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Press Release

Milliman analysis: Competitive pricing rate for pension risk transfer costs increases to 100.0% in June

Average estimated cost of retiree pension risk transfer rises from 102.0% to 102.4%

SEATTLE – JULY 23, 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 June, the average estimated cost to transfer retiree pension risk to an insurer rose, from 102.0% of a plan's total liabilities to 102.4% of those liabilities. This means the average estimated retiree PRT cost for the month is now 2.4% more than those plans' retiree accumulated benefit obligation (ABO). Meanwhile annuity purchase costs reflecting competition amongst insurers also increased, from 99.7% in May to 100.0% in June.

"First quarter pension risk transfer activity had a slow start in 2021 compared to 2019 and 2020, but with scheduled plan terminations on the horizon and an increased interest in retiree buy-outs, activity is expected to increase," says Mary Leong, a consulting actuary with Milliman and co-author of the study. "Plan sponsors may also be weighing the impact of the American Rescue Plan Act (ARPA-21) on their pension plans before making decisions to de-risk."

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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