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Press Release

Milliman analysis: Competitive pension risk transfer buyout rate climbs to 98.6% in May

Competitive bidding process saves about 3.9% of buyout costs as of May 31

SEATTLE – JUNE 23, 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 May, the estimated cost to transfer retiree pension risk to an insurer in a competitive bidding process increased from 97.7% of a plan's total liabilities to 98.6% of those liabilities. For these plan sponsors, the estimated retiree PRT cost is now 98.6% of those plans' retiree accumulated benefit obligation (ABO). During the same time period, the average annuity purchase costs across all insurers inched downward, from 102.8% to 102.5%. This means that the competitive bidding process is estimated to save plan sponsors on average around 3.9% of PRT costs as of May 31.

"This month the competitive annuity index crept back up after last month's all-time low; however, historically, 98.6% is still quite low," says Mary Leong, a consulting actuary with Milliman and co-author of the MPBI. "It will be interesting to see how the Fed's recent rate hike will impact the market and plan sponsor decisions regarding pension risk transfers."

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.

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