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Press Release

Milliman analysis: Competitive pricing rate for pension risk transfer climbs from 99.3% to 99.9% in January

Competitive bidding process saves about 3.6% of buyout costs as of January 31

SEATTLE – FEBRUARY 23, 2022 – 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 increased from 99.3% of a plan's total liabilities to 99.9% of those liabilities. For these plan sponsors, the estimated retiree PRT cost is roughly the same as plans' retiree accumulated benefit obligation (ABO). Meanwhile, the average annuity purchase costs across all insurers also increased, from 102.8% to 103.5%. This means that the competitive bidding process is estimated to save plan sponsors on average around 3.6% of PRT costs as of January 31.

"The U.S. pension risk transfer market set records in 2021, with nearly \$40 billion in transactions," says Mary Leong, a consulting actuary with Milliman and co-author of the MPBI. "We're expecting to see similar high volume in 2022 given recent funded status improvements and the potential for interest rates to rise as the year progresses."

The MPBI uses the FTSE Above Median AA Curve, along with annuity purchase composite interest rates from eight 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>.

About Milliman

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