

Estimated retiree buyout cost as a percentage of accounting liability decreased by 30 bps from 102.7% to 102.4% in April

Competitive pricing buyout costs increased from 99.7% to 100.1%

Mary Leong, EA, MAAA, MSPA, CPC
Ryan Cook, ASA, EA, MAAA



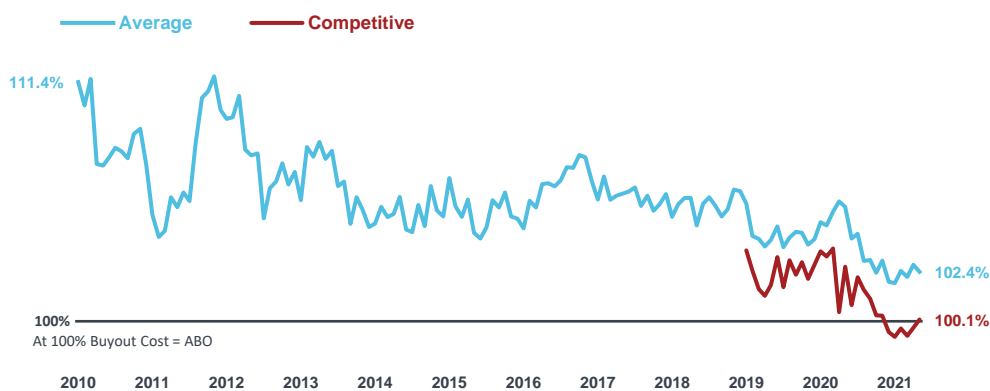
As the Pension Risk Transfer market continues to grow, it has become increasingly important for plan sponsors to monitor the annuity buyout market when considering a plan termination or de-risking strategy. Figure 1 illustrates retiree buyout costs based on both an average of all insurer rates in our study and on just the most competitive rates, which represent the price savings that may be achieved when selecting between bids from multiple insurers.

During April 2021, average accounting discount rates decreased by 14 basis points (bps), while annuity purchase rates decreased by 10 bps (average) and 18 bps (competitive). This caused the average estimated retiree buyout cost as a percentage of accounting liability (accumulated benefit obligation) to decrease from 102.7% to 102.4%, while the competitive pricing trend increased from 99.7% to 100.1%.

When considering these results, please keep the following information in mind:

- Annuity pricing composites are provided by the following insurers: Prudential Insurance Company of America, American United Life Insurance Company (OneAmerica), American General Life Insurance Company (subsidiary of AIG), Minnesota Life Insurance Company (Securian), Pacific Life Insurance Company, Metropolitan Tower Life Insurance Company (MetLife), Massachusetts Mutual Life Insurance Company (MassMutual), and Banner Life Insurance Company (Legal & General America).
- Baseline accounting obligations are estimated using a representative retiree population, the FTSE Above Median AA Curve, and insurance company data.
- Plan sponsors should note that specific characteristics in plan design or participant population could make settling pension obligations with an insurer more or less costly than estimated.

FIGURE 1: MILLIMAN PENSION BUYOUT INDEX



Contact

Mary Leong
mary.leong@milliman.com
Ryan Cook
ryan.cook@milliman.com

ABOUT THE MPBI

The Milliman Pension Buyout Index (MPBI) uses the FTSE Above Median AA Curve and annuity purchase composite interest rates from eight insurance companies to estimate the cost, as a percentage of accounting liability, of transferring retiree pension obligations to an insurer. To review previous monthly findings, visit milliman.com/en/periodicals/Milliman-Pension-Buyout-Index.

©2021 Milliman, Inc. All Rights Reserved. The materials in this document represent the opinion of the authors and are not representative of the views of Milliman, Inc. Milliman does not certify the information, nor does it guarantee the accuracy and completeness of such information. Use of such information is voluntary and should not be relied upon unless an independent review of its accuracy and completeness has been performed. Materials may not be reproduced without the express consent of Milliman. There are no affiliations between Prudential, OneAmerica, AIG, Securian, Pacific Life, MetLife, MassMutual, Legal & General America, or Milliman.