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Press Release

Milliman analysis: Competitive pricing rate for pension risk transfer drops from 100.2% to 99.4% in October

Average estimated cost of retiree pension risk transfer also decreases from 102.7% to 102.5%

SEATTLE – NOVEMBER 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 October, the average estimated cost to transfer retiree pension risk to an insurer decreased from 102.7% of a plan's total liabilities to 102.5% of those liabilities. This means the average estimated retiree PRT cost for the month is now 2.5% more than those plans' retiree accumulated benefit obligation (ABO). Meanwhile annuity purchase costs reflecting competition amongst insurers decreased substantially from the month prior, from 100.2% in September to 99.4% for October.

"De-risking activity typically increases toward year-end, and with only four non-holiday weeks left in 2021 we may see some insurers offering more competitive pricing rates to capture those last Q4 deals," says Mary Leong, a consulting actuary with Milliman and co-author of the study.

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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