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## MassMutual stakes out thought-leadership in pension risk transfer services

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By Editorial Staff    *Fri, Sep 21, 2018*

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Planting its flag in the growing pension risk transfer business, Massachusetts Mutual Life Insurance Co. (MassMutual) has published a white paper to help guide and inform employers about how to successfully de-risk and potentially transfer defined benefit (DB) pension obligations.

The white paper, "[Pension Risk Transfer: Insights from an institutional risk manager about how to successfully de-risk and transfer pension obligations](#)," is designed to be a primer for evaluating pension risks and determining potential courses of action to manage those risks over time.

The white paper was created by MassMutual's Institutional Solutions unit, which offers defined benefit pension management, pension risk transfer (PRT) solutions, and other institutional investment offerings.

The PRT market has been growing steadily, especially in recent years as economic and regulatory factors have converged, prompting plan sponsors to reconsider their risk management strategies, according to a MassMutual release.

Single premium PRT product sales in the United States were \$23.9 billion in 2017, up from \$13.7 billion in 2016, a 68% increase, according to a survey of sales by the LIMRA Secure Retirement Institute. The growth has continued with \$9.6 billion in sales through June 2018, LIMRA reports, as more employers have moved to shift risk off their balance sheet.

MassMutual attributed the rising sales of PRTs to a confluence of economic, regulatory and other factors, including a long bull market, which helped improve pension funding ratios. The equity markets have prompted some pension sponsors to secure their gains and leverage improved pension funding ratios to explore the feasibility of removing pension liabilities from their balance sheets, he said.

Tax reform has also given PRT a boost as U.S. companies had until mid-September of this year to take advantage of the higher 35% corporate tax rate when deducting contributions

to DB plans from their federal taxes. Afterwards, the new 21% corporate rate applied.

The federal government is also passing on higher costs for backstopping pensions to employers, providing further motivation for employers to consider PRT, according to the release. Premiums for the Pension Benefit Guarantee Corp. (PBGC) have climbed dramatically, with the per-participant flat premium rate for plan years beginning in 2018 now \$74 for single-employer plans (up from \$31 in 2007) and \$28 for multiemployer plans (up from \$8 in 2007).

MassMutual's white paper discusses both short- and long-term risks to pensions, evaluates specific risks such as longer lifespans for both workers and retirees, examines complications from pension benefit options, weighs "carve-outs" of pension participants, reviews considerations for pension assets and how they are invested, and suggests how sponsors should evaluate pension managers.

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