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Press Release

Milliman analysis: Competitive pension risk transfer costs decreases from 102.1% to 100.3% in March

Competitive bidding process saves about 2.3% of buyout costs as of March 31

SEATTLE – April 26, 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 March, the estimated cost to transfer retiree pension risk to an insurer in a competitive bidding process decreased from 102.1% of a plan's accounting liabilities (accumulated benefit obligation, or ABO) to 100.3% of those liabilities. That means the estimated retiree PRT cost is now 100.3% of a plan's ABO. During the same time period, the average annuity purchase cost across all insurers in our index also decreased, from 103.6% to 102.6%. The competitive bidding process is estimated to save plan sponsors about 2.3% of PRT costs as of March 31.

"The competitive annuity index made a move back to almost break-even in March, at 100.3%, as insurers raised rates despite accounting rates dipping," said Jake Pringle, a Milliman principal and co-author of the MPBI. "This result coupled with ample capacity from insurers is pleasant news for plan sponsors, as many PRT transactions are in the pipeline for the year."

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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