Outlook 2025

Pension Plan Sponsor Alert

2024 was another year of high equity returns and high pension discount rates. These factors, along with ever increasing expenses, provide pension plan sponsors with strategic opportunities to consider in 2025.

DE-RISKING

Employers that are on the fence for de-risking should consider these alternatives in 2025:

Annuity purchase – until inflation is under control, interest rates will be slow to come down which provides employers continued opportunity to find attractive pricing in the annuity market. Purchasing an annuity for the current retirees typically has little impact on the corporate balance sheet and provides a reduction in future expenses for the plan. Annuity success stories >

Plan termination – after two years of strong equity markets, interested employers should consider if their plan is in a position to begin the plan termination process. The improved funded status of the plan may be an opportunity to start the process which can take six to nine months to complete.

Investment policy changes – in order to lock in recent gains, employers can consider increasing the fixed income allocation and lengthening the duration of the fixed income investments. This will dampen future volatility, and for interested employers, prepare the plan for eventual plan termination.

SERVICE PROVIDER BUNDLING

Considering recent gains in the stock market and reductions in plan liabilities, plan sponsors of frozen plans should be looking for opportunities to shorten the time frame for eventual plan termination. One such strategy is to bundle actuarial, administrative and investment management services to provide a holistic approach to the plan termination path. This strategy will shorten that path by providing lower expenses and a coordinated approach to both asset and liability performance. With a well-coordinated team, action can be taken quickly to capitalize on opportunities as they arise.

PENSION BENEFIT GUARANTY CORPORATION (PBGC) PREMIUMS

Premiums are increasing. The 2025 Flat-Rate PBGC Premium is increasing almost 5% from \$101 to \$106 per participant. The 2025 Variable-Rate Premium remains at \$52 per \$1,000 of unfunded vested benefit liability.

Premium payments will be due earlier for the 2025 plan year. The premium filing due date is the 15th day of the 9th calendar month that begins on or after the first day of the plan year. Previously, this due date was the 15th day of the 10th calendar month. The PBGC deadline is scheduled to return to the normal timeline in 2026.

How USI Consulting Group (USICG) can help

While other consulting firms are scaling back pension consulting services, USICG is expanding pension plan and OPEB services to continue to provide innovative solutions for your organization today and well into the future. Contact your USICG consultant or email us at information@usicg.com.