



January 1, 2018

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Rates on the Move

Rates Finally on the Move Up, Global Equities Continue Gains

The final month of 2017 brought little change to annuity purchase rates as our immediate rates were almost flat moving from 2.72% at the beginning of December to 2.71% at the beginning of January. The deferred rates in January went from 2.91% to 2.88%.

However, since the beginning of January, treasury rates in the three to ten year part of the curve have moved up 20 basis points, the thirty year has moved up 12 basis points. Both the US and Foreign stock markets remain strong, having gained roughly 6% so far this year.

Implications for PRT.

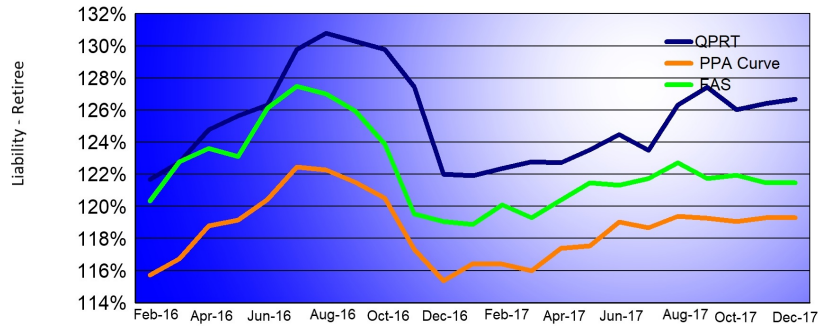
The move in treasury rates so far in January would imply close to a 2% drop in an annuity price. The rate increases along with the continued equity results should make it more attractive for plan sponsors as they have moved closer to their targets to execute a PRT transaction.

What Should Plan Sponsors Do?

A Plan Sponsor should know their numbers. The numbers are where rates need to be to make a PRT transaction make sense for them. Plan sponsors need advice from sources capable of implementing a tactical approach to PRT. Working with a skilled PRT advisor will help you be able to execute a transaction on your terms.

QAS Pension Risk Transfer 1000 Index©

Jan 2018 - Relative Price PRT v. PPA Curve - FAS



Index Base = 100.0 - Sept 2007

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Rates

The 10 year treasury closed at 2.66% as of the writing of this newsletter, which is its highest level since 2014. With the stimulus of tax cuts, more fed rate hikes and inflation threats, rates are likely to be volatile. Large government budgets can't be managed by continuing resolutions alone. Managing budgets requires implementing effective geo-political and economic policies (think tariffs).

PRT Trax Index +/-	
12 mo Hi-Lo %	+ 4.1%
YTD % Δ	+ 0.2%
3 mos % Δ	- 0.6%
1 mo % Δ	+ 0.2%

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Date	Immediate	Deferred
December 1, 2017	2.72%	2.91%
January 1, 2018	2.71%	2.88%

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