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Press Release

Milliman analysis: Competitive pension risk transfer buyout rate drops to new MPBI low of 97.7% in April

Competitive bidding process saves about 5.1% of buyout costs as of April 30

SEATTLE – MAY 31, 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 April, the estimated cost to transfer retiree pension risk to an insurer in a competitive bidding process decreased from 98.3% of a plan's total liabilities to 97.7% of those liabilities. For these plan sponsors, the estimated retiree PRT cost is now 97.7% of those plans' retiree accumulated benefit obligation (ABO). During the same time period, the average annuity purchase costs across all insurers inched upward, from 102.5% to 102.8%. This means that the competitive bidding process is estimated to save plan sponsors on average around 5.1% of PRT costs as of April 30.

"Competitive annuity purchase costs continue to drop, reaching 97.7%, the lowest seen in the history of our study," says Mary Leong, a consulting actuary with Milliman and co-author of the MPBI. "Meanwhile PRT sales in Q1 hit a record high compared to past first-quarters, which only underscores the appeal of a competitive bidding market."

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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