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Milliman analysis: Competitive pricing rate for pension risk transfer costs increases to 100.1% in April

Meanwhile the average estimated cost of retiree pension risk transfer drops from 102.7% to 102.4%

SEATTLE – MAY 19, 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 April, the average estimated cost to transfer retiree pension risk to an insurer dropped, from 102.7% 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). Meanwhile annuity purchase costs reflecting competition amongst insurers increased, from 99.7% in March to 100.1% in April. This is the first time since November 2020 that the competitive pricing rate has trended above the 100% threshold.

“The last several months have seen steady fluctuations in retiree buyout costs, without huge swings,” says Mary Leong, a consulting actuary with Milliman and co-author of the study. “This is good news for plan sponsors that have been monitoring the index and have moved forward with a retiree buyout de-risking strategy. We’ll see if the trend holds as we move into summer.”

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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