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Milliman analysis: Competitive pricing rate for pension risk transfer costs increase to 99.7% in March

Meanwhile the average estimated cost of retiree pension risk transfer climbs to 102.7%

SEATTLE – APRIL 26, 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 March, the average estimated cost to transfer retiree pension risk to an insurer rose slightly, from 102.1% of a plan’s total liabilities to 102.7% of those liabilities. This means the average estimated retiree PRT cost for the month is now 2.7% more than those plans’ retiree accumulated benefit obligation (ABO). Annuity purchase costs reflecting competition amongst insurers also increased, from 99.3% in February to 99.7% in March.

“As discount rates continued to climb upward in March, buyout rates lagged slightly behind the growth in accounting rates, resulting in an increase in the relative buyout cost,” says Mary Leong, a consulting actuary with Milliman and co-author of the study. “Despite the increase, competitive retiree buyout costs remain optimistic at just under 100% of the ABO, keeping de-risking strategies attractive for plan sponsors looking to annuitize retiree populations.”

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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