



Contact: Mary Leong
Milliman, Inc.
Tel: +1 713 658 3018
Mary.Leong@milliman.com

FOR IMMEDIATE RELEASE

Press Release

Milliman launches monthly Pension Buyout Index to track the estimated cost of retiree pension risk transfer transactions

Estimated retiree buyout cost remains flat during January

SEATTLE – FEBRUARY 27, 2020 – Milliman, Inc., a premier global consulting and actuarial firm, today announced the launch of the new 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. The MPBI uses the FTSE Above Median AA Curve, along with annuity purchase composite interest rates from insurers, to estimate the average cost of a PRT annuity de-risking strategy.

During January, the estimated cost to transfer retiree pension risk to an insurer remained flat for the month, with costs ticking up only one-tenth of a percentage point, from 104.2% of a plan's total liabilities to 104.3% of those liabilities. This means the estimated retiree PRT cost for the month is 4.3% more than those plans' retiree accumulated benefit obligation (ABO). The lack of MPBI movement in January is the result of both discount rates and annuity purchase rates decreasing in parallel by 35 basis points each, which in turn kept the relative cost of annuities stable.

"With an increase in activity in the pension risk transfer market in recent years, understanding the correlation between annuity pricing and pension liability is essential," says Mary Leong, a consulting actuary with Milliman and co-author of the study. "Tracking annuity pricing rates will enable plan sponsors to approach a de-risking strategy armed with more information on cost trends in the market."

Plan sponsors should note that the MPBI is an average cost estimate, and individual plan annuity buyouts can vary based on plan size, complexity, and competitive landscape. Furthermore, specific characteristics in plan design or participant population can affect the cost of a pension risk transfer.

To view the complete Milliman Pension Buyout Index, go to www.milliman.com/mpbi.

About Milliman

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