

NISA's Pension Risk Transfer (PRT) Assessment Captures Media Attention

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Assessment of Pension Risk Transfer (PRT) providers' creditworthiness is critical, yet considerably more difficult given developments in the PRT market and the opaqueness and financial engineering often involved.

To aid fiduciaries choosing an insurer as part of a PRT transaction, NISA developed an additional tool that uses spreads on insurer FABN issuance to estimate the composite view from market participants regarding the relative riskiness of insurers. In the analysis, the resulting potential Economic Loss to Participants (ELP) ranged close to 14%.

With current annual PRT transactions running around \$40b, [NISA's analysis](#) suggests beneficiaries could be harmed by as much as \$5b annually in the form of uncompensated credit risk to lower-quality insurers. Coverage of this topic has increased recently. Please see below:

Chief Investment Officer "[Pension Risk Transfers: What to Watch Out For](#)" *Will the PRT be financially solid? Will the sponsor be left worse off? How will transferred beneficiaries fare?*

"NISA Investment Advisors, an asset management firm known for its research capabilities, examined the fixed-income securities that nine of the top PRT providers issued and their spread over five-year Treasuries, as of August 31, 2022. NISA analysts believe, reasonably, that the

providers' portfolios have not changed much since then."

Pensions & Investments "[Questions Arise on Whether More is Better in PRT Market](#)" *Alts manager-backed insurers enter industry, with safety in spotlight.*

"Sen. Chris Murphy noted the Department of Labor hasn't updated their PRT guidance in almost 30 years, creating risks for workers."

To download a PDF version of the Chief Investment Officer article, click [here](#).

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