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Press Release

Milliman analysis: Competitive pension risk transfer buyout rate rises 20 basis points to 101.0% during November

Competitive bidding process saves about 2.6% of buyout costs as of November 30

SEATTLE – DECEMBER 19, 2022 – 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 increased from 100.8% of a plan's total liabilities to 101.0% of those liabilities. That means the estimated retiree PRT cost is now 101.0% of the plans' retiree accumulated benefit obligation. During the same time period, the average annuity purchase cost across all insurers in our index increased, from 102.9% to 103.6%. The competitive bidding process is estimated to save plan sponsors about 2.6% of PRT costs as of November 30, up from 2.1% at the end of October.

"The competitive retiree buyout cost remains above 100% and continues to climb, which translates to the same potential factors we have seen the last two months in terms of interest rate risk and capacity," said Mary Leong, a consulting actuary with Milliman and co-author of the MPBI. "With PRT sales hitting a record-breaking \$26 billion in the third quarter, insurers have become more selective about which opportunities they pursue, which is likely to create a less competitive market for retiree buyouts as we end the year."

The MPBI uses the FTSE Above Median AA Curve, along with annuity purchase composite interest rates from eight 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

Milliman is among the world's largest providers of actuarial and related products and services. The firm has consulting practices in healthcare, property & casualty insurance, life insurance and financial services, and employee benefits. Founded in 1947, Milliman is an independent firm with offices in major cities around the globe. For further information, visit milliman.com.

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