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Press Release

Milliman analysis: Competitive pension risk transfer costs climb from 100.2% to 100.5% in August

Competitive bidding process saves about 2.4% of buyout costs as of August 31

SEATTLE – SEPTEMBER 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 August, the estimated cost to transfer retiree pension risk to an insurer in a competitive bidding process increased from 100.2% 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 remained flat, at 102.9%. The competitive bidding process is estimated to save plan sponsors about 2.4% of PRT costs as of August 31.

"Competitive buyout costs have stayed just above 100% for the fourth consecutive month as we reach the typically busy 4th quarter," said Jake Pringle, a Milliman principal and co-author of the MPBI. "With three more Fed meetings in 2023, plan sponsors looking to 2024 transactions will be watching how interest rates may move in reaction to recent inflation and jobs reports."

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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