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Press Release

Milliman analysis: Competitive pension risk transfer buyout rate hits all-time low in February, at 98.9%

Competitive bidding process saves about 4.8% of buyout costs as of February 28

SEATTLE – MARCH 24, 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 February, the estimated cost to transfer retiree pension risk to an insurer in a competitive bidding process decreased from 99.9% of a plan's total liabilities to 98.9% of those liabilities. For these plan sponsors, the estimated retiree PRT cost is now 98.9% of those plans' retiree accumulated benefit obligation (ABO). During the same time period, the average annuity purchase costs across all insurers increased, from 103.5% to 103.7%. This means that the competitive bidding process is estimated to save plan sponsors on average around 4.8% of PRT costs as of February 28.

"For plan sponsors participating in a competitive bidding process, the retiree buyout cost is at the lowest we've seen since Milliman began publishing this data in October 2020," says Mary Leong, a consulting actuary with Milliman and co-author of the MPBI. "The 4.8% spread between competitive and average buyout costs shows the impact a competitive bidding process can have."

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>.

About Milliman

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