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Press Release

Milliman analysis: Competitive pension risk transfer costs inches down in May, from 100.9% to 100.7%

Competitive bidding process saves about 2.5% of buyout costs as of May 31

SEATTLE – JUNE 18, 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 May, the estimated cost to transfer retiree pension risk to an insurer in a competitive bidding process decreased slightly, from 100.9% of a plan's accounting liabilities (accumulated benefit obligation, or ABO) to 100.7% of those liabilities. That means the estimated retiree PRT cost is now 100.7% of a plan's ABO. During the same time period, the average annuity purchase cost across all insurers in our index also decreased, from 103.3% to 103.2%. The competitive bidding process is estimated to save plan sponsors about 2.5% of PRT costs as of May 31.

"Plan sponsors kept insurers busy setting a new first quarter record with \$14.6 Billion in PRT premiums and 146 contracts," said Jake Pringle, a Milliman principal and co-author of the MPBI. "With competitive buyout costs remaining relatively stable over the past few months and coming in at 100.7% for May, it will be interesting to see where second quarter numbers land."

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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