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FOR IMMEDIATE RELEASE

Press Release

Milliman analysis: October's pension risk transfer costs climb to highest levels in over three years

Competitive bidding process continues to save about 2.5% of buyout costs as of October 31

SEATTLE – November 17, 2023 – 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 October, the estimated cost to transfer retiree pension risk to an insurer in a competitive bidding process increased from 101.1% of a plan's accounting liabilities (accumulated benefit obligation, or ABO) to 101.9% of those liabilities. That means the estimated retiree PRT cost is now 101.9% of a plan's ABO. During the same period, the average annuity purchase cost across all insurers in our index rose 90 basis points, from 103.5% to 104.4%. The competitive bidding process is still estimated to save plan sponsors about 2.5% of PRT costs as of October 31, just slightly higher than at the end of September.

"Even with interest rates climbing again during October, retiree buyout costs fell short, rising to their highest levels in over 3 years," said Jake Pringle, a Milliman principal and co-author of the MPBI. "Several insurers have reached capacity for 2023, so those plan sponsors with PRT on their agenda may see less competition and potentially higher pricing to close out 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.

About Milliman

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