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Press Release

Milliman analysis: Competitive pension risk transfer costs tick down to 101.8% of accounting liabilities in November

Competitive bidding process continues to save about 2.1% as of November 30

SEATTLE – DECEMBER 20, 2023 – Milliman, Inc., a premier global consulting and actuarial firm, today announced the latest results of its Milliman Pension Buyout Index (MPBI). As the pension risk transfer (PRT) market continues to grow, it has become increasingly important to monitor the annuity market for plan sponsors that are considering transferring retiree pension obligations to an insurer.

During November, the estimated cost to transfer retiree pension risk to an insurer in a competitive bidding process ticked down from 101.9% of a plan's accounting liabilities (accumulated benefit obligation, or ABO) to 101.8% of those liabilities. That means the estimated retiree PRT cost is now 101.8% of a plan's ABO. During the same period, the average annuity purchase cost across all insurers in our index dropped by 50 basis points, from 104.4% to 103.9%. The competitive bidding process is still estimated to save plan sponsors about 2.1% of PRT costs as of November 30.

"Even with significant interest rate declines in November, the competitive retiree buyout cost remains steady above 100%," said Jake Pringle, a Milliman principal and co-author of the MPBI. "Insurers have either hit capacity or become more selective about which PRT opportunities they pursue, which is likely creating a less competitive market for retiree buyouts as we wrap up 2023."

The MPBI uses the FTSE Above Median AA Curve, along with annuity purchase composite interest rates from nine insurers, to estimate the competitive and average costs of a PRT annuity de-risking strategy. Individual plan annuity buyouts can vary based on plan size, complexity, and competitive landscape.

To view the complete Milliman Pension Buyout Index, go to <https://www.milliman.com/mpbi>. To receive regular updates with Milliman's pension buyout analysis, contact us at pensionbuyout@milliman.com.

About Milliman

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