Milliman analysis: Competitive pricing rate for pension risk transfer costs drops to 99.1% in December, setting another record low

Meanwhile the average estimated cost of retiree pension risk transfer remained flat at 101.8%

SEATTLE – JANUARY 28, 2021 – 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 December, the average estimated cost to transfer retiree pension risk to an insurer remained flat, at 101.8% of a plan’s total liabilities. This means the average estimated retiree PRT cost for the month is now 1.8% more than those plans’ retiree accumulated benefit obligation (ABO). Annuity purchase costs reflecting competition amongst insurers once again hit a record-low, dropping from 99.4% in November to 99.1% in December. This is the second time competitive rates have dipped below 100% since Milliman began tracking the MPBI.

“Pension risk transfer activity for 2020 ended on strong note, given the slow start at the beginning of the year,” says Mary Leong, a consulting actuary with Milliman and co-author of the study. “Low pricing rates may have spurred buyouts in Q4, but we’ll see if the trend continues into 2021.”

The MPBI uses the FTSE Above Median AA Curve, along with annuity purchase composite interest rates from eight insurers, to estimate the average and competitive 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.

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