



Under new tax law, finance leaders show appetite for pension de-risking

The passage of the Tax Cuts and Jobs Act is driving senior finance executives to reduce the liability risks associated with their corporate defined benefit (DB) pension plans.

That revelation was one of the important findings of [a new study conducted by CFO Research in collaboration with Prudential Financial](#), focusing on how the new tax law is influencing a range of pension fund-related decisions. The online survey drew 127 responses from finance executives whose companies have DB plans for current and/or former employees.

Among the top conclusions: Senior finance executives are using the new tax law's benefits to ramp up their funding contributions. Under the rules, businesses have until mid-September of 2018 to deduct their pension plan contributions at the 2017 rate of 35 percent. After that, the new 21 percent rate kicks in. Not surprisingly, about three-quarters of survey respondents, 74 percent, say that their organization is "very likely to make a substantial DB plan contribution" in time to take advantage of the larger tax deduction.

Rohit Mathur, head of Global Product and Market Solutions in Prudential's pension risk transfer business, says the survey's results make sense. "We are seeing a number of companies accelerating pension contributions, driven in part by changes in the tax law," he said. "We are also noticing an increasing interest in pension risk transfers among plan sponsors."

Additional findings from the study include:

- 64 percent of respondents say they are "very likely" to use the tax savings to increase funding of pension plans.
- About a quarter (24 percent) say they plan to use repatriated capital to bolster their DB funding levels.
- Among companies that expect the Tax Cuts and Jobs Act to generate excess income, 29 percent expect to use those funds to minimize liability risk, through such efforts as boosting retiree healthcare funding.
- 70 percent agree that recent changes in actuarial mortality assumptions and the prospect of further changes are creating 'longevity risk' that places pressure on their pension funding levels.
- 62 percent agree that once their "DB pension plan becomes well-funded" their organization is "very likely" to execute a full or partial pension risk transfer to an insurance company.

This year marks the eighth annual survey that CFO Research has conducted in cooperation with Prudential. Survey respondents came from a variety of industries, led by financial services/real estate, health care, and auto/industrial/manufacturing. They consisted mostly of chief financial officers, directors of finance, and vice presidents of finance. A majority of respondents came from companies with \$250 million to more than \$5 billion in annual revenues.

For more, read the full report: [Impacts of the New Tax Law on Pension and Benefit Strategies](#).

For media interested in speaking with a subject matter expert about the study or pension risk transfer, please contact [Gregory Roth](#).

