

# T-Mail

Navigating the Executive Benefits Landscape  
with The Todd Organization



## Time for a Pension Risk Transfer?

Pension risk transfers are growing in popularity because they reduce earnings volatility, strengthen risk management, and lower the costs and significant staff time spent on pension plans.

Indeed, pension obligations are one of the most vexing problems that companies face. And with the flat-rate Pension Benefit Guaranty Corporation premiums nearly doubling from 2012-16, along with average funded status of plans declining significantly in 2014, pension challenges are becoming more severe.

Fortunately, there is good news. A growing number of transfers are occurring through the use of voluntary lump-sum payouts or outright plan terminations by using annuities for a buyout.

With the ongoing economic recovery and strong financial markets, many plan sponsors are finding now is an advantageous time to terminate pension plans for the following reasons:

- Earnings volatility associated with plan obligations and fluctuations
- High and rising costs for administration, compliance, and PBGC premiums
- Continued contributions are too costly and volatile
- Employees place less value on the plans
- New mortality tables are increasing plan obligations

Some company pension plans have grown so large that they overshadow the operating business and its growth prospects. As such, these plans impact the value of the business and even its strategic direction.

When evaluating whether to do a pension risk transfer and the extent of the pension assets and obligations that will be transferred, here are some of the important issues to address:

- The best way to address the different participant groups (e.g., retirees, current workers, and those still employed but no longer with the company)

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## Time for a Pension Risk Transfer?...cont'd

- Whether participants in an eligible group will continue to earn additional benefits and if the eligible group will be closed to new participants
- The time frame for program implementation
- Rising Pension Benefit Guaranty Corporation premiums
- Insurance companies' credit quality
- How insurance can reduce risks pertaining to interest rates, investments, mortality, early retirements, and demographic changes

For more information about pension risk transfer and related programs, please contact your consultant at The Todd Organization.

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