



The U.S. Pension Risk Transfer Market

Our Capabilities and Expertise

A Strong Annuity Purchase Marketplace

Based on Willis Towers Watson's latest Pension Risk Transfer ("PRT") Survey, increased pension plan sponsor interest has caused the size of the PRT market to reach \$27.7B in 2018, up from \$14.0B in 2016. Also, the number of \$10M+ sized pension annuity purchases has increased almost 50% since 2016.

Annuity purchase experts continue to see strong interest from plan sponsors due to these recent market conditions, rising operational costs, and a desired trend for additional de-risking:

- The strong sales activity over the past few years reflects the general improvement in funded statuses since the end of the late 2000s recession, as well as increases in PBGC per capita insurance premiums on pension plans
- Many sponsors carried out a gradual approach to shrinking the size of their pension liabilities, with annuity purchases often viewed as the next step after completion of a lump sum window for terminated vested participants
- Sponsor interest in annuity purchases as a part of a plan termination to settle all legacy pension liabilities is rising, with Bristol Myers announcing a plan to terminate their \$3.8 billion U.S. pension plan
- Eight new insurance companies entered the market since 2014, for a total of 16 insurance companies

Helping Clients Navigate the Landscape

Willis Towers Watson's experts have several ways to support decision-making and business objectives:

- ✓ **Market Entry Feasibility** – We help clients answer key questions: What transactions would they be suited to participate in? What are the market conditions that may indicate that such a potential transaction is likely?
- ✓ **Transaction Support**
 - Development of applicable mortality assumptions used to value the targeted qualified pension plan
 - Identify potential requests for additional data and explanations
 - Support and guidance related to developing an appropriate pricing methodology, including pricing metrics, identification of key risks, development of associated sensitivities and determination of applicable reserve and capital levels
 - Production of all liability and reserve cash flows for initial and any subsequent bids
- ✓ **Pension Mortality Analysis Tool** – Willis Towers Watson has developed this tool to set mortality assumptions on pension plans, leveraging a large amount of data from retirement plans for which Willis Towers Watson is the retirement actuary. The tool uses predictive analytic techniques and has variables for age, gender, benefit amount, collar, industry, benefit type, recipient type, and zip code.
- ✓ **Reinsurance advisory and placement** - In partnership with our Willis Re colleagues, Willis Towers Watson can assist companies with capacity and competitiveness support, via a reinsurance partner. We understand the critical aspects of creating a strong reinsurance partnership, and leveraging our knowledge in this area can help Pension Risk Transfer writers either expand their case capacity or potentially improve their competitiveness. Risk sharing and mitigation support is also an alternative in this area.

A Unique Combination: Mortality, Reinsurance and Retirement Expertise

Willis Towers Watson serves as the global retirement actuary to more employers in the Global Pensions and Investments 300 than any other firm.

For a new entrant to the U.S. PRT market, we assessed their pricing methodology and assumptions relative to industry practices.

We also undertook a sample quote analysis and description of a typical quoting process. We possess significant information on PRT pricing methodology and assumptions.

Over the past several years, **we have served as the largest placement advisor in the U.S. pension annuity placement market.**

For a current large player in the U.S. PRT market, we provide ongoing bid support on PRT cases, including developing plan cash flows and setting a customized mortality assumption, leveraging off of our work on **the Willis Towers Watson Pension Mortality Analysis.**

Undertaken multiple projects involving pricing and product development for fixed annuities, including immediate annuities. As part of these projects, we have developed access to information and views on key pricing drivers.

For several potential new entrants to the U.S. longevity market, we provided a PRT market overview and outlined key considerations for them to participate in the market.

For a current player looking to increase competitiveness on larger cases, **we provided guidance on setting mortality assumptions for several cases.**

For a new entrant to the PRT market, **we undertook a validation of their benefit projection and pricing model.**

Developed a comprehensive White Paper “Longevity Trends in the United States” – this contains an assessment of historical mortality improvement factors, development of a cause of death model that projects future levels, and provides guidance on future trends, including socioeconomic impact.

For more information about how Willis Towers Watson can unlock your potential, contact:

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