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Milliman analysis: Competitive pricing rate for pension risk transfer costs rises to 99.6% in January

Meanwhile the average estimated cost of retiree pension risk transfer increased to 102.4%

SEATTLE – February 25, 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 January, the average estimated cost to transfer retiree pension risk to an insurer rose slightly, from 101.8% of a plan’s total liabilities to 102.4% of those liabilities. This means the average estimated retiree PRT cost for the month is now 2.4% more than those plans’ retiree accumulated benefit obligation (ABO). Annuity purchase costs reflecting competition amongst insurers also increased, from a low of 99.1% in December to 99.6% in January.

“Rates increased in January, but we’re also expecting to see at least one new insurer enter the market in 2021,” says Mary Leong, a consulting actuary with Milliman and co-author of the study. “It’s too early in the year to see how this will translate to pension risk activity, but given the market expansion over the past two years we may potentially see more competitive pricing moving forward.”

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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