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Milliman analysis: Increased pension risk transfer activity leads to rise in pricing rate, to 102.7% in September

Competitive estimated cost of retiree pension risk transfer ticks up from 100.1% to 100.2%

SEATTLE – OCTOBER 21, 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 September, the average estimated cost to transfer retiree pension risk to an insurer increased from 102.2% of a plan’s total liabilities to 102.7% of those liabilities. This means the average estimated retiree PRT cost for the month is now 2.7% more than those plans’ retiree accumulated benefit obligation (ABO). Meanwhile annuity purchase costs reflecting competition amongst insurers increased only slightly, from 100.1% to 100.2% for September.

“This month is a good example of how shifts in insurer demand for pension risk transfers can affect buyout prices,” says Mary Leong, a consulting actuary with Milliman and co-author of the study. "Many insurers have closed a number of deals in Q3 and are expecting a high volume in Q4. With this increased activity on the horizon, insurers are being more selective and less competitive. This likely explains the uptick in our index this month.”

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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