



Contact: Mary Leong
Milliman, Inc.
Tel: +1 713 658 3018
Mary.Leong@milliman.com

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Press Release

Milliman analysis: Competitive pension risk transfer buyout rate drops 90 basis points to 99.3% during January

Milliman adds American National Insurance Company to Pension Buyout Index

SEATTLE – FEBRUARY 27, 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 January, the estimated cost to transfer retiree pension risk to an insurer in a competitive bidding process decreased from 100.2% of a plan's total liabilities to 99.3% of those liabilities – the first time since September the cost has dropped below 100%. That means the estimated retiree PRT cost is now 99.3% of the plans' retiree accumulated benefit obligation. During the same time period, the average annuity purchase cost across all insurers in our index stayed level at 102.5%. The competitive bidding process is estimated to save plan sponsors about 3.2% of PRT costs as of January 31, slightly up from 2.5% at 2022 year-end.

"This month Milliman has added American National Insurance Company (ANICO) to our index, after the insurer joined the PRT market in December," said Mary Leong, a consulting actuary with Milliman and co-author of the MPBI. "Given the continued growth of the PRT market, and the interest in de-risking as interest rates continue to climb, we expect pricing to remain competitive in 2023."

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

Milliman is among the world's largest providers of actuarial and related products and services. The firm has consulting practices in healthcare, property & casualty insurance, life insurance and financial services, and employee benefits. Founded in 1947, Milliman is an independent firm with offices in major cities around the globe. For further information, visit milliman.com.

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