

February 1, 2018

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Rates Beget Volatility

Rates Continue to Move Up, Global Equities Exhibit Increased Volatility

January 2018 saw increases in immediate annuity purchase rates moving from 2.71% at the start of the month and ending at 2.94%; deferred rates also moved up from 2.88% to 3.06%.

The increase was largely driven by rising treasury rates. Treasury rates have continued to climb into February as inflation increases and investors fear more rate hikes from the Fed at a time of leadership change.

Interest rate concerns and technical factors from funds betting on low stock market volatility caused a market correction (down at least 10% from its high), but markets have since recovered to positive territory, yet remain below their yearly highs.

Implications for PRT

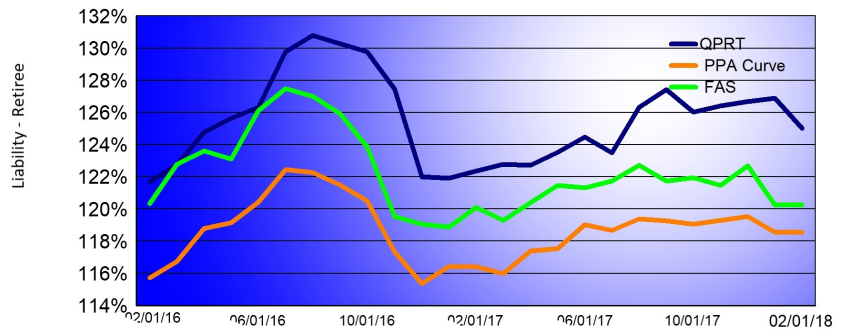
The annuity price continues to improve for plan sponsors. The asset side of the picture is becoming more volatile.

What Should Plan Sponsors Do?

Plan Sponsors should work with a PRT advisor to develop and execute a plan. A skilled PRT advisor will help you clarify your objectives and work within your constraints to execute a transaction on your terms. This is true whether or not a glide path approach has been implemented. Optimizing an effective execution price should be a full mandate - not an eventual end game.

QAS Pension Risk Transfer 1000 Index©

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



Index Base = 100.0 - Sept 2007

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Rates

The yield curve is flattening. The 10 year treasury closed at 2.90% and the 30 year treasury closed at 3.15% as of the writing of this newsletter, both up about a dozen basis points since the beginning of February. The 10 year treasury at 3.00% was last seen in early 2014. The 30 year treasury was just under 4.00% with a slope nearly four times today's level. The 2 year treasury was around 40 basis points in early 2014, and is now just under 2.20%. The Fed actions are clearly having a bigger impact on the short end of the curve.

PRT Trax Index +/-	
12 mo Hi-Lo %	+/- 3.9%
YTD % Δ	- 1.7%
3 mos % Δ	- 1.7%
1 mo % Δ	- 1.5%

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Date	Immediate	Deferred
January 1, 2018	2.71%	2.88%
February 1, 2018	2.94%	3.06%

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