



Contact: Jake Pringle
Milliman, Inc.
Tel: +1 713 202 0819
jake.pringle@milliman.com

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Press Release

Milliman analysis: Competitive pension risk transfer buyout rate drops by 40 basis points to 99.3% during March

Competitive bidding process saves about 3.2% of buyout costs as of March 31

SEATTLE – APRIL 27, 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 March, the estimated cost to transfer retiree pension risk to an insurer in a competitive bidding process decreased from 99.7% of a plan's total liabilities to 99.3% of those liabilities. That means the estimated retiree PRT cost is now 99.3% of the plans' retiree accumulated benefit obligation. During the same time period, the average annuity purchase cost across all insurers in our index also decreased, from 102.8% to 102.6%. The competitive bidding process is estimated to save plan sponsors about 3.2% of PRT costs as of March 31.

"Despite the Federal Reserve raising interest rates by a quarter percentage point in March, accounting discount rates dropped and the competitive pension buyout costs remained under 100% for the third consecutive month," said Jake Pringle, a principal at Milliman and co-author of the MPBI. "We expect interest in PRT transactions to remain high, even as plan sponsors weigh the uncertainty of future Fed decisions."

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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