Where PRT Meets DC: The Agilis/Alight Plan

By Kerry Pechter *Sat, Feb 1, 2025*

Agilis, an actuarial and risk management firm, and Alight, a retirement plan recordkeeper, have created an annuity purchase process, PensionBuilder, for participants in large 401(k) plans. Their process replicates the defined benefit 'pension risk transfer' process, but at the defined contribution plan level.

Taking a page from the pension risk transfer (PRT) business, Agilis, an actuarial/risk management firm, and Alight, the jumbo-plan 401(k) recordkeeper, have rolled out what appears to be a new way to market annuities to participants in defined contribution plans.

Their product is called PensionBuilder (not to be confused with Principal Financial's Pension Builder 401(k) annuity). Agilis and Alight launched their PensionBuilder in November 2024 after, they say, establishing the right to use the name. The firms are currently pitching the concept to 401(k) teams at Fortune 500 plan sponsors. [At deadline, *RIJ* could not confirm the status of the Pension Builder brand name with Principal.]

Here's how PensionBuilder works: If a plan sponsor is amenable, a PensionBuilder team would periodically advertise a fixed-payment single premium income annuity (SPIA) to its participants—but only to those, current or retired, who are older than age 59½. If enough of those participants agree *in principle* to buy an annuity, PensionBuilder will ask life insurers to price a group income annuity for the entire cohort.

PensionBuilder would thus act like the pension committee at a corporation that decides to replace its defined benefit plan with a group annuity underwritten by a life insurer. That's a "pension risk transfer." Agilis and Alight are, in effect, mapping the PRT concept onto defined contribution plans. No one has done that before.

(If Agilis and Alight are less than familiar to you, here's why. Agilis, based in Waltham, Mass., was created in August 2022 through a buyout by managers at River and Mercantile Group. It has about $1 billion in discretionary assets under management (AUM) and about $5.8 billion in non-discretionary AUM, according to a public filing. Alight is the third biggest plan recordkeeper, with more than $1.2 trillion, but is less well-known than Fidelity, Empower, or Vanguard because 62% of its plans are non-401(k) and because its 175 or so 401(k) plans are mainly "jumbo" plans.

Here's the marketing and distribution approach that PensionBuilder borrows from the PRT business:

- Older plan participants—current participants age 59½ or older who are still working and retirees still participating in the plan—will receive periodic PensionBuilder SPIA offers online.
- If enough participants—representing $100 million in combined premiums, say—show a strong interest in buying the SPIA annuity, Agilis and Alight will ask several life insurance companies to bid for the business.
- The bids will, if all goes as planned, represent an “institutional price” that would (all else being equal) provide more monthly income in retirement than any participant would receive by purchasing a retail annuity. At the individual level, each SPIA would be priced according to the participant’s age and gender.
- The SPIA prices will be offered during specific windows of 60 days. This limitation is intended to stimulate participants to take action and overcome their natural tendency to procrastinate on large financial decisions.
- The premium for each individual SPIA must be no less than $60,000 but no more than 80% of the total 401(k) balance.

PensionBuilder offers only SPIAs, which are easy to understand. They typically involve the irrevocable exchange of a lump sum for a fixed monthly income for life. But deferred annuities with guaranteed lifetime withdrawal benefit riders—which guarantee somewhat less income for life than SPIAs but allow flexible withdrawals—have always sold better.

Agilis and Alight say that this approach might have more appeal to both plan sponsors and participants than competing annuity solutions. With PensionBuilder, the annuity purchase happens outside the plan, in an IRA. That allows annuity pricing to be gender-specific, which compensates men for their shorter life expectancies. Plan sponsors don’t incur legal liability for choosing the best annuity provider, nor do they incur expenses.

“A company may offer employees discounts on auto insurance, for instance. In the meetings we’ve had, that’s how we describe it,” Bill Mischell, managing director of Agilis Partners, told *RIJ* in an interview. “We’re saying to the plan sponsor, ‘We don’t charge you anything.’ To the participant, we say, ‘You don’t have to do any of the work.’” Mischell was formerly a senior partner at Mercer.

Bill Mischell

PensionBuilder will rely on each plan sponsor’s recordkeeper to agree to furnish Agilis with enough data on individual participants so that it and the life insurers can accurately and individually price the annuity. “We don’t need the plan sponsor to do much,” Mischell said.

To communicate with participants, “We’ll set up portals,” he said. “A participant would log into the portal and see annuity estimates. They don’t have to click on a link or call an 800 number.” Agilis provides a modeling tool to help participants calculate how much income they want, need or can afford. Participants indicate their ages and marital status, “Then we give them an estimated payout rate. They have 60 days to decide whether they’re interested. We’re targeting a ‘Yes’ group with $100 million.”

After that, Mischell said, “We produce an Excel spreadsheet with, we hope, thousands of participants on it, and then we go into something that resembles a PRT deal.” He added, “The insurer says, tell us the premium and we’ll tell you the benefit. We pick the insurer that offers the best combination of price and safety. In all likelihood, we’ll be splitting the placement between two or three insurers. For example, one insurer might take people 72 and younger, and another will take those over 72,” depending on how the liabilities correspond to the maturities of the insurer’s assets.

PensionBuilder’s success will depend on reaching enough participants, and getting preliminary agreements from enough of them, to achieve the economies of scale large enough to produce annuity price discounts that are attractive enough to overcome individuals’ reservations about annuities.

Such “institutional pricing” of annuities isn’t easy to obtain. The Hueler Income Solutions annuity distribution platform tries to achieve advantageous annuity pricing for retirees from

401(k) plans by calling on life/annuity companies to bid against each other for individual contracts. PensionBuilder will ask insurers to bid on group contracts.

Since Agilis and Alight are not asset managers or life insurers, they have no compelling reason to promote an income solution that involves target date funds or embeds any particular kind of annuity in a target date fund. On the other hand, because PensionBuilder doesn't require participants to start making gradual contributions to deferred annuities long before they retire, it doesn't have as long a period to make participants comfortable with the annuity concept before asking them to make a full commitment.

What Agilis and Alight bring to the table is the relationships they've established in the PRT business. "We've worked with the PRT departments of between 10 and 20 insurers in the PRT industry, and almost all of them have expressed interest in working with PensionBuilder," Mischell said.

"They see that while the DB market has assets of $3.5 trillion, the DC market is $11 trillion. If we're targeting deals of $100 million or more, that gives the insurers a lot more investment opportunity. In the individual market, there's a high acquisition cost, the contracts just trickle in one at a time, and [pricing is complicated by the fact that] the market is constantly moving."

For clients, Agilis and Alight have specific types of companies in mind. "Our primary target is a company that has never had a DB plan or froze its DB plan 10 or 20 years ago," Mischell told *RIJ*. "We're also looking at companies that have recently done PRTs. In year one, 2025, we will work with one retirement plan at a time. In 2026, we plan to work with groups of two or three plans—the more the better—that have the same recordkeeper."