Estimated competitive retiree buyout cost, as a percentage of accounting liability, increased by 80 bps from 101.7% to 102.5% during March

Average pricing buyout costs increased by 40 bps from 104.3% to 104.7%

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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.

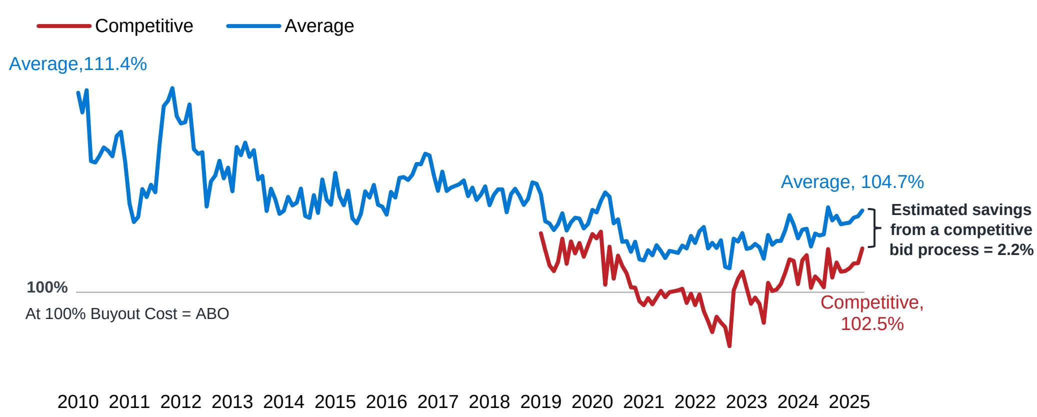
These metrics demonstrate two important concepts. First, the competitive bidding process is estimated to save plan sponsors on average around 2.2% as of March 31. Second, retirees can be annuitized for an estimated 102.5% of accounting liabilities (accumulated benefit obligation).

During March 2025, average accounting discount rates increased by 9 basis points (bps), while competitive annuity purchase rates decreased by 2 bps. This caused the estimated competitive retiree buyout cost as a percentage of accounting liability to increase from 101.7% to 102.5%.

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 MARCH 31, 2025



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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.