
Pension buy-out volume up 21% in first quarter

By Editorial Staff Thu, Jun 2, 2016

At \$1.084 billion, first quarter sales exceeded \$1 billion for the first time since 2008 on 68 transactions, according to the LIMRA Secure Retirement Institute.

Quarterly group pension buy-out sales topped \$1 billion for the fourth consecutive quarter in the first quarter of 2016, according to the latest U.S. Group Annuity Risk Transfer Survey from LIMRA Secure Retirement Institute

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American General Life Companies, Legal & General America, MassMutual, MetLife, Mutual of Omaha, New York Life, OneAmerica, Pacific Life, Principal Financial, Prudential Financial, Transamerica, Voya Financial, and Western & Southern Financial Group participated in the survey.

Years of low interest rates and rising Pension Benefit Guarantee Corporation (PBGC) premiums have motivated more defined benefit plan sponsors to transfer all or part of their pension liabilities to an insurer by purchasing a group annuity contract with pension assets.

Historically, buy-out sales have been low in the first quarter, increasing slightly in the second and third quarters and peaking in the fourth quarter. But this year's first quarter sales were up 21%, year-over-year, a spike that LIMRA SRI analysts attributed to PBGC premium increases and market volatility.

"Along with large increases in PBGC premiums, plan sponsors who try to increase funding for their group pensions face an uphill challenge with uncertain market returns and low interest rates," said Michael Ericson, analyst for LIMRA Secure Retirement Institute, in the release. "Those factors are the main reason 68 companies purchased buy-out contracts in the first quarter."

Increasing numbers of small and medium-size plans are transferring their pension risk, in addition to large ones, Ericson added. Sales growth in pension buy-outs can be heavily influenced by jumbo (>\$1 billion) contracts.

LIMRA Secure Retirement Institute publishes the Group Annuity Risk Transfer Survey every quarter. To date, the 13 financial services companies that provide all the group annuity

contracts for the U.S. market participate in the survey.

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