

Most plan sponsors don't expect delays in future pension buy out due to COVID-19

Just 19 percent of plan sponsors interested in an annuity buyout with a specific timeframe in mind reported that the pandemic has decreased or delayed the likelihood of transacting, according to MetLife's *2020 Pension Risk Transfer Poll*. A vast majority (81 percent) said there had either been no change in plans due to COVID-19 (27 percent), or that the pandemic has actually increased or accelerated the likelihood they would transact (55 percent).

"Despite a slowdown at the beginning of 2020 due to COVID-19, we have seen the pension risk transfer (PRT) pipeline build momentum in the third and fourth quarters," said Melissa Moore, senior vice president and head of U.S. pensions at MetLife. "This is consistent with the poll findings, which show plan sponsors do not expect buyout activity to be delayed by either the pandemic or a protracted economic recovery."

In fact, the poll found that the primary catalysts driving interest in PRT transactions include market volatility (51 percent) and mortality changes due to COVID-19 (36 percent). MetLife also found that plan sponsors are looking to transact sooner rather than later—among defined benefit (DB) plan sponsors interested in a buyout, the majority (81 percent) say they would transact within five years, including 24 percent who said they would secure a buyout within two years.

Plan management. While buyout activity is resuming, the pandemic has had an impact on how plan sponsors manage their DB plans. Forty percent of plan sponsors report they have borrowed money to fund pension deficits, and 35 percent restricted benefit payment options (e.g., lump sums) because of the impact on funded status. Twenty-two percent decreased or called back planned contributions, 15 percent triggered a partial plan termination due to layoffs, and 6 percent have frozen or closed their plans.

CARES Act. In addition to looking at how they manage their plans, DB plan sponsors have also taken advantage of the relief measures available through the Coronavirus Aid, Relief, and Economic Security (CARES) Act. Eighty-nine percent said they have taken, or will take, advantage of the CARES Act provision that extends the deadline to make DB plan contributions until January 1, 2021; only 10 percent said that is not part of their plans and 2 percent are unsure.

SOURCE: www.metlife.com