2026

Pension Risk Transfer Trend Report

Introduction

Pension risk transfers mitigate some or all defined benefit plan obligations by transferring them to a qualified third-party insurance company when the plan sponsor purchases annuities to cover those obligations or by offering lump sum payouts to plan participants. Companies use Pension Risk Transfer (PRT) transactions to resolve plan obligations and risks by either lifting out participants or terminating the plan altogether.

Market conditions over the past few years have put many defined benefit plans at or above full funding. That, coupled with a high-interest rate environment and low annuity purchase prices, has led many plan sponsors to de-risk their defined benefit plans.
This report is the result of October Three's annual market survey of insurance companies participating in the PRT market. The data generated from this survey provides an overview of PRT transactions in the first half of 2026, with analysis of trends and insurance carrier insights to inform expectations for how the PRT market will perform over the coming quarters.

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Key Findings

- Plan terminations dominated PRT deal flow in the first half of 2026.
- Insurance carriers are predicting that the number and dollar amount of PRT transactions in 2026 will be lower than 2025, though they are slightly more optimistic compared to last year's survey.
- Plan sponsors are less likely to delay PRT transactions because of litigation compared to last year.
- Jumbo transactions ($1B or larger) remain scarce and episodic.
- Insurance carriers are seeing more deal flow from outside of traditional single-employer plans.
- Incomplete data is the greatest barrier to timely client onboarding and increases expenses for insurance carriers.

Pension Funding

October Three tracks pension funding status using two hypothetical plan models. Plan A is a traditional plan (duration 12 at 5.5%) with a 60/40 asset allocation. Plan B is a largely retired plan (duration 9 at 5.5%) with a 20/80 allocation and a greater emphasis on corporate and long-duration bonds.

We assume overhead expenses of 1% of plan assets per year, and we assume the plans are 100% funded at the beginning of the year and ignore benefit accruals, contributions, and benefit payments in order to isolate the financial performance of plan assets versus liabilities.

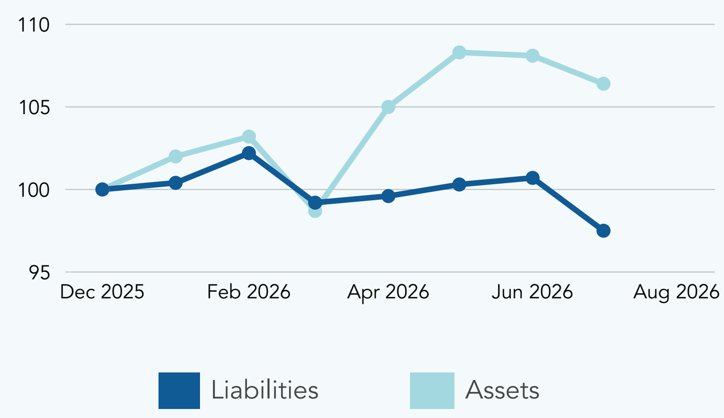
The graphs to the right show the movement of assets and liabilities for our two model plans in the first half of 2026.

Plan A is now up 9% for the year, while the more conservative Plan B remains up 2% through the first seven months of 2026.

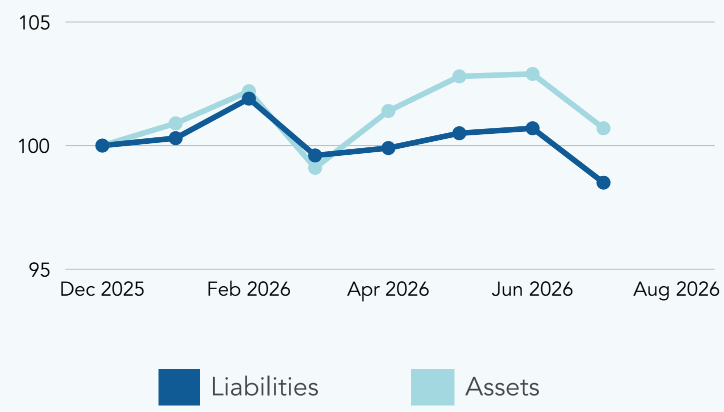
Since 2022, when interest rates spiked above 5%, rates have continued to (unevenly) move up, reining in pension liabilities and producing a tailwind for pension sponsors apart from continued strong stock markets.

This rise in the value of plan assets and subsequent funding surplus for many DB plans means that many plan sponsors continue to find themselves in a favorable position to de-risk their plans.

2026 Pension Experience - Plan A



2026 Pension Experience - Plan B



Annuity Purchase Interest Rates

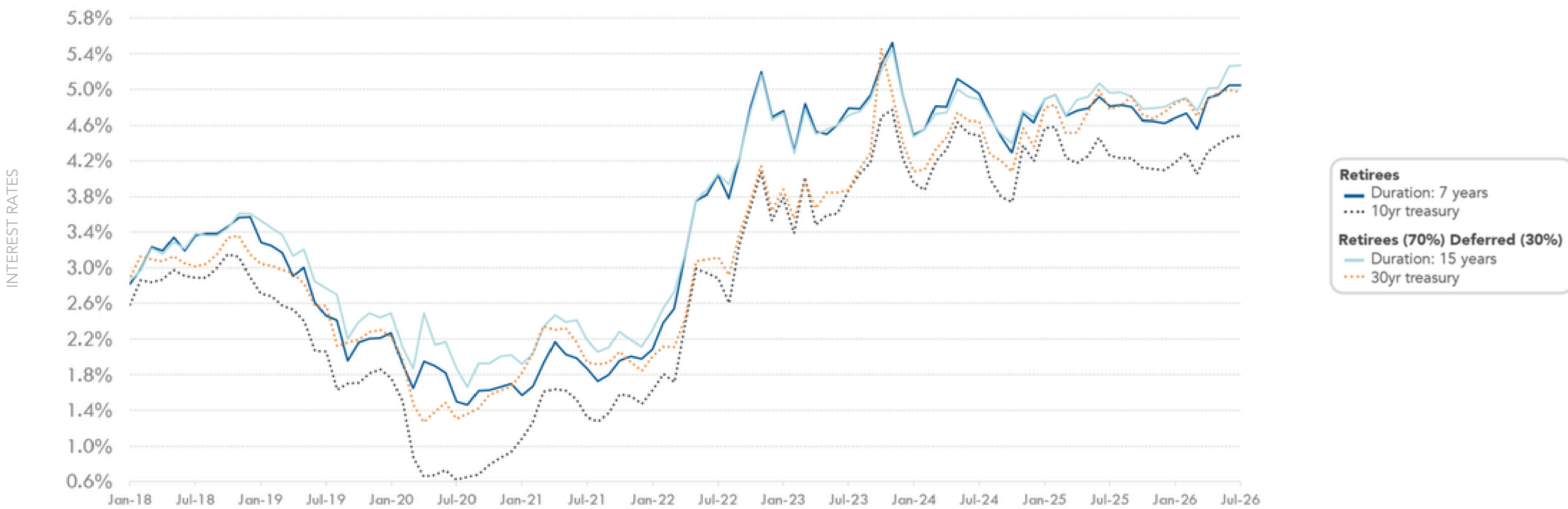
October Three collects annuity purchase rates for durations of 7 and 15 years on a monthly basis. In the two graphs below, we constructed hypothetical annuity plans which are structured as follows.

- Annuity Plan 1 contains retirees only and has a liability duration of 7 years.
- Annuity Plan 2 contains 70% retirees and 30% deferreds and has a liability duration of 15 years.

Monthly annuity rates are determined by taking the average of the Duration 7 and Duration 15 interest rates provided by insurers. Annuity Plan 1 was valued using the average of the Duration 7-year interest rates collected, while Annuity Plan 2 was valued using the average of the Duration 15-year interest rates.

The following graph was created using these collected annuity purchase rates and the two hypothetical plans which represent actual PRT market activity.

Historical Annuity Rates
(January 2018 - July 2026)



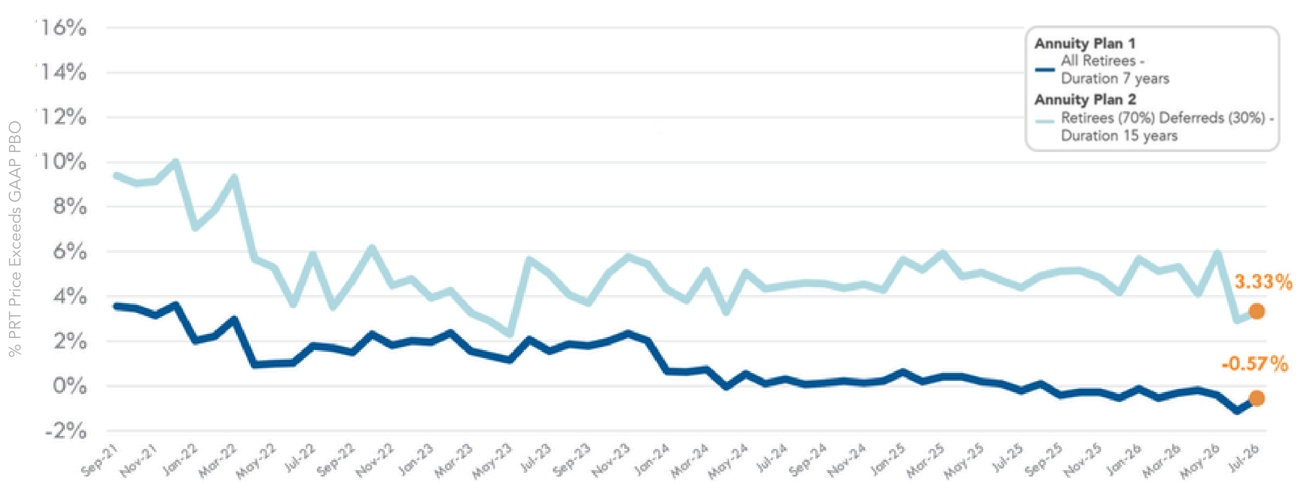
The 10-year and 30-year Treasury rates also continued their stable momentum, beginning the month of July at 4.48% and 4.97%. Compared with July 2025, the 10-year Treasury rate increased by 22 basis points, while the 30-year Treasury rate rose by 19 basis points.

As interest rates remain elevated, the Pension Risk Transfer market continues to demonstrate strong participation and interest. Historically, the third and fourth quarters are the busiest, with insurers often reaching capacity constraints and scheduling conflicts with new cases. It is strongly encouraged for plan sponsors to enter the marketplace early to secure purchase dates and maximize insurer participation.

The graph below shows the spread between the annuity purchase price and the GAAP projected benefit obligation (PBO), also known as the accounting book value, and demonstrates the corresponding impact on pension plans. As rates increase, annuity prices trend downward and drive plan funding higher.

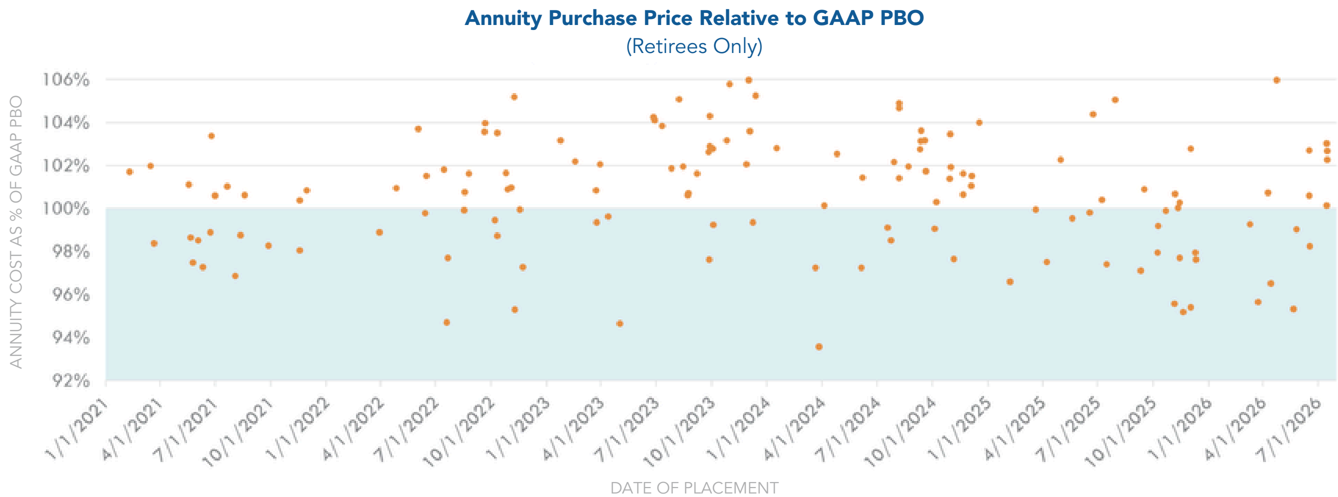
Please note that the PBO figures shown do not include future overhead costs—such as administrative expenses and PBGC premiums—that plan sponsors would incur by retaining participants in the plan. Looking at the data going back to 2020, the difference between annuity pricing and GAAP PBO has narrowed overall.

Historical Annuity Purchase Price Relative to GAAP PBO



Competitive Bidding

The graph below represents the annuity purchase price relative to GAAP projected benefit obligation (PBO) of the retiree cases placed by October Three Annuity Services since 2021. In 2024, the average annuity purchase cost of retiree transactions placed by October Three Annuity Services decreased to 101.32% of GAAP PBO. In 2025, the annuity purchase cost for retirees was 99.25% of the accounting book value on average. Note that these figures are for retirees. Pricing versus PBO is higher for deferreds.



All the above factors, coupled with carriers' expected decrease in available deals in the marketplace, are causing continued competition among carriers. Many of them are still changing their underwriting guidelines to move either upmarket or downmarket, and some have become licensed to do business in New York (see "Changes in Underwriting Guidelines" below).

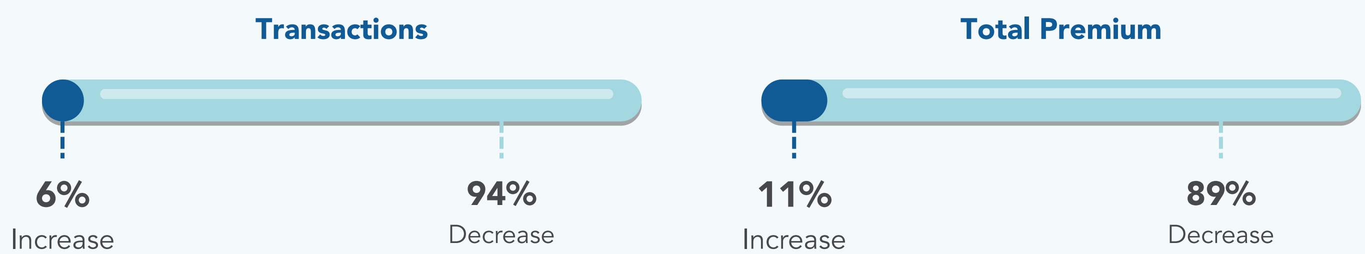
Insurer competition puts downward pressure on annuity purchase prices. With lower annuity purchase prices, there is often more demand for annuity purchases from plan sponsors, especially if they were already considering transacting but may have been on the fence.

H1 2026 Transactions

Despite high levels of pension funding and favorable annuity purchase interest rates, insurance carriers reported an overall decrease in PRT transactions during the first half of 2026 compared to the first half of 2025.

The survey results show that 94% of respondents reported a decrease in the number of PRT transactions in the first half, and 89% reported a decrease in the total premium being transacted during that time.

H1 2026 vs. H1 2025



Insurance carriers reported that in the first half of 2026, the industries conducting the greatest number of PRT transactions were Manufacturing, Healthcare, Retail & Consumer Goods, Banking & Financial Services, and Education Systems.

H1 2026 Breakdown

In the first half of 2026, insurance carriers responding to our survey reported participating in 216 PRT transactions for a total premium of $6.05B.

Plan terminations made up the vast majority of PRT transactions reported by insurance carriers in H1 2026, making up 66% of all transactions, while participant lift-outs made up 28%.

Of the insurance carriers surveyed, roughly 59% participate in buy-in transactions. Though buy-ins only make up a small percentage of the market, 100% of respondents who participate in buy-ins reported a greater number of buy-in transactions, as well as a higher dollar amount of buy-ins in the first half of 2026 compared to H1 2025.

Of those insurance carriers, 90% reported they are writing the greatest number of buy-ins for plan terminations, while the other 10% are writing the most buy-ins for retirees.

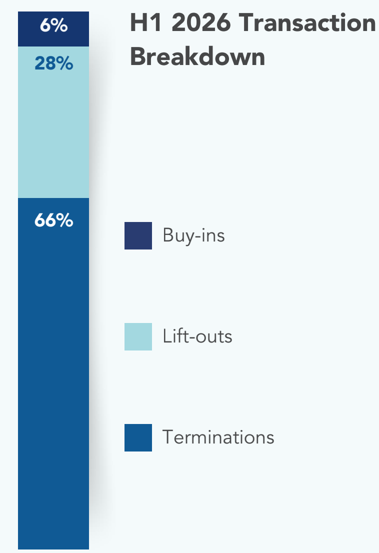
Eighty percent of survey respondents report that the average size of buy-ins is between $100M and $500M, while 20% said the average size is between $20M and $100M.

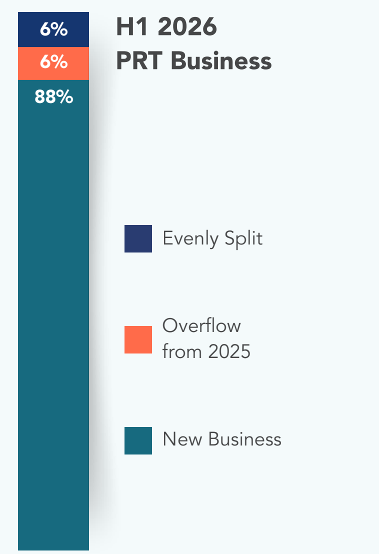
Jumbo Transactions

One hundred percent of respondents reported that they completed fewer jumbo transactions ($1B or larger) in the first half of 2026 compared to the first half of 2025.

New Business

Eighty-eight percent of insurance carriers reported that PRT transactions in the first half of 2026 came from new business rather than overflow from the previous year. This represents a 12% increase compared to the same period in 2025, when 76% of respondents reported that new business made up the majority of PRT transactions and 24% said it was evenly split between new business and overflow.



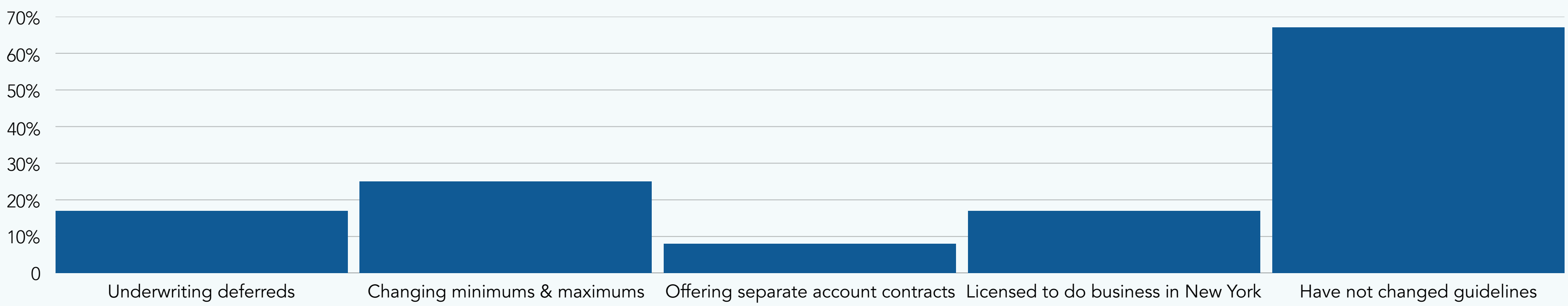


Changes in Underwriting Guidelines

Insurance carriers have been adjusting their underwriting guidelines over the past few years to capture new business amid economic uncertainty and increasing market competition. This trend appears to be slowing in 2026 compared to last year. In our 2025 survey, 82% of insurance carriers reported they had changed their underwriting guidelines due to changes in the industry. In our 2026 survey, the number of carriers who have changed their guidelines dropped to only 33%.

Of those who have changed their underwriting guidelines, 25% reported they are changing their minimums and maximums, 17% have begun underwriting deferreds, 17% have become licensed to do business in New York, and 8% are offering separate account contracts.

How Underwriting Guidelines are Changing

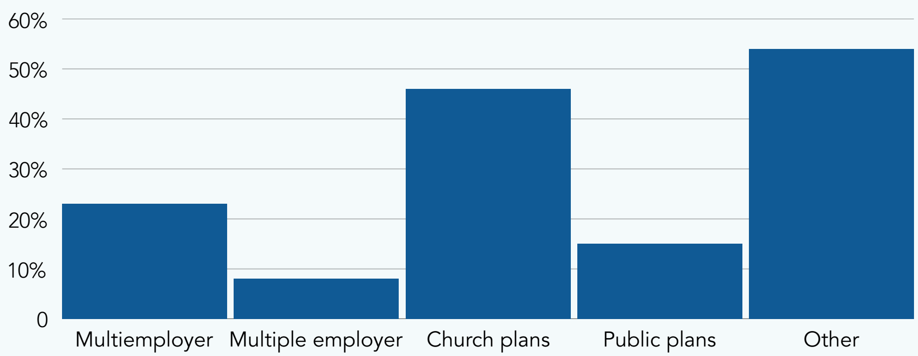


New Deal Pipelines

Forty-six percent of insurance carriers surveyed reported that, outside of traditional single-employer plans, the largest influx of PRT transactions came from Church Plans in the first half of 2026, while 23% reported they were seeing a higher-than-average number of multiemployer plans.

Fifteen percent said public plans made up a significant proportion of their new deal pipeline, and 8% reported above-average activity for multiple employer plans.

New PRT Pipelines



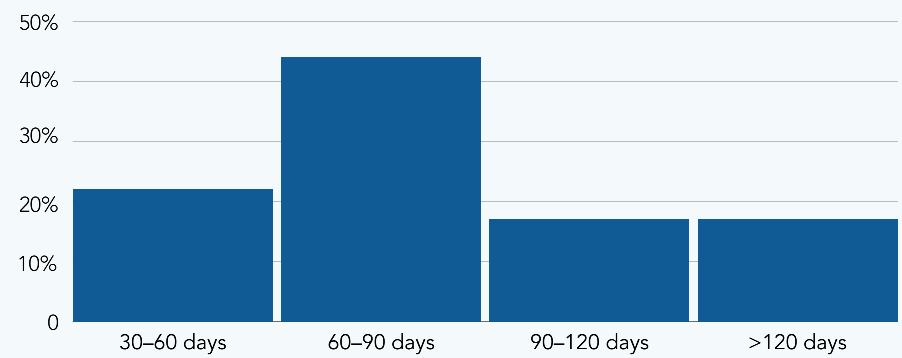
Outside of traditional single-employer plans, the largest influx of PRT transactions came from Church Plans in the first half of 2026.

Client Onboarding

The timeline for onboarding new PRT clients is a critical factor that can have cost implications for plan sponsors as they continue making participant payments until onboarding to the insurance carrier is complete. In some cases, the plan sponsor may be facing a plan-year deadline that could require additional filings, as well as actuarial, administrative, and regulatory costs.

About 22% of insurance carriers surveyed said their onboarding time is typically between 30 and 60 days. Forty-four percent responded that the timeframe is between 60 and 90 days. Seventeen percent of carriers report a 90- to 120-day onboarding time and another 17% say it takes more than 120 days to onboard new clients.

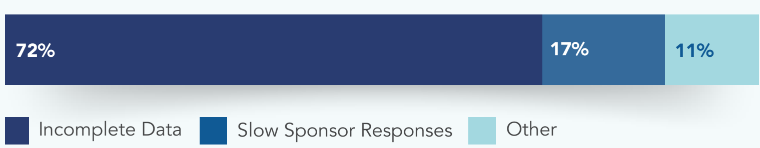
Onboarding Timeframes



While 17% of the insurance carriers surveyed attribute longer onboarding timelines to slow responses from plan sponsors, receiving incomplete data was by far the largest contributing factor to increased onboarding times, according to 72% of survey respondents.

The completeness and quality of plan data are critical factors in transferring pension benefits to an insurance firm. Sixty-one percent of insurance carriers surveyed reported that incomplete data from plan sponsors increased their post-sales expenses.

Factors that Influence Onboarding Time



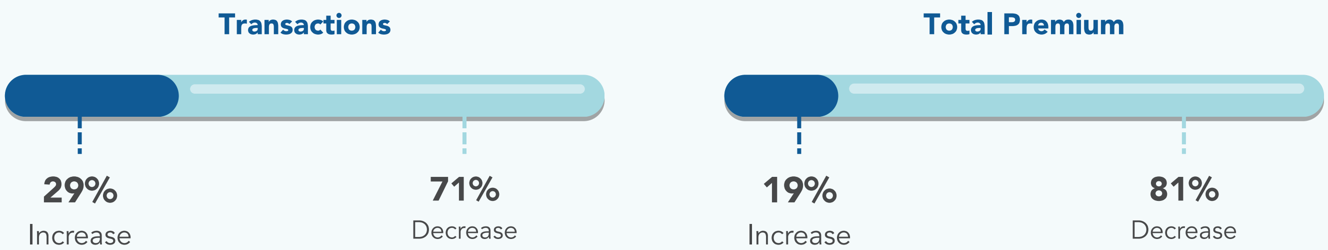
Does Incomplete Data Increase Post-sale Expenses?

Trends & Expectations

Overall, insurance carriers are predicting a decrease in PRT transactions for 2026 compared to 2025. Seventy-one percent of respondents believe there will be a decrease in the number of transactions, and 81% say the total premium transacted in 2026 will decline.

This is slightly more optimistic than last year, when 82% of survey respondents predicted a decrease in both transaction numbers and the total dollar amount for the year.

FY 2026 vs FY 2025



Transaction Types

The prevailing sentiment among insurance carriers is that the market will continue to see an increase in buy-in transactions, though buy-ins currently comprise a relatively small percentage of the market. Many plan sponsors are using buy-ins to lock in prices as they work toward plan termination. And some are engaging in buy-ins for deferred participants, according to survey respondents.

Transaction Size

Carriers participating in our 2026 survey believe that small- to mid-market PRT transactions will remain steady. Respondents indicate that deal flow remains steady in the $10M - $250M range, with a concentration of deals below $50M. Larger PRT transactions and jumbo deals will remain episodic.

Market Competition

As was the case with our 2025 survey, insurance carriers overwhelmingly predict that competition in the PRT space will continue to grow.

Increasing competition will largely be due to new entrants to the market and subsequent price compression. Many carriers will continue to adjust underwriting guidelines and move up or down market to capture deals they didn't previously pursue.

Market Trends

Carriers expect PRT volumes to accelerate in the second half of 2026, with the market generally continuing to grow beyond the second half.

The proliferation of technology will have a significant impact and increase complexity in the market in the coming years. As AI tools continue to be developed, both plan sponsors and insurers will seek out AI and other technology to manage complexity and improve data quality. As technology becomes more prevalent in the industry, process and due diligence will become even more crucial.

What We're Watching

Litigation
Compared to our 2025 survey, insurers reported less concern around PRT litigation in 2026. Though a significant proportion of lawsuits over PRT transactions have been dismissed, a few are still moving forward. The outcome of one or more of the remaining cases could potentially have implications for plan sponsors' fiduciary and/or settlor responsibilities.

Geopolitical Uncertainty
Geopolitical tensions could continue to create more economic uncertainty for plan sponsors. Unpredictable and erratic tariff implementation, coupled with pressure on the oil supply due to the conflict in Iran, has created an environment in which businesses are reluctant to make financial commitments. These and other policy decisions will continue to have implications for the overall economic environment.

Non-traditional Deal Pipelines
Our 2026 survey indicates that there was an uptick in PRT deals beyond traditional single-employer plans. Church plans have been a significant source of PRT and other pension-related business. Nearly half of carriers surveyed reported new business had come from church plans in the first half of 2026.

It also will be important to watch what additional PRT deals may result from multiemployer, multiple-employer, and public plans over the coming years.

Artificial Intelligence
AI technologies will have an outsized impact on many areas of the financial industry in the coming years. While these technologies carry the promise of greater productivity, they can also have disadvantages. It will become more important than ever for insurance carriers to validate the output of AI tools for accuracy and continue strict due diligence.

Over the next year, the picture around how insurance carriers will adapt to new AI technologies will begin to crystalize.

Plan Funding
In the past couple of years, funding surpluses have been a major incentive for plan sponsors to de-risk their plans. As long as interest rates remain at or near their current levels and the stock market continues to demonstrate growth, that trend may continue.

Going forward, these market conditions will have a strong influence on plan sponsors' decisions whether to pursue future PRT transactions.

Contact us

Authors

Mark Unhoch
Partner & Pension Risk Transfer Practice Leader

Kurt Southworth
Partner

Jisha Jose
Consultant

Sean Harris
PR & Market Intelligence Leader

Contact us for more information

For Pension Risk Transfers

Mark Unhoch
munhoch@octoberthree.com

Media Contact

Sean Harris
sharris@octoberthree.com

Methodology:
October Three conducted an anonymous online survey of 18 major insurance companies representing roughly 78% of carriers who actively participate in the PRT market. The purpose of this survey was to gather data on PRT transactions in 1H 2026 to identify trends derived from the sample data, as well as market sentiment based on the experience of insurance carriers. The survey was conducted between July 1, 2026, and August 6, 2026, and was designed so that the data collected was not associated with the individual respondents or the insurance carriers they work for.

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