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Press Release

Milliman analysis: Competitive pricing rate for pension risk transfer costs drops to 99.4% in November, setting record MPBI low

Meanwhile average estimated cost of retiree pension risk transfer decreases to 101.8%

SEATTLE – DECEMBER 21, 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 November, the average estimated cost to transfer retiree pension risk to an insurer decreased by 110 basis points, from 102.9% of a plan's total liabilities to 101.8% of those liabilities. This means the average estimated retiree PRT cost for the month is now 1.8% more than those plans' retiree accumulated benefit obligation (ABO). Annuity purchase costs reflecting competition amongst insurers are even lower, dropping from 100.3% in October to 99.4% in November. This is the first time competitive rates have dropped below 100% since Milliman began tracking the MPBI.

"November's record-low competitive buyout pricing rate, at 99.4%, reflects what we've been seeing for some plans in the market," says Mary Leong, a consulting actuary with Milliman and co-author of the study. "While the buyout market softened in 2020 as a result of the COVID-19 pandemic, low competitive rates may spur activity as we close out the year and move into 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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