

The background of the slide features a scenic view of a university campus. In the foreground, there are numerous trees with vibrant pink cherry blossoms. In the middle ground, a large, multi-story building with a prominent tower is visible, surrounded by greenery. The background shows rolling hills under a bright blue sky with scattered white clouds. A semi-transparent blue horizontal band is overlaid across the middle of the image, serving as a backdrop for the text.

# Intro to Pension Risk Transfer

New York University Actuarial Society

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# What is a Pension?

*“A pension is a regular payment made during a person's retirement from an investment fund to which that person or their employer has contributed during their working life”*

## Some questions:

- Who owns the investment fund?
- Who pays the annuity?
- Why would a company do this? Why would a company *not* do this?
- Are there any risks involved with a company providing this?

# Companies Provide Pensions

Companies like FedEx, Verizon, Nike, etc. give pensions to employees

*What do these companies have in common?*

Some (more!!) questions:

- Does it make sense for them to dedicate resources to providing this service to their employees?
- Are there any alternatives?
  - Hint: who *specializes* in providing this service?

# Passing on the Responsibility

- Companies have the option to pass on their pension responsibility and sell it to someone else
  - Who would buy that?

Correct! Financial services companies that specialize in life insurance, retirement, and pensions, are potential deal partners.

*(e.g., Prudential Financial, New York Life, MassMutual)*

# How much do they pay?

- How much do non-financial services companies pay for pension specialists to take over their pension liabilities?

*Okay, that one sounds a little tough...let me ask these instead*

- We know that the pension is worth the discounted sum of the future cash flows...but what does that mean in this context?
- What factors do pension specialists use to price these pension deals?
  - *What are the non-financial services companies paying for?*

# Definition of Insurance

*“A practice or arrangement by which a company or government agency provides a guarantee of compensation for specified loss, damage, illness, or death in return for payment of a premium.”*

In other words:

A transfer of risk from one party to another

*What risk is being transferred in pension risk transfer deals?*

A scenic view of a university campus. In the foreground, there are numerous pink cherry blossom trees in full bloom, their branches reaching across the frame. In the middle ground, a large, multi-story building with a prominent tower is situated on a hillside. The background features rolling green hills under a bright blue sky with scattered white clouds. The entire scene is framed by a thin black border.

Thanks for coming!

*Questions?*