2025 PRT Trend Report

AUTHORS

Mark Unhoch
Partner & Pension Risk Transfer Practice Leader

Kurt Southworth
Partner

Jisha Jose
Consultant

Sean Harris
PR & Market Intelligence Leader

Introduction

Over the past decades, retirement plan sponsors have moved away from offering traditional pension benefits to their employees in favor of defined contribution plans like 401(k)s. Some businesses have done so to mitigate funding risk and reduce the administrative complexity associated with traditional pensions.

Those with active and frozen defined benefit plans use pension risk transfer (PRT) transactions to manage that risk and complexity while ensuring the fulfillment of existing and future benefit obligations to plan participants.

Pension risk transfers mitigate some or all 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 PRT transactions to resolve plan obligations and risks by either lifting out participants or terminating the plan altogether.

October Three conducted a survey of insurance companies who participate in the PRT market to gauge the level and type of business they experienced in the first half of 2025. Their responses were compiled and cross-referenced with October Three's internal market data to provide insights into how the PRT market performed in the first half of 2025, as well as expectations for the rest of the year and into the first half of 2026.

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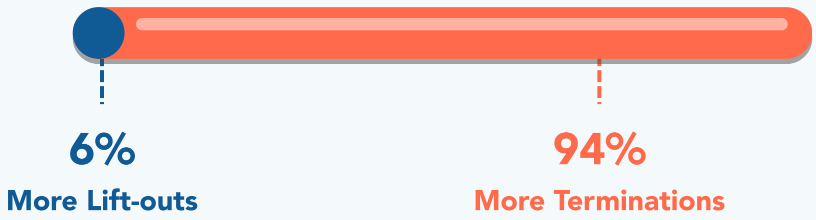
Key Findings

- PRT transactions are trending more toward terminations than lift-outs thus far in 2025.
- Carriers are reporting that buy-ins are becoming more common.
- There have been fewer jumbo transactions in the first half of 2025 and that is expected to continue through the rest of the year.
- Carriers are seeing increased competition, with new carriers expected to enter the market and existing carriers adjusting their underwriting guidelines to capture more business.
- Insurers are now devoting more resources to PRT.
- Overall, PRT activity in 2025 is expected to decline from that of 2024.
- Interest rates, pension plan funding, and current market conditions remain favorable for pension risk transfers.

Lift-Outs vs Terminations

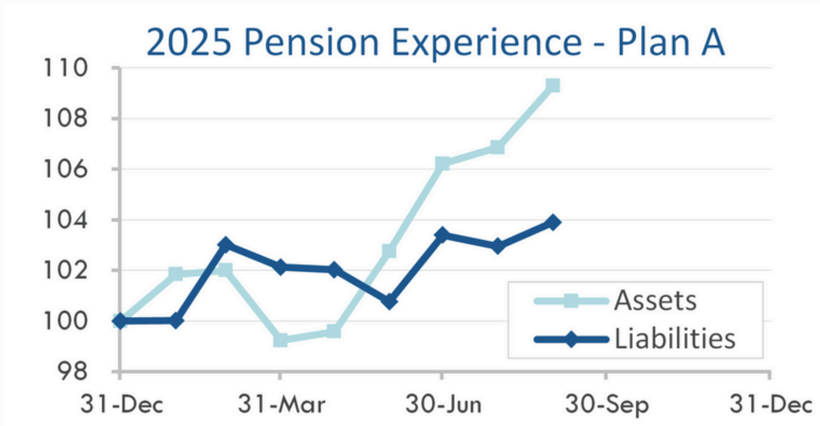
Lift-Outs vs. Terminations in H1 2025

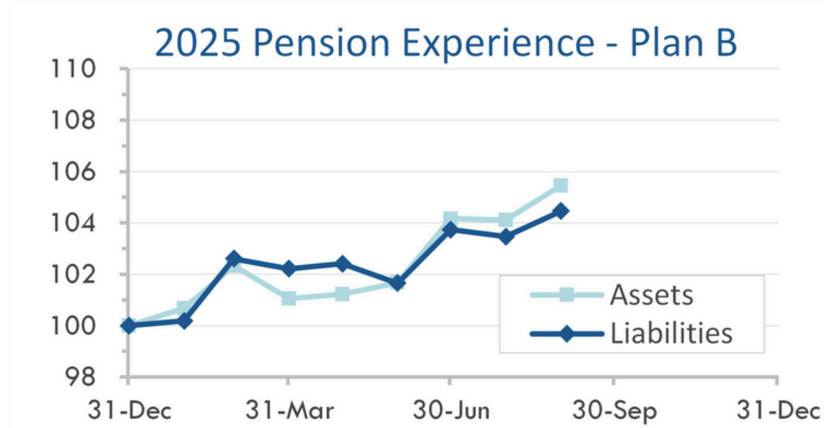


Lift-outs occur when liabilities for a subset of plan participants (excluding active participants) are transferred to an insurance company through the purchase of annuities. In contrast, when a plan terminates, annuities are purchased for all remaining participants, and the plan is ended permanently. In the first half of 2025, carriers reported a greater number of plan terminations than lift-outs. In fact, 94% of insurance companies surveyed indicated that they have seen a greater number of terminations than lift-outs. This is the result of several factors:

High Funding Levels

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, while 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 below show the movement of assets and liabilities for our two model plans so far this year.





Over the past few years, defined benefit plans have enjoyed a run of high funding levels due to a combination of high interest rates and strong stock market performance. Pension tailwinds have continued in 2025, due to strong stock markets and stable interest rates.

As a result, most companies have found themselves in a better position to take advantage of de-risking their defined benefit plans through PRT.

High annuity purchase interest rates

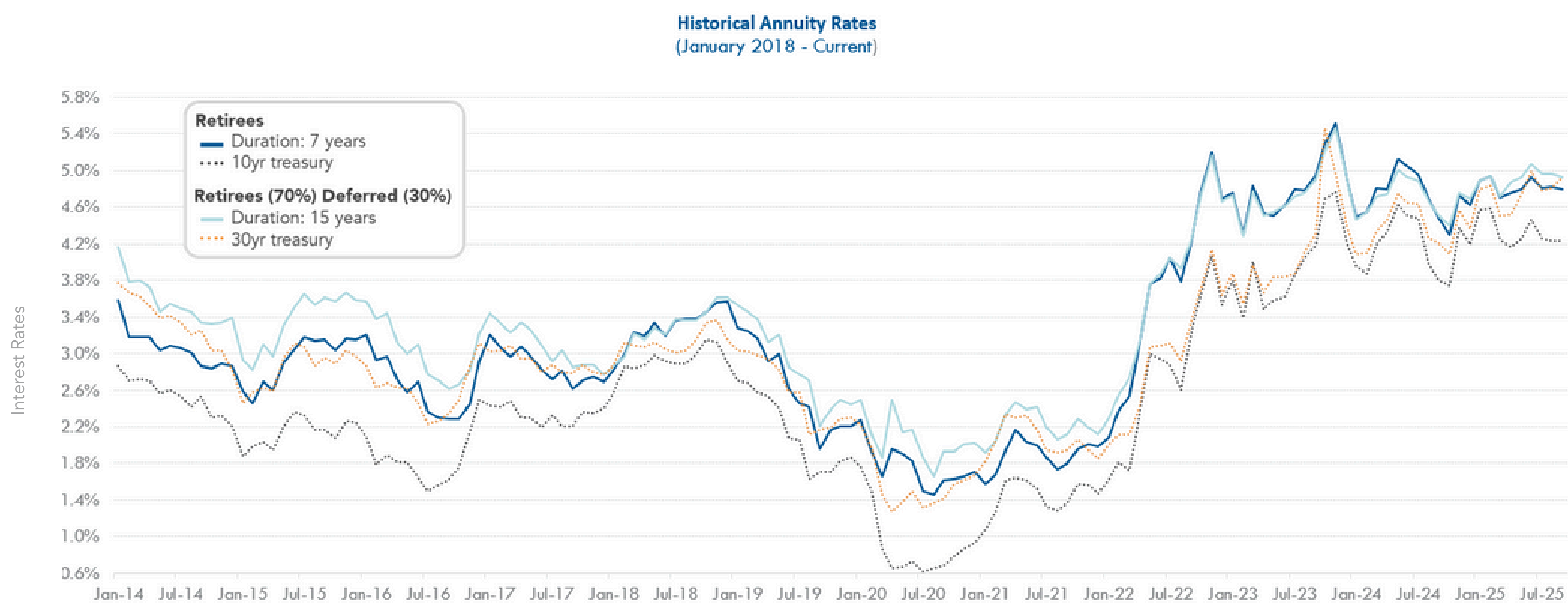
We are currently seeing the highest annuity purchase interest rates in more than 10 years. Interest rates have an inverse relationship to plan liability. As interest rates rise, liability and the cost of annuities decrease. As a result, plan sponsors may be incentivized to pursue a PRT de-risking strategy.

October Three collects annuity purchase rates for durations of 7 years and 15 years on a monthly basis. In the two graphs below, we constructed hypothetical annuity plans using the latest mortality tables and mortality improvement scales.

- 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.

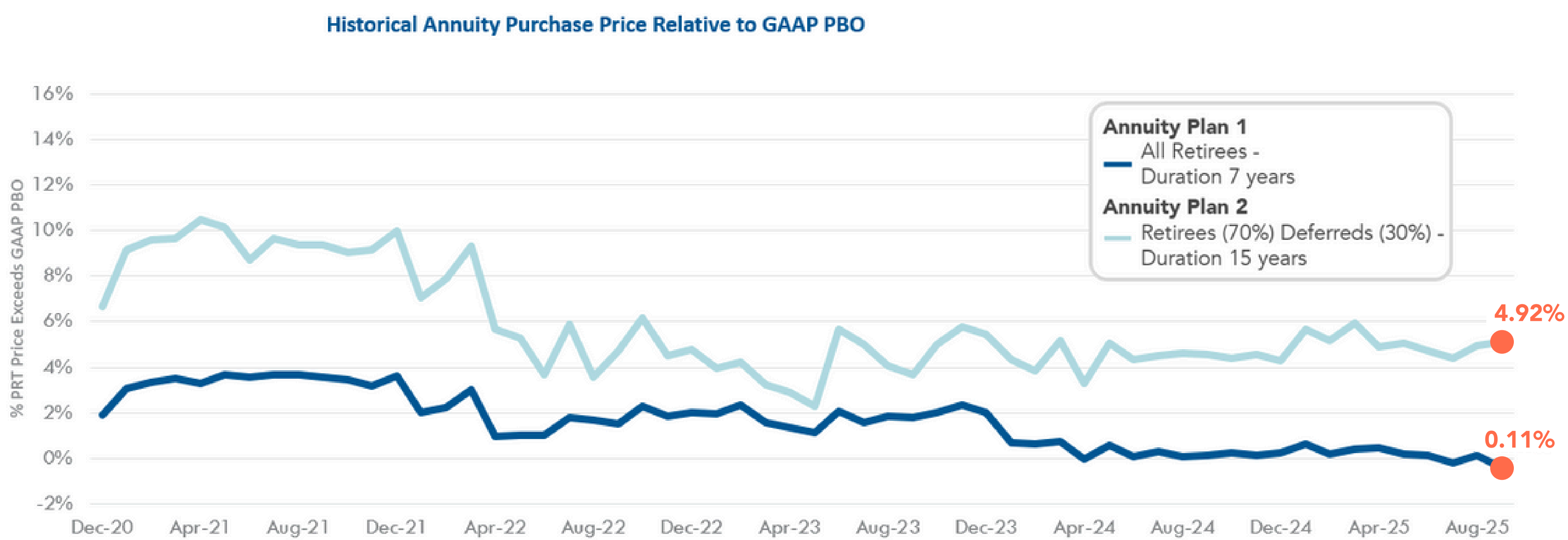
Monthly annuity rates are determined by taking the average of the Duration 7 and Duration 15 interest rates provided by insurers. Annuity Plan 1 was valued using the average of the Duration 7-year interest rates collected, while Annuity Plan 2 was valued using the average of the Duration 15-year interest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

Using these collected annuity purchase rates and the two hypothetical plans, we produced the following graphs, which represent actual PRT market activity and the corresponding impact on pension plans.



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. This month, Annuity Plan 1's spread saw an increase of 0.11% while Annuity Plan 2's spread also saw a rise of 4.92%. As annuity purchase interest rates increase, purchase prices drop relative to the PBO (assuming all other factors remain constant).

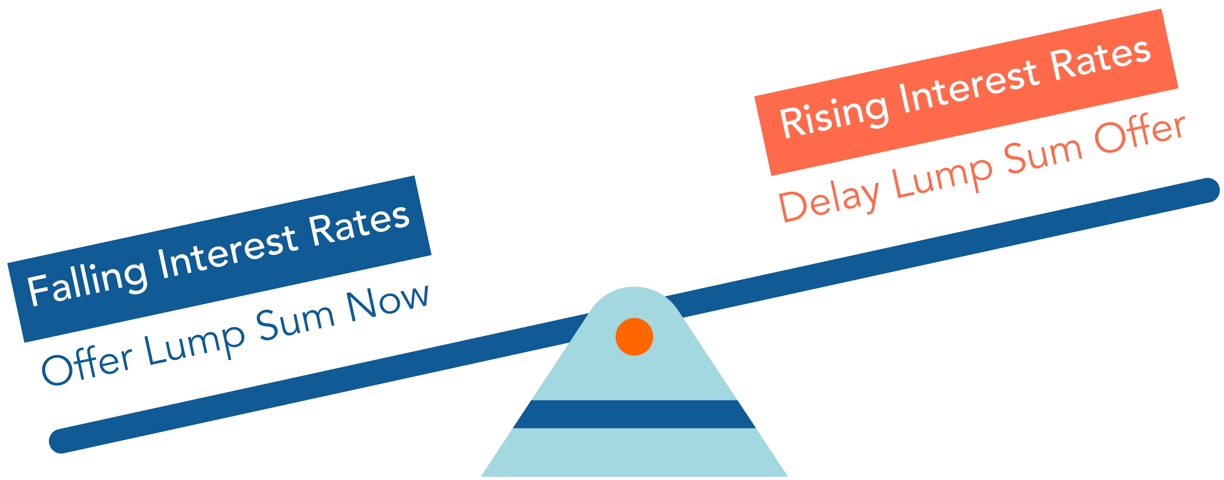
Please note that the PBO figures shown do not include future overhead costs—such as administrative expenses and PBGC premiums—that plan sponsors would incur by retaining participants in the plan. Looking at the data going back to 2020, the difference between annuity pricing and GAAP PBO has narrowed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



High lump sum interest rates

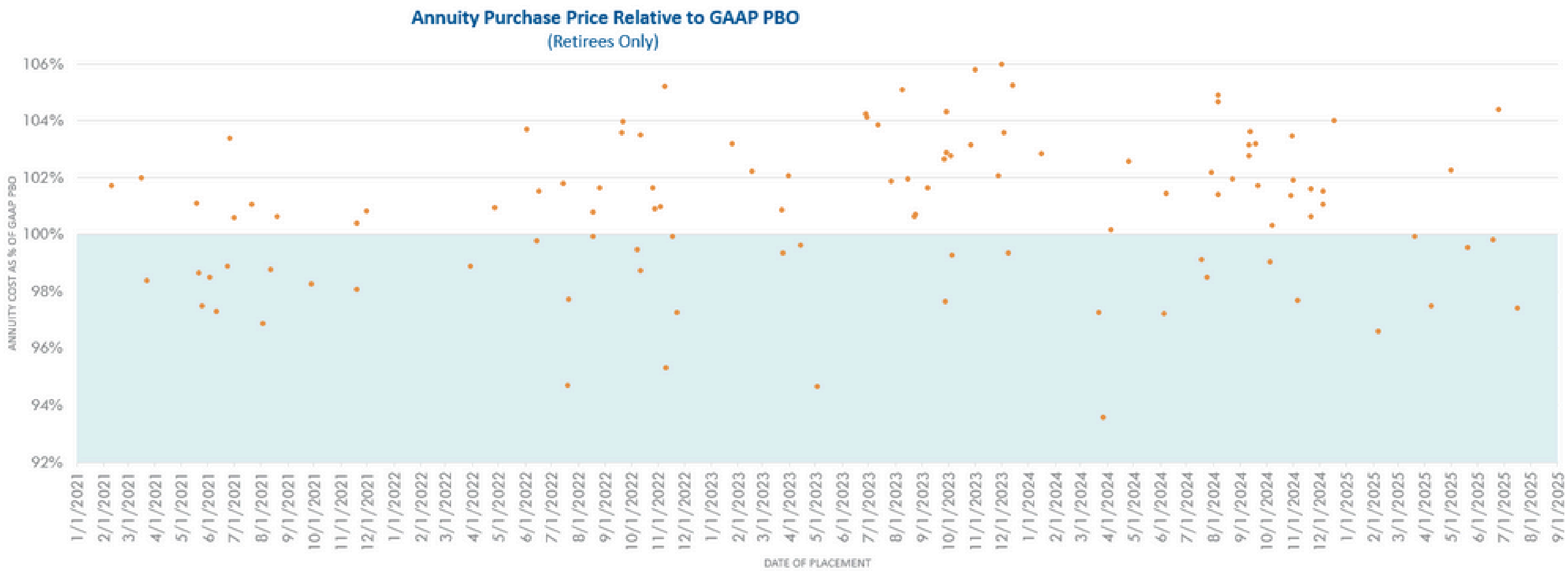
Current high lump sum interest rates can further position plan sponsors to move toward plan terminations. In an increasing interest rate market, it is more beneficial for a plan sponsor to wait to offer a lump sum to their participants. Inversely, if interest rates are decreasing, it would be more beneficial for a plan sponsor to offer a lump sum to their participants. If they do so, and the plan becomes fully funded, these plan sponsors are often more likely to move toward plan termination.

However, other considerations such as adverse selection may come into play regarding retirees, influencing the actual number and dollar amounts of lump sum payouts. For example, retirees in good health who expect to live beyond their life expectancy will be less likely to agree to a lump sum payout.



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 2023, the annuity purchase cost for retirees was 102.52% of the accounting book value on average. In 2024, the average annuity purchase cost of retiree transactions placed by October Three Annuity Services decreased to 101.32% of GAAP PBO as the number of transactions and competition increased.



All the above factors, coupled with carriers' expected decrease in available deals in the marketplace, are causing competition among carriers in the PRT marketplace to heat up in 2025.

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.

Buy-In Activity

Buy-ins are policies bought by the plan sponsor that cover liabilities of specified plan assets. However, the plan sponsor maintains responsibility for administration and participant payments. The liabilities remain part of the plan as well as the value of the annuity contract.

One hundred percent of the carriers surveyed reported an increase in the number of buy-ins in the first half of 2025 compared to the same period in 2024. However, 80% reported that those transactions have culminated in a lower dollar amount thus far this year.

Some survey respondents reported that the buy-ins being purchased today are used to lock into the cost of annuities prior to termination and are used in larger or jumbo transactions. With the size of these transactions decreasing, buy-ins have moved down market.

Some carriers are taking on buy-ins as a strategy to capture more business. While many respondents say they expect buy-in structures to become more common, the data showing increased buy-ins in 2025 thus far doesn't necessarily constitute a trend. Despite the growth, buy-ins are still expected to represent a very small percentage of overall transactions in the PRT marketplace.

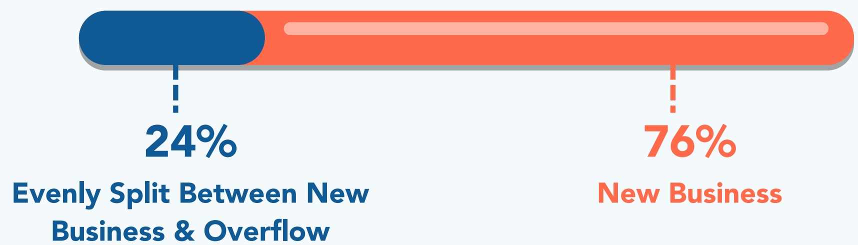
> "100% of carriers surveyed reported an increase in the number of buy-ins in the first half of 2025 compared to the same period in 2024."

Increased PRT Resources

Though they saw record PRT activity in 2024, insurers still weren't quite at capacity. Despite a slight decrease in activity predicted by insurance companies for 2025, demand for PRT transactions remains high.

During 2022 and 2023, these carriers learned valuable lessons in elasticity to meet rapidly increasing demand, and they are continuing to use those lessons to scale their operations as many anticipate an uptick in PRT activity next year. Respondents to our survey indicated that they are building out their PRT teams, systems, and processes to scale their capabilities while further increasing annual capital allocations.

PRT Activity H1, 2025



In October Three's experience, and as is supported by our carrier survey, insurers are seeing a significant amount of new business. While they anticipate a decline in PRT transactions and total premiums in the 2025 calendar year, many predict overall growth in the PRT market over the next few years.

In 2022 and 2023, many insurers backed out of the market during the fourth quarter (when PRT activity is historically higher); they were already booked with business, and their capital allocation had been exhausted. They just didn't have the capacity to keep up with demand.

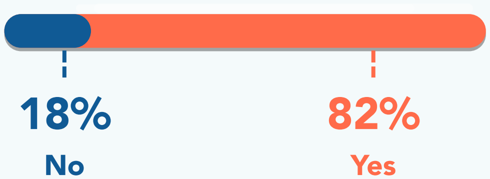
Following 2023, carriers began allocating more resources to their PRT business and, even though 2024 was a record year for PRT, carriers still had the capacity to meet that demand.

Insurers are becoming more competitive

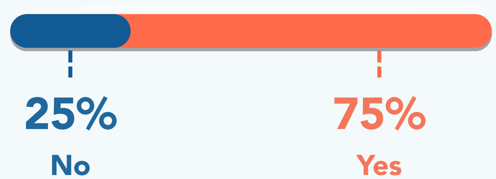
With 2025 likely to see fewer PRT transactions in the market, insurers are adjusting their underwriting guidelines to expand their pool of potential cases. For example, many are expanding their minimums and maximums or underwriting deferreds (those not yet retired) for the first time. Notably, some insurers who specialize in jumbo cases are now moving down market to bid on smaller transactions due to the lack of jumbo cases available.

Of the carriers surveyed, 82% of companies have adjusted their underwriting guidelines in the past few years to improve their competitive advantage and broaden the range of transactions on which they can bid. Seventy-five percent of those companies say they have increased the number of placements they participate in as a result.

Have changes in the industry caused you to change your underwriting guidelines in the past years?



Are these changes increasing the number of placements you participate in?



October Three's Market Survey indicated that carriers in the market are making the following changes to capture more PRT transactions:

Expanding transaction minimums and maximums:
Some insurers who typically participate in jumbo transactions ($1B or larger) are expanding down market, and some smaller insurers are expanding upmarket.

Adding comingled separate accounts:
Using comingled separate accounts adds another level of security to PRT transactions, which can influence plan sponsors' decision-making process when selecting a provider. In 2025 thus far, 65% of the insurance companies surveyed have written some or all of their PRT business in comingled separate accounts. Twenty-nine percent reported that all of their business was written in a comingled separate account, while 35% said none of their business was written in a comingled separate account in the first half of 2025.

% of Business Written in Comingled Separate Account	Percentage of Respondents
0%	35%
1% - 25%	18%
26% - 50%	0%
51% - 75%	12%
76% - 99%	6%
100%	29%

Utilizing reinsurance:
More insurers are employing reinsurance to distribute risk. This is in line with what survey respondents are seeing regarding carriers pursuing business they haven't historically underwritten. These carriers may be loosening underwriting guidelines to capture more business, then utilizing reinsurance to keep their risk profiles in line with their overall risk tolerances.

Increasing admin capabilities:
Insurers are scaling their admin capabilities and building more flexibility into their administrative processes.

Allowing buy-ins at lower costs:
Due to increasing competition in the market, buy-ins are becoming more common. Many carriers are moving down market, pursuing smaller buy-ins to open up new avenues for growth.

Taking on deferreds:
Many companies indicated that they have begun taking on deferreds (participants who are not yet retired, so their monthly plan payments are deferred) or are considering doing so in the future.

One area in which insurance companies don't seem to be wavering, according to our survey, is licensing in New York. Those not previously licensed in the state don't seem to be pursuing it due to stricter regulations.

More carriers are entering the market

Over the past few years, there has been a trend of new carriers entering the PRT marketplace, and carriers currently in the market believe that trend will continue. Of the insurers surveyed, 88% predict that more carriers will enter the PRT market over the next three to five years, while only 12% believe the number of carriers will remain at current levels.

Will more Carriers enter the marketplace?

As new insurers build further into the PRT market, competition in the marketplace will likely continue to increase. October Three will be closely watching how this influences ongoing changes to insurers' underwriting guidelines.

Expectations for H2 2025 and H1 2026

Trend toward fewer jumbo transactions

Based on activity in the first half of the year and current business in the pipeline, insurers expect there to be fewer jumbo transactions in 2025 and likely into 2026. In October Three's experience based on past transactions, the majority of smaller PRT transactions tend to be plan terminations, whereas the majority of jumbos tend to be lift outs.

Historically, the total annual dollar amount of PRT transactions has been more greatly impacted by a few jumbo transactions than a large number of small deals. The trend toward fewer jumbo transactions will result in a lower premium for PRT transactions in 2025 compared to 2024.

Trend for overall transactions in 2025

 # and $ of Transactions in 2025

	Percentage
Higher number of transactions in 2025	18%
Lower number of transactions in 2025	82%
Higher dollar amount of transactions in 2025	18%
Lower dollar amount of transactions in 2025	82%

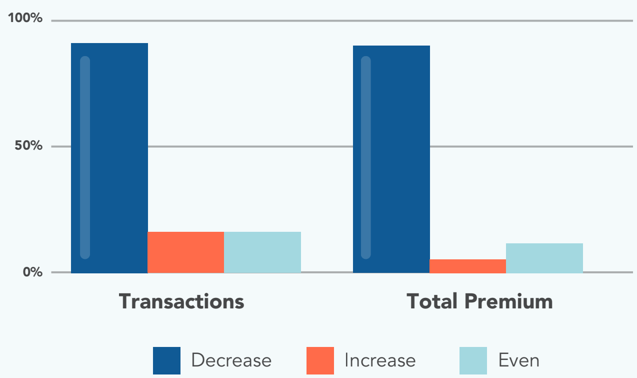
Survey respondents indicate that they expect to see a decline in all PRT transactions in 2025 compared to 2024. This is consistent with October Three's quarterly market surveys.

Eighty-two percent of insurance companies surveyed said they expect both a lower number of PRT transactions, as well as a lower premium amount, while 18% expect to see higher amounts compared to 2024.

Some of this market sentiment is likely due to overall market uncertainty. While stock market performance and high interest rates remain favorable for PRT transactions, these decisions aren't made in a vacuum. We suspect that plan sponsors are taking a "wait and see" approach to many aspects of their business. In many cases, tariffs, supply chain issues, and general economic uncertainty are causing businesses to delay decisions on their defined benefit plans even though, on average, plans are fully funded or overfunded.

The high funding status of pensions currently may also be causing plan sponsors to delay decisions on de-risking because they are feeling less pain. High funding status is moving pensions further down the ladder of priorities, especially amidst other economic uncertainties. But, given the status of pension funding and other economic factors like geopolitical pressure to cut interest rates, it may benefit plan sponsors to explore PRT options, particularly since the Federal Reserve has signaled the beginning of possible rate cuts, which could impact the PRT market down the line.

2025 Transactions vs 2024 Transactions



2025 vs 2024 PRT Transactions by #	Percentage of Respondents
Increase	12.5%
Decrease	75%
Even	12.5%

2025 vs 2024 PRT Transactions by $	Percentage of Respondents
Increase	5%
Decrease	84%
Even	11%

Our market survey indicates overwhelmingly that carriers are seeing more terminations compared to lift-outs thus far in 2025. Since plan terminations typically take much longer to transact than lift-outs, this could be one factor contributing to the decrease in the number of transactions expected in 2025.

This also could explain why carriers and plan sponsors are pursuing buy-ins in greater numbers since they can lock in costs more quickly than is usually possible when pursuing a full plan termination.

Despite the expectation of a slightly softer year in 2025 compared to 2024, most carriers surveyed indicated that they expect the market to remain strong over the next three to five years. However, most carriers anticipate that competition will continue to be a factor in capturing new business. Insurers will need to broaden the scope of deals on which they bid by further adjusting their underwriting guidelines.

With new entrants into the market expected over the next few years, insurer quality should be a major consideration for plan sponsors when selecting a carrier. A lack of discipline and administrative experience in the space could present greater risks for sponsors and plan participants. This will make it more important than ever for plan sponsors to engage independent experts to analyze insurer financials in accordance with DOL IB 95-1.

"Carriers are seeing more plan terminations vs. lift-outs in 2025, and because terminations take longer, this is likely contributing to the drop in overall transaction volume."

What we're watching

Legal Challenges

Some survey respondents cite ongoing PRT litigation as a major source of uncertainty for plan sponsors and a likely driver of the decrease in jumbo transactions, as well as the total premium transacted in 2025. How these cases are resolved will influence business decisions regarding PRT transactions going forward.

Economic Policies

While the market volatility that occurred this past spring has stabilized and the markets have rebounded, economic policy could have major implications for the PRT market over the next few years. Businesses are still struggling with uncertainty around tariffs, and there has been ongoing pressure exerted on the Federal Reserve to cut interest rates.

Sudden or unexpected changes to economic policy could create further stock market turbulence, impacting funding levels of defined benefit plans. For the time being, market performance remains favorable for businesses looking to transact. However, interest rate cuts recently signaled by the Federal Reserve could begin to impact the PRT market in the coming quarters.

Increasing Competition

As new carriers enter the PRT market, underwriting guidelines for existing carriers will continue to evolve. This could have significant implications for the number and total premiums of PRT transactions into the first half of 2026 and beyond.

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 17 major insurance companies representing roughly 77% of carriers who actively participate in the PRT market. The purpose of this survey was to gather data on PRT transactions in H1 2025 to identify trends derived from the sample data, as well as market sentiment based on the experience of survey respondents. The survey was conducted between July 7, 2025, and August 4, 2025, and was designed so that the data collected was not associated with the individual respondents or the insurance carriers they work for.