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Press Release

Milliman analysis: Competitive pension risk transfer costs decrease from 102.5% to 100.8% during August

Competitive bidding process saves about 3.3% of buyout costs as of August 31

SEATTLE – September 13, 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 August, the estimated cost to transfer retiree pension risk to an insurer in a competitive bidding process dropped nearly two percentage points, from 102.5% of a plan's accounting liabilities (accumulated benefit obligation, or ABO) to 100.8% of those liabilities. That means the estimated retiree PRT cost is now 100.8% of a plan's ABO. During the same time period, the average annuity purchase cost across all insurers in our index also decreased, from 104.9% to 104.1%. The competitive bidding process is estimated to save plan sponsors about 3.3% of PRT costs as of August 31.

"August was good news for plan sponsors as the bond markets seemed to stabilize and the competitive annuity index made a move back to the average for the year, landing at 100.8%," said Jake Pringle, a Milliman principal and co-author of the MPBI. "With looming Fed decisions on jobs and inflation reports, plan sponsors will want to watch for signs of disparity in the MPBI as we enter the sometimes volatile 4th quarter."

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, risk management, and technology solutions. Our consulting and advanced analytics capabilities encompass 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. Visit us at Milliman.com.

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