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Press Release

Milliman analysis: Competitive pricing rate for pension risk transfer costs increases slightly to 100.1% in July

Average estimated cost of retiree pension risk transfer drops from 102.4% to 102.3%

SEATTLE – AUGUST 25, 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 July, the average estimated cost to transfer retiree pension risk to an insurer decreased slightly, from 102.4% of a plan's total liabilities to 102.3% of those liabilities. This means the average estimated retiree PRT cost for the month is now 2.3% more than those plans' retiree accumulated benefit obligation (ABO). Meanwhile annuity purchase costs reflecting competition amongst insurers increased slightly, from 100.0% in June to 100.1% in July.

"In 2021 we've seen the average buyout rate hover around 102%, while competitive retiree buyout cost has held at approximately 100%," says Mary Leong, a consulting actuary with Milliman and co-author of the study. "It's too early to say where rates will end up later this year, but pension risk transactions are on the rise and on track for another record year."

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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