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Press Release

Milliman analysis: Competitive pension risk transfer costs increase from 98.3% to 100.5% in May

Competitive bidding process saves about 2.7% of buyout costs as of May 31

SEATTLE – June 21, 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 May, the estimated cost to transfer retiree pension risk to an insurer in a competitive bidding process increased from 98.3% of a plan's accounting liabilities (accumulated benefit obligation, or ABO) to 100.5% of those liabilities. That means the estimated retiree PRT cost is now 100.5% of a plans' ABO. During the same time period, the average annuity purchase cost across all insurers in our index also increased, from 101.9% to 103.3%. The competitive bidding process is estimated to save plan sponsors about 2.7% of PRT costs as of May 31.

"With competitive retiree buyout cost back up above 100% for the first time since January, plan sponsors are eyeing what triggered this increase," said Jake Pringle, a Milliman principal and co-author of the MPBI. "Insurers may have less enthusiasm for interest rate risk or fewer assets available for transactions as we head into Q3. Plan sponsors with PRT projects on the horizon are likely closely monitoring the Federal Reserve's interest rate decisions, and it will be interesting to see if this upward trend continues through year-end or if buyout costs reverse direction again."

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.

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