

Estimated competitive retiree buyout cost, as a percentage of accounting liability, decreased by 130 bps from 101.8% to 100.5% during December

Average pricing buyout costs decreased by 80 bps from 103.9% to 103.1%

Jake Pringle, EA, MAAA
Ryan Cook, FSA, EA, CERA, MAAA



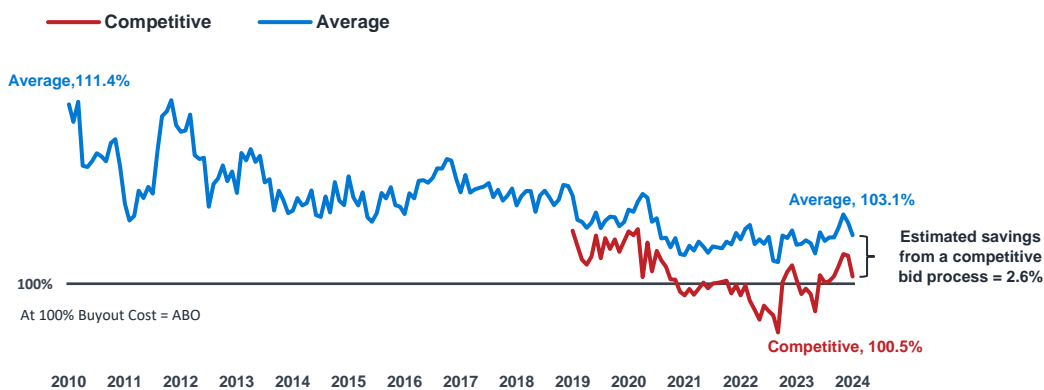
As the pension risk transfer market continues to grow, it has become increasingly important for plan sponsors to monitor the annuity buyout market when considering a plan termination or de-risking strategy. Figure 1 illustrates retiree buyout costs with two different metrics: The red line represents only the most competitive insurers' rates from each month, while the blue line represents a straight average of all insurers' rates in this study. These metrics demonstrate two important concepts. First, the competitive bidding process is estimated to save plan sponsors on average around 2.6% as of December 31. Second, retirees can be annuitized for an estimated 100.5% of accounting liabilities (accumulated benefit obligation).

During December 2023, average accounting discount rates decreased by 55 basis points (bps), while competitive annuity purchase rates decreased by 37 bps. This caused the estimated competitive retiree buyout cost as a percentage of accounting liability to decrease from 101.8% to 100.5%.

When considering these results, please keep the following information in mind:

- Annuity pricing composites are provided by the following insurers: Prudential Insurance Company of America, American United Life Insurance Company (OneAmerica), American General Life Insurance Company (subsidiary of Corebridge Financial, formerly AIG), Minnesota Life Insurance Company (Securian), Pacific Life Insurance Company, Metropolitan Tower Life Insurance Company (MetLife), Massachusetts Mutual Life Insurance Company (MassMutual), Banner Life Insurance Company (Legal & General America), and American National Insurance Company (ANICO).
- A representative retiree population was used.
- Baseline accounting obligations are estimated using the FTSE Above Median AA Curve. The ratio will be different for plans that use other methods to develop their discount rates.
- Plan sponsors should note that specific characteristics in plan design or participant population could make settling pension obligations with an insurer more or less costly than estimated.

FIGURE 1: MILLIMAN PENSION BUYOUT INDEX AS OF DECEMBER 31, 2023



Contact

Jake Pringle
jake.pringle@milliman.com

Ryan Cook
ryan.cook@milliman.com

ABOUT THE MPBI

The Milliman Pension Buyout Index (MPBI) uses the FTSE Above Median AA Curve and annuity purchase composite interest rates from nine insurance companies to estimate the cost, as a percentage of accounting liability, of transferring retiree pension obligations to an insurer. To review previous monthly findings, visit milliman.com/en/periodicals/Milliman-Pension-Buyout-Index.

©2024 Milliman, Inc. All Rights Reserved. The materials in this document represent the opinion of the authors and are not representative of the views of Milliman, Inc. Milliman does not certify the information, nor does it guarantee the accuracy and completeness of such information. Use of such information is voluntary and should not be relied upon unless an independent review of its accuracy and completeness has been performed. Materials may not be reproduced without the express consent of Milliman. There are no affiliations between Prudential, OneAmerica, AIG, Securian, Pacific Life, MetLife, MassMutual, Legal & General America, ANICO, or Milliman.