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Press Release

Milliman analysis: Competitive pension risk transfer buyout rate dips to 98.3% during June

Competitive bidding process saves about 4.7% of buyout costs as of June 30

SEATTLE – JULY 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 June, the estimated cost to transfer retiree pension risk to an insurer in a competitive bidding process decreased from 98.6% 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 climbed from 102.5% to 103.0%. This means that the competitive bidding process is estimated to save plan sponsors on average around 4.7% of PRT costs as of June 30.

"Competitive buyout rates have stayed below 100% for nine months, signaling that this may be the "new normal" in a competitive bidding process," says Mary Leong, a consulting actuary with Milliman and co-author of the MPBI. "With the 200-basis point jump in rates during the first half of 2022, we suspected the index might rise; but insurers kept up, raising their interest rates at the same pace."

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

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