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Most Plan Sponsors Not Expecting Delays in Future Pension Buy Out Activity Due to COVID-19, MetLife Poll Finds

NEW YORK, November 9, 2020 – Just 19% 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, released today. A vast majority (81%) said there had either been no change in plans due to COVID-19 (27%), or that the pandemic has actually increased or accelerated the likelihood they would transact (55%).

“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%) and mortality changes due to COVID (36%). The Poll 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%) say they would transact within five years, including 24% who said they would secure a buyout within two years.

Impact of COVID-19 on 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% restricted benefit payment options (e.g., lump sums) because of the impact on funded status. About one in five (22%) decreased or called back planned contributions, 15% triggered a partial plan termination due to layoffs, and 6% have frozen or closed their plans.

“The Poll also shows that in the current environment plan sponsors appear to be most concerned about maintaining and funding their DB plans to meet their required benefit obligations,” said Moore. “The volatile market environment is also a concern—plan sponsors said they were focused on the performance of their plan investments, including minimizing asset volatility and the impact of the low interest rate environment.”

Public policy relief



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. Nearly nine in ten plan sponsors (89%) say 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% say that is not part of their plans and 2% are unsure.

About the Poll

The MetLife 2020 Pension Risk Transfer Poll was fielded between August 6, 2020 and August 27, 2020. MetLife commissioned MMR Research Associates, Inc.¹ to conduct the online survey. Survey responses were received from 200 defined benefit (DB) plan sponsors with \$100 million or more in plan assets who have de-risking goals. This included 55% of plan sponsors who reported DB plan assets of \$500 million or more. To read the full MetLife 2020 Pension Risk Transfer Poll report, visit www.metlife.com/prtpoll2020.

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¹ MMR Research Associates, Inc. is not affiliated with MetLife.