



Contact: Jake Pringle
Milliman, Inc.
Tel: +1 713 202 0819
jake.pringle@milliman.com

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Press Release

Milliman analysis: Competitive pension risk transfer costs increase from 100.5% to 101.8% in January

Competitive bidding process saves about 1.8% of buyout costs as of January 31

SEATTLE – February 23, 2024 – 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 January, the estimated cost to transfer retiree pension risk to an insurer in a competitive bidding process increased from 100.5% of a plan's accounting liabilities (accumulated benefit obligation, or ABO) to 101.8% of those liabilities. That means the estimated retiree PRT cost is now 101.8% of a plan's ABO. During the same time period, the average annuity purchase cost across all insurers in our index also increased, from 103.1% to 103.6%. The competitive bidding process is estimated to save plan sponsors about 1.8% of PRT costs as of January 31.

"Retiree buyout costs crept up at the start of the year as accounting discount rates rose but PRT rates fell," said Jake Pringle, a Milliman principal and co-author of the MPBI. "It will be interesting to see the Fed's response to high inflation reports and if that will impact the PRT market."

The MPBI uses the FTSE Above Median AA Curve, along with annuity purchase composite interest rates from nine 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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