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Press Release

Milliman analysis: Competitive pension risk transfer buyout rate rises 320 basis points to 100.1% during September

Competitive bidding process saves about 3.0% of buyout costs as of September 30

SEATTLE – OCTOBER 26, 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 September, the estimated cost to transfer retiree pension risk to an insurer in a competitive bidding process increased from 96.9% of a plan's total liabilities to 100.1% of those liabilities. For these plan sponsors, the estimated retiree PRT cost is now 100.1% of those plans' retiree accumulated benefit obligation. During the same time period, the average annuity purchase cost across all insurers in our index also increased, from 101.4% to 103.1%. The competitive bidding process saved plan sponsors about 3.0% of PRT costs as of September 30, down from 4.5% at the end of August.

"With the competitive retiree buyout cost back up to 100%, the big question is what may have triggered this uptick," said Mary Leong, a consulting actuary with Milliman and co-author of the MPBI. "Potential factors include insurers having less appetite for interest rate risk, or less assets available for transactions as we head into Q4. It will be interesting to see if this trend continues through year-end or if the buyout cost reverses direction again."

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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