

U.S. Pension Risk Transfer (PRT) Market - Focused Insights 2025-2030

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Report description:

The U.S. pension risk transfer (PRT) market is expected to grow at a CAGR of 12.76% from 2024 to 2030.

RECENT VENDOR ACTIVITIES

- In 2024, Cuna Mutual Group Retirement rebranded to TruStage. It unifies under one brand. This includes both executive and retirement benefits. The rebrand will bring the customers to continue to navigate their required products or services. Is a company, that delivers insurance, investments, and technology solutions that are designed to help meet a diverse range of needs. It offers various pension risk transfer services in the U.S. market.

- In 2021, Lockheed Martin Corporation, a defense and aerospace manufacturer in the U.S., purchased group annuity contracts from Athene Holding, a leading retirement services company, to transfer approximately \$4.9 billion of Lockheed Martin's pension obligations. It will be useful for around 18,000 retirees and beneficiaries.

KEY TAKEAWAYS

- By Transaction: The Lift-outs segment holds a market share of over 63% in 2024. Lift-out transaction demands are rising significantly due to the increased desire to partially de-risk the pension plans.

- By Plan Size: The small plan size segment shows the highest growth of 13.65%, driven by the availability of specialized solutions, growing awareness about de-risking, and regulatory changes.

- By Region: South region in the US pension risk transfer (PRT) market holds the largest share and is growing significantly due to the stronger base of Fortune 500 companies and a large tech-savvy population.

- Growth Factor: The U.S. pension risk transfer (PRT) market is set to grow due to the rising adoption of de-risking strategies and favorable economic conditions.

U.S. PENSION RISK TRANSFER MARKET TRENDS

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Increased Plan Termination

The desire to remove the risk associated with pension and balance sheet volatility is rising significantly. Thus, the companies are opting for the termination of their defined benefit pension plans and shifting all the risks and responsibilities to the insurer. The companies are terminating their pension plans due to the increased need to focus on core business, rising need for reduced risks of longevity & investment, improving financial reporting, cost savings, and favorable market conditions. When plan sponsors are considering selecting a plan termination, there are mainly two motives cost savings and risk reduction. Plan sponsors can easily get achieve this, by selling the benefits to the annuity provider or offering participants a lump sum. It helps to reduce the administrative burden of the organization.

Rising Adoption of De-Risking Strategies

The rising adoption of de-risking strategies is a significant trend in the U.S. pension risk transfer market. De-risking is a proactive approach that aims to protect investments, safeguard assets, and promote sustainable growth. De-risking strategies include pension risk transfer, investment strategy changes, and plan design changes. The transferring obligations of pension to an insurer through buy-ins or buy-outs reduces the financial risk associated with pension plans. As plans de-risk, many plan sponsors are also seeking to outsource their management of this non-core business to other parties. It is required for better positioned to run the plans. The popularity of the lift-outs tool is rising significantly for plan sponsors who are seeking to de-risk their pension plans. In today's volatile economic environment, regularity changes, desire for predictability, longevity risk, and increased pension costs, are the factors driving the rising focus on de-risking tools in financial planning.

U.S. PENSION RISK TRANSFER MARKET DRIVERS

Regulatory Changes

Regulatory changes are the major driver in the U.S. pension risk transfer market. It includes funding requirements, safeguarding pensioners, encouraging de-risking, and accounting standards. With the volatility introduced due to these regulatory changes, the companies are seeking PRT which can help to stabilize their financial reporting. Changes in accounting standards, especially for pension liabilities, can affect the company's financial statements. The pension discount rates can be impacted by the income state and balance sheet of the company. Changes in the regulations in the market, encourage the companies to select the pension risk transfer for reducing those fluctuations.

Favorable Economic Conditions

Favorable economic conditions are the major drivers in the U.S. pension risk transfer market. The growing number of insurers creates a competitive environment, which may increase interest rates. The changing interest rates made it challenging for the plan sponsors to manage the pension costs. Thus, they focus on buying pension risk transfer plans. The rising interest rates make it less expensive for insurers to offer guaranteed benefits. Thus, the cost of the pension risk transfer transactions can be reduced for the plan sponsors. The higher interest rates can lower the pension liabilities from the balance sheet of the company. It can boost the pension funding ratios, which makes PRT transactions more appealing.

INDUSTRY RESTRAINTS

Legal Challenges

Legal challenges are major concerns in the US pension risk transfer market. It includes fiduciary responsibilities, concern about insurer practices, regulatory security, reduced protections, and class action lawsuits. Many recent class action lawsuits claim that

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plan sponsors break their fiduciary duties. The company/plan sponsors have a fiduciary duty to select the pension risk transfer from the insurer. The plan sponsor needs to check the ability to meet plan assets and the financial strength of the insurer in the long term. If a chosen insurer fails to fulfill its promises, the plan sponsor can face legal challenges. The plan sponsors can sue them for their retirement benefits. The Department of Labor guidance provides guidance for selecting the insurers which emphasizes the need for an evaluation of the investment strategy and financial health of insurers.

SEGMENTATION HIGHLIGHTS

INSIGHTS BY TRANSACTION

The U.S. pension risk transfer (PRT) market by transaction is segmented into lift-outs, plan terminations, and buy-ins. The lift-outs segment accounted for the largest market share of over 63%. Lift-outs target specific groups of participants, such as retirees or beneficiaries already receiving benefits. The primary goal is to reduce the overall risk profile of the pension plan and minimize the volatility of funding requirements. Compared to plan terminations, lift-outs involve smaller transactions, allowing them to be completed more quickly and efficiently. Their growing popularity stems from being a less complex and more flexible alternative to full-plan terminations. In a lift-out, only retirees are transferred to the insurer, while terminated vested members and active employees remain in the plan. The demand for lift-outs is rising significantly among plan sponsors seeking to de-risk their pension plans.

INSIGHTS BY PLAN SIZE

The U.S. pension risk transfer (PRT) market by plan size is categorized into Large, mid-sized, and small. The small plan size segment shows significant growth, with the fastest-growing CAGR of 13.65% during the forecast period. The small plan size segment is growing in the U.S. pension risk transfer market, driven by the availability of specialized solutions, increasing awareness of de-risking strategies, and regulatory changes. Insurers are developing tailored solutions for small plans, often bundling multiple plans together to attract clients. Stricter regulatory guidelines are making pension risk transfer more appealing, particularly for small-sized plans. Increased competition among insurers in this segment is improving access and offering more favorable pricing. Buy-ins are a key transaction strategy for small plans, effectively reducing pension obligation risks. The southern regions, home to many small businesses, are expected to drive demand for small-sized pension plans during the forecast period.

REGIONAL ANALYSIS

The Southern region dominates and holds the largest share of the U.S. pension risk transfer (PRT) market. The southern region of the U.S. includes states such as Texas, Florida, Georgia, North Carolina, Tennessee, and Virginia. This region is experiencing significant growth due to its strong base of Fortune 500 companies and a large, tech-savvy population. Economic expansion has made it an attractive location for corporate headquarters, increasing the likelihood of companies with defined pension plans opting for PRT transactions.

The healthcare sector in the South is also expanding, driven by a strong manufacturing base and a high concentration of hospitals. Approximately 13% of the civilian employed population in this region works in healthcare. Additionally, the hospitality and leisure industries have a strong presence, particularly in Texas and Florida, with event planning businesses also on the rise. As these industries grow, there is increasing potential for small and mid-sized PRT transactions, driving demand for pension risk transfers in the South during the forecast period.

SEGMENTATION & FORECASTS

-□By Transaction

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- o□Lift-outs
- o□Plan Terminations
- o□Buy-ins
- By Plan Size
- o□Large
- o□Mid-Sized
- o□Small
- By Region
- o□South
- o□Northeast
- o□Midwest
- o□West

COMPETITIVE LANDSCAPE

The U.S. pension risk transfer (PRT) market reports consist of exclusive data on 21 vendors. The pension risk transfer (PRT) market is highly competitive, with the presence of large, mid-sized, and small companies. Large firms dominate the market by offering a variety of PRT transactions. However, the number of insurers in the U.S. PRT market is increasing as competition intensifies, and this trend is expected to continue in the coming years. As competition rises, insurers are offering more benefits and tailored plans at competitive prices to attract plan sponsors. Companies are also focusing on innovation in their processes and plan offerings, developing new products and services to meet the evolving needs of clients. Larger companies in the market are actively acquiring smaller players to expand their capabilities and market share. Meanwhile, insurers are specializing in different segments of the PRT market, such as transaction types and plan sizes, to differentiate themselves and capture niche opportunities.

Key Vendors

- Aon plc.
- Athene Holding
- Legal & General Group plc
- MetLife Services and Solutions, LLC
- Prudential Financial, Inc.
- Willis Towers Watson (WTW)

Other Prominent Vendors

- Reinsurance Group of America
- Fidelity & Guaranty
- Kohlberg Kravis Roberts & Co. L.P.
- Nationwide Mutual Insurance Company
- New York Life
- Pacific Life Insurance Company
- Principal Financial Services, Inc.
- Securian Financial Group, Inc.
- American National
- American United Mutual Insurance Holding Company
- Mutual of America
- Mutual of Omaha

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- Sammons Financial Group, Inc.
- TruStage Financial Group, Inc.
- Western & Southern Financial Group

KEY QUESTIONS ANSWERED:

- 1.□How big is the U.S. pension risk transfer (PRT) market?
- 2.□Which transaction segment has the largest share in the U.S. pension risk transfer (PRT) market?
- 3.□Which plan size segment provides more business opportunities in the U.S. pension risk transfer (PRT) market?
- 4.□Which region holds the largest share in the U.S. pension risk transfer (PRT) market?

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- o□Large

- o□Mid-Sized

- o□Small

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- o□South

- o□Northeast

- o□Midwest

- o□West

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