

Pension buy-out sales more than double in 2014

By Editorial Staff Thu, Mar 5, 2015

In fourth quarter 2014 Bristol-Meyers Squibb and Motorola each transferred their group pension obligations to Prudential. The sales from these two deals represented more than half of the \$8.5 billion total for the year.

Group pension buy-out sales reached \$8.5 billion in 2014, a 120% increase over the 2013 total of \$3.8 billion, according to a survey by LIMRA Secure Retirement Institute.

“After many years of staying in the \$1 to \$2 billion range, sales in the pension risk transfer buy-out market have eclipsed \$3.5 billion for three consecutive years,” said Michael Ericson, analyst for LIMRA Secure Retirement Institute.

Last year the number of buy-out contracts increased to 277, compared to 217 in 2013. The actual number of contracts doesn’t tell the whole story because a few large contracts can significantly affect sales in the market, he said. As a result of two large buy-out deals in the fourth quarter, total assets topped \$128 billion in 2014, the highest ever reported.

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Total buy-out sales in 2014 were the third highest since LIMRA began tracking this statistic in 1986. Sales in 2012 hit a record when General Motors and Verizon offloaded their group pension obligations to Prudential, causing sales to spike to \$35.9 billion for the year. Sales in 2012 are seen as an anomaly because those two deals represented nearly all the sales that year.

“The growth in this market is also attracting new players,” Ericson said. “Two new companies entered the market in 2014 bringing the total to 11 companies.”

While a DB pension plan adds equity to a company, years of low interest rates and increasing Pension Benefit Guarantee Corporation premiums have encouraged more companies to consider transferring their risk to an insurer by purchasing a group annuity.

LIMRA Secure Retirement Institute administers the Group Annuity Risk Transfer Survey every quarter.

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