



Contact: Mary Leong
Milliman, Inc.
Tel: +1 713 658 3018
Mary.Leong@milliman.com

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Press Release

Milliman analysis: Competitive pension risk transfer buyout rate climbs 40 basis points to 99.7% during February

Competitive bidding process saves about 3.1% of buyout costs as of February 28

SEATTLE – MARCH 24, 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 February, the estimated cost to transfer retiree pension risk to an insurer in a competitive bidding process increased from 99.3% of a plan's total liabilities to 99.7% of those liabilities. That means the estimated retiree PRT cost is now 99.7% of the plans' retiree accumulated benefit obligation. During the same time period, the average annuity purchase cost across all insurers in our index also rose slightly, from 102.5% to 102.8%. The competitive bidding process is estimated to save plan sponsors about 3.1% of PRT costs as of February 28.

"Even with recent volatility in interest rates and financial markets, retiree buyout costs have remained steady over the last six months, and we expect interest in PRT transactions to remain high moving into the second quarter," said Jake Pringle, a principal with Milliman and co-author of the MPBI. "It will be interesting to see the Fed's response to the recent collapse of Silicon Valley Bank, and if that will impact the PRT market."

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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