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Milliman analysis: Competitive pricing rate for pension risk transfer costs remains level at 100.1% in August

Average estimated cost of retiree pension risk transfer ticks down from 102.3% to 102.2%

SEATTLE – SEPTEMBER 15, 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 August, the average estimated cost to transfer retiree pension risk to an insurer remained nearly level, decreasing from 102.3% of a plan’s total liabilities to 102.2% of those liabilities. This means the average estimated retiree PRT cost for the month is now 2.2% more than those plans’ retiree accumulated benefit obligation (ABO). Meanwhile annuity purchase costs reflecting competition amongst insurers also stayed flat, at 100.1% for August.

“Recent research on group annuity risk transfer shows that single premium buy-outs and buy-ins through midyear 2021 have seen a 30% increase over midyear 2020,” says Mary Leong, a consulting actuary with Milliman and co-author of the study. “However, this jump comes after a sluggish start to 2021, and could reflect, in part, plan sponsors who were not active in Q1 making up for lost time. We expect the upward trend to continue for the remainder of the year.”

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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