PUTTING PENSION BENEFITS IN EXPERT HANDS

Pension risk transfers play an important role in maintaining pension benefits. For decades, employers have transferred pension obligations to an insurer by purchasing a group annuity contract. Annuities are the only financial products in the marketplace which provide a guaranteed monthly income like a traditional pension. This ensures that after a risk transfer, plan participants will receive the same retirement benefit promised to them.

WHY TURN TO LIFE INSURERS

Life insurers are **experts at managing long-term risk, especially longevity risk.** Businesses are increasingly turning to life insurers to lessen the risks on their own balance sheets, allowing them to focus on core operations.

By purchasing an annuity, plan sponsors are able to meet their benefit commitments while eliminating the volatility associated with pensions, such as unexpected mortality experience, investment experience, changes in interest rates, Pension Benefit Guaranty Corporation premiums and administration expenses. The insurer unconditionally guarantees payment of each plan participant's benefit, carrying the risk that actual plan costs could be greater than anticipated.

A pension risk transfer enables an employer to obtain **certainty over future pension obligations.** At the same time, retirees are guaranteed the **same retirement benefit** from an insurer for the rest of their lives. No payment has been lost or reduced in the past 30 years. By comparison, more than 2,600 private employer pension plans have failed over the same period, according to the Pension Benefit Guaranty Corporation.

In the past 30 years, no retiree whose pension was transferred to an annuity has lost benefits.

One reason why is the **rigorous state oversight of the life insurance industry.** At the first sign of financial difficulty, state regulators take corrective action to ensure life insurers remain on sound financial footing – and can meet obligations to policyholders.

All told, life insurers play a vital role in providing for **Americans' long-term financial security.** When an employer decides to transfer the long-term risks associated with defined benefit plans, annuities are guaranteed to protect retiree benefits.

September 2025