Estimated competitive retiree buyout cost, as a percentage of accounting liability, increased by 50 bps from 100.0% to 100.5% during September

Average pricing buyout costs increased by 20 bps from 103.4% to 103.6%

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.

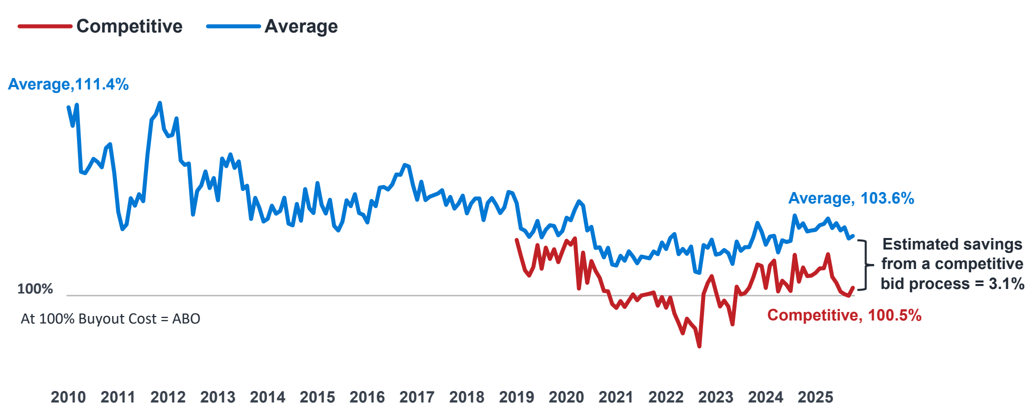
These metrics demonstrate two important concepts. First, the competitive bidding process is estimated to save plan sponsors on average around 3.1% as of September 30. Second, retirees can be annuitized for an estimated 100.5% of accounting liabilities (accumulated benefit obligation).

The index is determined by the difference between the discount rates reported by insurers for pricing group annuities and the accounting discount rate used by many plan sponsors. In September 2025, the accounting discount rate decreased by 14 basis points (bps), while competitive annuity purchase rates decreased by 21 bps. This 7-bps difference led to an increase in the estimated competitive retiree buyout cost, as a percentage of accounting liability, from 100.0% 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 Financial), American General Life Insurance Company (subsidiary of Corebridge Financial), 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 SEPTEMBER 30, 2025



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.