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Press Release

Milliman analysis: Competitive pension risk transfer costs increase from 101.8% to 102.1% in February

Competitive bidding process saves about 1.5% of buyout costs as of February 29

SEATTLE – March 15, 2024 – 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 February, the estimated cost to transfer retiree pension risk to an insurer in a competitive bidding process increased from 101.8% of a plan's accounting liabilities (accumulated benefit obligation, or ABO) to 102.1% of those liabilities. That means the estimated retiree PRT cost is now 102.1% of a plan's ABO. During the same time period, the average annuity purchase cost across all insurers in our index remained level at 103.6%. The competitive bidding process is estimated to save plan sponsors about 1.5% of PRT costs as of February 29.

"Even competitive buyout costs are continuing to climb, reaching the highest level we've seen in almost four years," said Jake Pringle, a Milliman principal and co-author of the MPBI. "Despite this, we also saw Verizon announce a \$5.9 billion transaction, so the PRT market remains hot despite the environment."

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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