and competitive landscape.