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Press Release

Milliman analysis: Competitive pension risk transfer cost decreases from 100.7% to 100.3% in June

Competitive bidding process saves about 3.0% of buyout costs as of June 30

SEATTLE – July 19, 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 June, the estimated cost to transfer retiree pension risk to an insurer in a competitive bidding process decreased from 100.7% of a plan's accounting liabilities (accumulated benefit obligation, or ABO) to 100.3% of those liabilities. That means the estimated retiree PRT cost is now 100.3% of a plan's ABO. During the same time period, the average annuity purchase cost across all insurers in our index rose slightly, from 103.2% to 103.3%. The competitive bidding process is estimated to save plan sponsors about 3.0% of PRT costs as of June 30.

"After another decline in interest rates this month, pension risk transfer costs improved slightly from May," said Jake Pringle, a Milliman principal and co-author of the MPBI. "The Department of Labor issued a report to Congress on DOL IB 95-1 outlining concerns from stakeholders on fiduciary requirements, highlighting several issues for plan sponsors and fiduciaries to keep in mind as they work on PRT projects."

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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