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Press Release

Milliman analysis: Pension risk transfer competition estimated to save plan sponsors 3.3% of buyout costs as of November 30

Competitive pricing rate for retiree pension risk transfer rises from 99.4% to 99.9%

SEATTLE – DECEMBER 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 November, the estimated cost to transfer retiree pension risk to an insurer in a competitive bidding process increased from 99.4% of a plan's total liabilities to 99.9% of those liabilities. This means the estimated retiree PRT cost is currently 0.1% less than those plans' retiree accumulated benefit obligation (ABO). Meanwhile, as of November 30, the average annuity purchase costs across all insurers is estimated at 102.5%. This means that the competitive bidding process is estimated to save plan sponsors on average around 3.3% of PRT costs.

"Throughout 2021 we've seen that savings from a competitive bid process have contributed to increased appetite in the group annuity market," says Mary Leong, a consulting actuary with Milliman and co-author of the study. "Looking ahead to 2022, we expect competitive buyout pricing to continue to be front and center for plan sponsors deciding on de-risking strategies or plan termination."

The MPBI uses the FTSE Above Median AA Curve, along with annuity purchase composite interest rates from eight insurers, to estimate the competitive and average 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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