
Honorable Mention

By Editorial Staff Thu, Sep 24, 2020

Mercer enhances U.S. Pension Buyout Index; CUNA offers new MYGA fixed annuity, 'MaxProtect'; WINK unveils sales data portal.

Mercer enhances U.S. Pension Buyout Index

Mercer, the employee benefits unit of Marsh & McLennan, has found that the costs associated with annuity buyouts are “increasingly attractive.” According to a Mercer release, “The data indicates that a hypothetical retiree buy-out transaction may cost 97.7% of the plan’s accounting obligations.”

The data comes from Mercer’s U.S. Pension Buyout Index (the “Index”). Launched in 2013, the Index tracks the relationship between the accounting liability for retirees of a defined benefit pension plan and two cost measures: The estimated cost of transferring the pension liabilities to an insurance company (i.e., a buyout) and the approximate total economic cost of retaining the pension obligations on the balance sheet.

The Index is a useful tool for Plan sponsors and other pension plan stakeholders can use the tool to evaluate cost-effective ways to “de-risk pension obligations and plan for end-game scenarios,” the release said.

The enhancements to the Index were made following Mercer research, which revealed several changes to market conditions:

- **Competition** – The number of insurers who compete for annuity and buyout transactions has doubled since 2012
- **Investments** – Insurer pricing is generally driven by the ability of insurers to source higher yielding, less liquid assets such as private credit and commercial mortgages. These investments are not typically held by pension sponsors but are a natural fit to back illiquid annuity buy-out liabilities held on the insurer’s balance sheet
- **Mortality** – Insurers have evolved their mortality underwriting techniques to better assess mortality risk at the individual participant level. This may often lead to lower pricing especially for transactions with smaller benefits and/or where benefit accruals have been frozen for many years.

As of June 30, 2020, the new Index value was 97.7%, indicating that a hypothetical retiree buy-out transaction may cost 97.7% of the plan’s accounting obligations. Additionally, the Index estimates the long-term costs of maintaining these pension liabilities to be 105.2%,

which reflects costs not included in accounting liabilities such as PBGC premiums, investment management and administration fees, and the risk associated with fixed income defaults and downgrades.

This demonstrates potential economic savings from a buyout of 7.5% compared to holding liabilities for the long term. The revised methodology is more in line with the experience of the majority of Mercer clients who have executed retiree buy-outs and achieved a transaction price near or often below the accounting liability.

“Over the past several years, pension plan sponsors have shown a strong appetite for purchasing buyout annuities to reduce their liabilities, with transaction volumes growing more than 700% since 2013,” said Jay Dinunzio, principal, Mercer’s U.S. Financial Strategy Group.

“As the COVID-19 pandemic has led many organizations to prioritize cost savings during this time of economic instability, we are confident that this trend will continue into the future. While conventional thinking is that these annuities are expensive and involve a higher premium over accounting costs, our data and client experience show that there can be significant cost savings when executed properly.”

CUNA offers new MYGA fixed annuity, ‘MaxProtect’

CUNA Mutual Group has launched the MaxProtect fixed annuity, a multi-year guaranteed (MYGA) annuity with a guaranteed rate of return over interest rate periods of three, five or seven years, with a market value adjustment and book value versions, according to a CUNA release this week.

CUNA had fourteen mentions in Barron’s 2020 Top 100 Annuities list, according to a release this week from Dave Hanzlik, Vice President of Annuity and Retirement Solutions, CUNA Mutual Group.

Currently available in 44 states, MaxProtect is underwritten by CMFG Life Insurance Company, a subsidiary of CUNA Mutual Group.

WINK unveils sales data portal

Wink, Inc., the insurance industry’s resource for annuity and life insurance sales data since 1997, has launched an enhanced web portal and dynamic sales data query tool for subscribers of Wink’s Sales & Market Report.

“We are now providing the ability to access our reports with greater ease, as well as the opportunity to slice and dice our life insurance and annuity data,” said Sheryl J. Moore, president and CEO of Wink, Inc., in a release.

The new portal enables subscribers to locate provides an easily specific pdf or Excel editions of sales reports at the industry, company, or product level for both life insurance and annuity data. Supplemental reports can be quickly identified in a like manner.

The enhanced Sales Data Query delivers html or Excel results, based upon every query option mentioned above. In addition, subscribers can search sales data by distribution channel, company ratings, specific product features, or select rider features.

“If you ever wondered about the sales for a specific quarter, or of variable annuities with bonuses, or offered by A-rated companies, we’ll give you that result in just a couple of clicks. Our Platinum subscribers now have 23 years of data included as a part of their subscription,” Moore said.

Future enhancements of Wink’s Sales & Market Report will provide subscribers with data on every data point reported by Wink, for each participating peer, on a quid pro quo basis. Also, subscribers using both Wink’s Sales & Market Report, in conjunction with the AnnuitySpecs and/or LifeSpecs Tools, will soon have the ability to see sales rankings and market share data.

The Sales Reports and Sales Data Query are available for subscribers of Wink’s Sales & Market Report.

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