

Price monitoring may unlock opportunities for plan sponsors in today's market environment

In the wake of the COVID-19 outbreak and today's tumultuous market environment, with its historically low Treasury rates and volatile credit and equity markets, plan sponsors may be hesitant to move forward with pension risk transfer exercises.

While it may seem counterintuitive, this environment may in fact result in insurer pricing that is more attractive than during a typical market, relative to the liability held on a plan sponsor's balance sheet.

Consider the following:

1. Insurer pricing yields have generally widened significantly more than the spreads on the high-quality AA corporate bonds used to calculate accounting discount rates, even after accounting for increased default risk.
2. Market dislocations may exist in some segments of the market, resulting in attractive investment opportunities for insurers that favorably impact pricing yields.

Anecdotally, Athene Holding Ltd. estimates that during the last two weeks of March 2020 a group annuity contract may have been priced below the projected benefit obligation for an indicative retiree population by as much as 5 percent. See Table 1 on the following page.



Now more than ever, we recommend that plan sponsors who decide to move forward with pension risk transfer exercises consider incorporating price monitoring into the transaction process. Ongoing price monitoring may result in even more value during this period of market volatility than during periods of market stability.

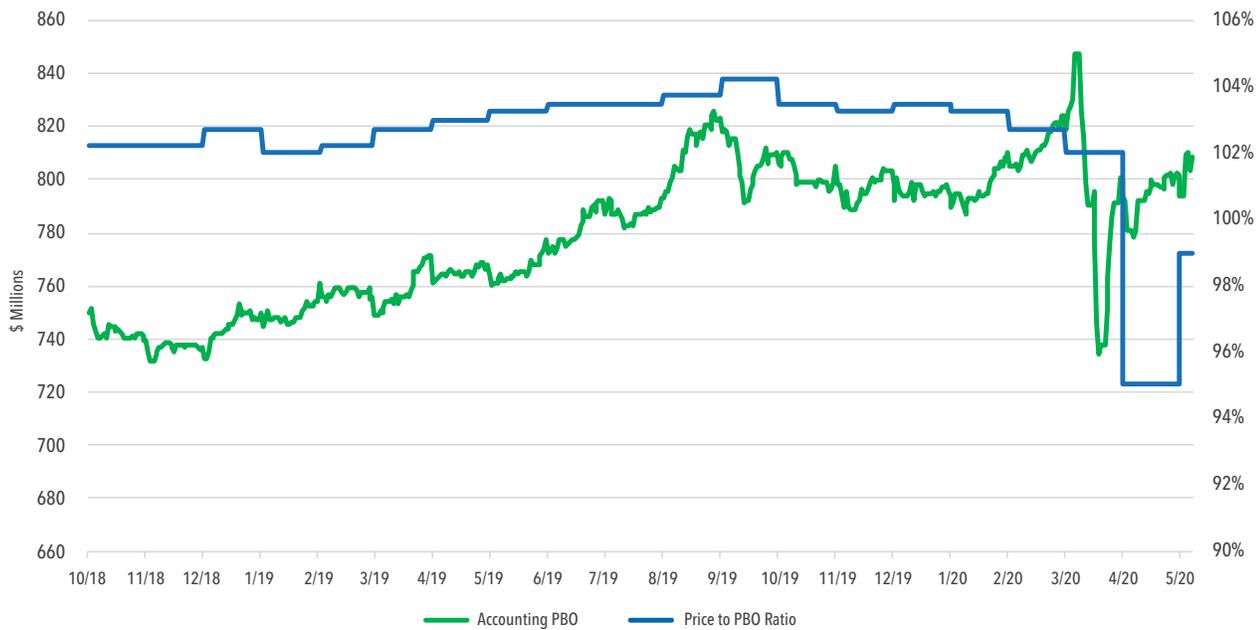
The increased value of monitoring during market volatility

In July 2019 Athene published *The multi-million dollar opportunity for pension plan sponsors*, a whitepaper demonstrating that ongoing price monitoring during the pension risk transfer transaction process can drive improved outcomes, potentially resulting in significant savings for pension plan sponsors.

Since then, we have continued to analyze and track indicative insurer pricing relative to the projected benefit obligation for the underlying population (Price-to-PBO Ratio). We observed significantly more volatility in this metric as Treasury interest rates declined and credit and equity markets experienced greater uncertainty. For the same indicative retiree population mentioned previously, we saw the Price-to-PBO Ratio decrease roughly 7-10 percentage points as credit spreads widened during the last two weeks of March 2020 and then increase by roughly 2 percentage points the first week of April following the Fed's intervention to stabilize credit markets.

Athene's robust and disciplined pricing framework provides plan sponsors with frequent, execution-ready price monitoring. Our clients have access to up-to-date financial metrics and a robust set of analysis, allowing them to evaluate the attractiveness of insurance pricing against targeted metrics quickly and easily. Despite the market turmoil, we are confident in our ability to execute successful transactions, continuing to serve as a source of strength for the industry and a trusted partner to companies looking to de-risk their pension plans.

Table 1: Monthly* price monitoring for indicative retiree population



* Monthly price monitoring shown for illustrative purposes; however, Athene has the ability to monitor as frequently as weekly.

Analysis by Athene suggests that insurer pricing transparency and frequent, execution-ready price monitoring can help plan sponsors achieve more successful outcomes in any economic environment.

For an in-depth look, [download our whitepaper.](#)





About Athene

Athene Holding Ltd., through its insurance subsidiaries, is a leading provider of pension risk transfer solutions, offering annuity buy-out and buy-in products as well as transaction price monitoring services. As a highly-rated and extremely well-capitalized insurer, our top priority is contract owner protection, as evidenced by our commitment to maintaining our strong capital base which provides value oriented products to consumers.

Athene has the resources, experience and management expertise to successfully execute and close contemplated transactions. We believe in working closely with counterparties to achieve mutual goals, proceeding with focus and determination to close transactions and following through on our promises.

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Athene has two licensed insurance companies that issue group annuity contracts to assume certain benefit liabilities from pension plans: Athene Annuity and Life Company, headquartered in West Des Moines, Iowa and licensed in 49 states (excluding NY), D.C. and PR, and Athene Annuity & Life Assurance Company of New York, headquartered in Pearl River, New York and licensed in 50 states and D.C. Payment obligations and guarantees are subject to the financial strength and claims-paying ability of the issuing company. Products may not be available in all states.

Group annuity contracts contain exclusions and limitations. Contact the company for costs and complete details.



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At Athene, we see every day as a new opportunity to measure ourselves against the best – and then we don't stop until we've set the bar even higher. We stand ready to help you achieve more.