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Press Release

Milliman analysis: Competitive pricing rate for pension risk transfer costs decreases to 99.7% in May

Meanwhile the average estimated cost of retiree pension risk transfer drops from 102.4% to 102.0%

SEATTLE – JUNE 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 May, the average estimated cost to transfer retiree pension risk to an insurer dropped, from 102.4% of a plan's total liabilities to 102.0% of those liabilities. This means the average estimated retiree PRT cost for the month is now 2.0% more than those plans' retiree accumulated benefit obligation (ABO). Meanwhile annuity purchase costs reflecting competition amongst insurers also decreased, from 100.1% in April to 99.7% in May.

"As expected, first quarter 2021 pension risk activity was down, but historically each progressing quarter sees an increase in activity," says Mary Leong, a consulting actuary with Milliman and co-author of the study. "As Q2 gets underway with better funded positions and competitive buyout pricing, plan sponsors may look for opportunities to de-risk or even terminate their plans in the near future."

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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