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Press Release

Milliman analysis: Competitive pricing rate for pension risk transfer costs drops to 99.3% in February

Meanwhile the average estimated cost of retiree pension risk transfer dips to 102.1%

SEATTLE – MARCH 16, 2020 – 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 February, the average estimated cost to transfer retiree pension risk to an insurer dropped slightly, from 102.4% of a plan's total liabilities to 102.1% of those liabilities. This means the average estimated retiree PRT cost for the month is now 2.1% more than those plans' retiree accumulated benefit obligation (ABO). Annuity purchase costs reflecting competition amongst insurers also decreased, from 99.6% in January to 99.3% in February.

"Rates continued to trend up in February, increasing slightly more for annuity purchase than accounting which led to a drop in retiree buyout cost," says Mary Leong, a consulting actuary with Milliman and co-author of the study. "Historically, the first quarter has seen less pension risk transfer activity for insurers, but with the strong finish to 2020, plan sponsors may be looking for opportunities to transact earlier in 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>.

About Milliman

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