Milliman reports 1 basis point decrease in Hedge Cost Index for both VA and RILA guarantees in May

The VA index stands at 99 bps and the RILA index stands at 95 bps

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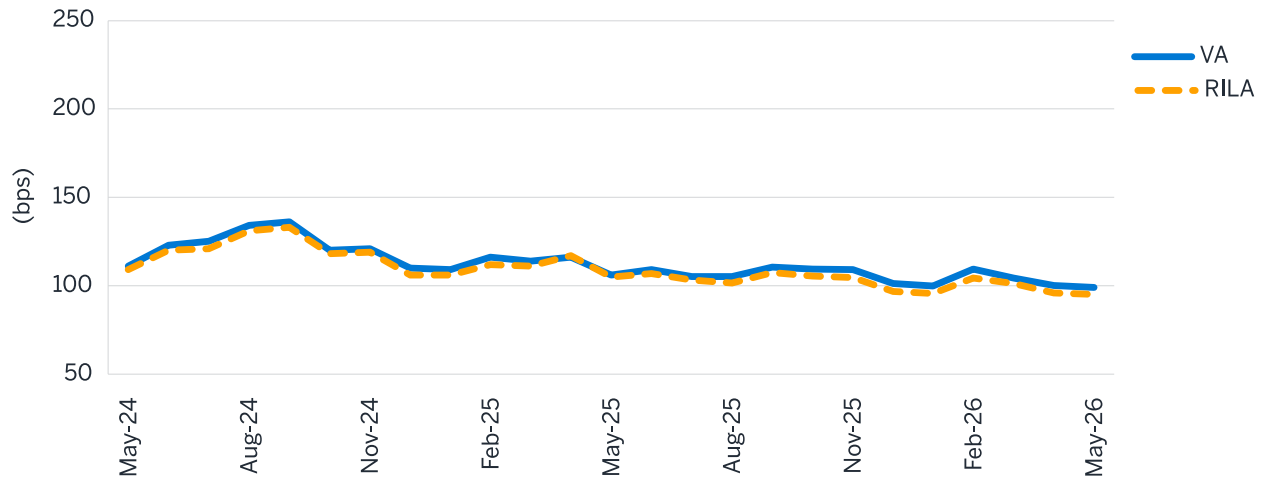
As of end of May 2026, the expected hedge cost is estimated to be 99 basis points (bps) for a hypothetical guaranteed lifetime withdrawal benefit (GLWB) on variable annuities (VA) and 95 bps for registered index-linked annuities (RILA), down 1 basis point from the previous month, driven by an increase in long-term interest rates. The Index Methodology provides additional details about the assumptions and methodologies underlying the Milliman Hedge Cost Index (MHCI).

EXPECTED HEDGE COST



1. To view the Milliman Hedge Cost Index Methodology, go to: http://www.milliman.com/mhci-methodology/

DATE	EXPECTED HEDGE COST FOR VA (BPS OF GUARANTEED WITHDRAWAL BASE)		EXPECTED HEDGE COST FOR RILA (BPS OF GUARANTEED WITHDRAWAL BASE)		CHANGE IN 20-YEAR SWAP RATE	
	EXPECTED HEDGE COST	CHANGE FROM PRIOR MONTH	EXPECTED HEDGE COST	CHANGE FROM PRIOR MONTH	MONTH-TO-MONTH CHANGE	ACCUMULATIVE CHANGE SINCE 2024/04/29
5/30/24	111		109			
6/27/24	123	12	120	11	-0.29%	-0.29%
7/30/24	125	2	121	1	-0.10%	-0.39%
8/29/24	134	9	131	10	-0.26%	-0.65%
9/27/24	136	2	133	2	-0.07%	-0.72%
10/30/24	120	(16)	118	(15)	0.43%	-0.29%
11/27/24	121	1	119	1	-0.03%	-0.32%
12/30/24	110	(11)	106	(13)	0.27%	-0.05%
1/30/25	109	(1)	106	0	0.03%	-0.02%
2/27/25	116	7	112	6	-0.19%	-0.22%
3/28/25	114	(2)	111	(1)	0.03%	-0.19%
4/29/25	116	2	117	6	-0.06%	-0.25%
5/29/25	106	(10)	105	(12)	0.22%	-0.03%
6/27/25	109	3	107	2	-0.10%	-0.13%
7/30/25	105	(4)	103	(4)	0.11%	-0.02%
8/28/25	105	0	102	(1)	-0.07%	-0.09%
9/29/25	110	5	107	5	-0.09%	-0.18%
10/30/25	109	(1)	105	(2)	0.02%	-0.16%
11/26/25	109	0	105	0	-0.03%	-0.19%
12/30/25	101	(8)	97	(8)	0.19%	0.01%
1/29/26	100	(1)	96	(1)	0.06%	0.06%
2/26/26	109	9	104	8	-0.26%	-0.19%
3/30/26	104	(5)	101	(3)	0.22%	0.03%
4/29/26	100	(4)	96	(5)	0.08%	0.11%
5/28/26	99	(1)	95	(1)	0.04%	0.15%

ABOUT THE MILLIMAN HEDGE COST INDEX

The Milliman Hedge Cost Index™ (MHCI) provides the estimated hedging cost for hypothetical guaranteed lifetime withdrawal benefit (GLWB) blocks, based on product specifications and modeling assumptions as described in the MHCI Methodology document. The expected hedge cost is calculated using product features for a generic GLWB in line with product designs common in the market. Likewise, the modeling assumptions are based on typical actuarial and behavioral assumptions widely used by annuity writers in the marketplace.

Milliman conducts annual reviews of the product features and assumptions underlying the MHCI and will implement updates to the assumptions as and when appropriate to keep pace with market trends and industry practice.

The variable annuity (VA) and registered index-linked annuity (RILA) MHCI are calculated each month based on swap interest rates. In addition, the VA index assumes 50% of investment is in a fixed target volatility option and 50% is in traditional asset allocations that depend on the risk-adjusted Milliman Guarantee Index™ (MGI) volatility assumption. The underlying product for the RILA MHCI assumes a one-year index term and annual point-to-point design on the S&P 500 index; the realized volatility assumption is also based on the risk-adjusted MGI. As a result, monthly changes in both VA and RILA expected hedge cost are primarily driven by movements in swap interest rates, with the RILA result slightly more sensitive to MGI movements. The VA index and the RILA index closely track each other over time.

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Milliman leverages deep expertise, actuarial rigor, and advanced technology to develop solutions for a world at risk. We help clients in the public and private sectors navigate urgent, complex challenges—from extreme weather and market volatility to financial insecurity and rising health costs—so they can meet their business, financial, and social objectives. Our solutions encompass insurance, financial services, healthcare, life sciences, and employee benefits. Founded in 1947, Milliman is an independent firm with offices in major cities around the globe.

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