

US Pension Risk Transfer Market Review: A Look Back at 2025 and Ahead to 2026

By Joe Anzalone, Michael Clark, and James Walton

The US pension risk transfer (PRT) market continued its dynamic evolution in 2025, demonstrating sustained growth and adaptation amidst a shifting economic and legal landscape. This past year built upon the robust activity of previous years, solidifying PRT as a crucial de-risking strategy for defined benefit plan sponsors.

2025: A Year of Continued Momentum and Evolving Transaction Types

In terms of overall volume, 2025 saw the US PRT market maintain a strong upward trajectory, albeit with some notable shifts in the composition of transactions. While large-scale, jumbo transactions (i.e., those exceeding \$1 billion) continued to capture headlines, there was a discernible increase in the number of mid-sized deals (ranging from \$100 million to \$500 million). This suggests a broader adoption of PRT strategies by a more diverse range of plan sponsors, perhaps driven by increasing financial sophistication and a greater understanding of the long-term benefits of de-risking.

Key observations for 2025 compared to prior years include:

- **Consistent Transaction Volume:** While 2024 set a high bar, 2025 largely matched or slightly exceeded that volume in terms of number of transactions, indicating that PRT is no longer a cyclical trend but a fundamental component of pension management. This is particularly notable in light of the fact that the beginning of the year was notably slower than the beginning of 2024; a very active latter half of the year allowed the overall transaction volume to keep up with the prior year.
- **Decrease in Jumbo Transactions:** Despite the continued volume in transactions, 2025 will fall short of 2024 in total premium volume by several billion dollars. This is due in part to the absence of substantial jumbo transactions that have headlined the PRT market in past years. In addition, the first half of 2025 was one of the slowest since 2021 with total premiums only amassing around \$10 billion.
- **Rise of the "Mid-Market":** As mentioned, the growth in the number of mid-sized transactions was a significant development. This can be attributed to several factors, including:
 - **Improved Market Education:** More plan sponsors are aware of PRT solutions and their applicability.
 - **Increased Insurer Capacity:** Insurers are better equipped to handle a higher volume of smaller, more frequent deals.
 - **Favorable Economic Conditions:** A generally stable interest rate environment in 2025 made PRT an attractive option for locking in liabilities.
- **Focus on Retiree Buy-Outs:** While plan terminations remained a primary driver for many transactions, 2025 saw a sustained focus on retiree buy-outs, where a portion of a plan's retirees are transferred to an insurer. This allowed sponsors to manage risk incrementally without immediately terminating the entire plan.
- **Competitive Pricing:** The increasing competition among insurers, coupled with favorable investment conditions and a slow start to the year, generally led to competitive pricing for PRT transactions, benefiting plan sponsors. Pricing for PRT transactions in 2025 compared quite favorably to the balance sheet liabilities removed, such that many plan sponsors engaging in retiree buy-outs recorded accounting gains while also reducing the cost and risk of their pension plans.

Developments with Insurers and the Legal Landscape

The insurer landscape in 2025 remained robust, with the established players continuing to dominate the market. However, there were also signs of new entrants and expanding capabilities among existing firms, leading to increased competition and innovation in product offerings. Insurers continued to invest in technology and expertise to streamline the PRT process, from data analytics to participant communication.

A notable development in recent years, and one that continued to garner attention in 2025, relates to **lawsuits against plan sponsors that have implemented PRT transactions**. While rare, these cases typically involve allegations of fiduciary breach, with plaintiffs (usually former plan participants) claiming that the PRT transaction did not adequately protect their benefits or that the chosen insurer was not sufficiently secure.

In 2025, there were a handful of new filings and ongoing litigation from previous years. The outcomes of these cases are closely watched by the industry, as they could set precedents for fiduciary responsibilities in PRT transactions. However, it's important to note that the vast majority of PRT transactions proceed without legal challenge, and established insurers have robust financial strength ratings. The key takeaway from these legal challenges is the heightened importance for plan sponsors to conduct thorough due diligence, document their decision-making process meticulously, and engage with experienced legal, actuarial, and investment advisors when undertaking a PRT.

Looking Ahead to 2026: Continued Growth with Potential Headwinds

The outlook for the US PRT market in 2026 remains broadly positive, with several factors pointing towards continued growth.

Factors supporting continued growth include:

- **Aging Demographics:** The continued aging of the US workforce and the increasing number of retirees will naturally drive demand for de-risking solutions.
- **Regulatory Clarity:** A stable regulatory environment provides confidence for plan sponsors to pursue PRT strategies.
- **Insurer Capacity and Innovation:** The competitive landscape among insurers will likely continue to drive innovation in product design and pricing, making PRT more accessible and attractive.
- **Interest Rate Environment:** While interest rates are always a wildcard, a moderately stable or slightly rising rate environment typically makes PRT more appealing as it can improve funding ratios and reduce the cost of transferring liabilities.
- **Strong Funded Status Metrics:** Equity markets had another strong year in 2025, meaning many plans are better funded than they have been in recent memory; well-funded plans often look to “lock in” gains and take risk off the table through derisking activities such as PRT transactions.

However, there are also potential headwinds that could influence the market in 2026:

- **Economic Uncertainty:** Any significant economic downturn or prolonged period of market volatility could impact corporate funding levels and their appetite for large-scale PRT transactions.
- **Legal Precedents:** The outcomes of ongoing or future litigation against plan sponsors could introduce new considerations or requirements for fiduciary oversight in PRT, potentially adding complexity.

Despite these potential challenges, the fundamental drivers of the PRT market remain strong. Plan sponsors are increasingly sophisticated in their understanding of pension risk and the benefits of de-risking. Insurers are well-capitalized and continue to offer innovative solutions. Therefore, 2026 is expected to be another significant year for the US pension risk transfer market, with sustained activity and further evolution in how plan sponsors manage their defined benefit liabilities.

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