



Contact: Mary Leong
Milliman, Inc.
Tel: +1 713 658 3018
Mary.Leong@milliman.com

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Press Release

Milliman analysis: Competitive pension risk transfer buyout rate continues to drop, hitting 98.3% in March

Competitive bidding process saves about 4.2% of buyout costs as of March 31

SEATTLE – APRIL 25, 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 March, the estimated cost to transfer retiree pension risk to an insurer in a competitive bidding process decreased from 98.9% of a plan's total liabilities to 98.3% of those liabilities. For these plan sponsors, the estimated retiree PRT cost is now 98.3% of those plans' retiree accumulated benefit obligation (ABO). During the same time period, the average annuity purchase costs across all insurers also decreased, from 103.7% to 102.5%. This means that the competitive bidding process is estimated to save plan sponsors on average around 4.2% of PRT costs as of March 31.

"It was another record-low month for retiree buyout costs, since Milliman began tracking competitive annuity purchase rates," says Mary Leong, a consulting actuary with Milliman and co-author of the MPBI. "While historically Q1 has a lower volume of PRT, it looks like 2022 is off to a strong start from a pricing perspective."

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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