



April 1, 2018

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Yield Curve Is Flattening, Global Equities Remain Volatile

Short interest rates increased during March while long rates dropped slightly. Immediate annuity rates remained at 3.03% and deferred rates rose one basis point to 3.18%. Both rates were up about 30 basis points in the first quarter.

During March, the ten year and thirty year treasury yields declined by 8 and 12 basis points respectively, while the two year treasury yield gained just 2 basis points. The March 25 basis point increase in Fed funds caused rates under one year to increase as the one month rate rose 19 basis points and the three month rose 14 basis points.

US and Foreign large market indexes are down slightly for the year with the S&P 500 lower by 3% for March and roughly 1.3% YTD. Foreign markets are down roughly 0.6% for March and 0.5% YTD.

Implications for PRT

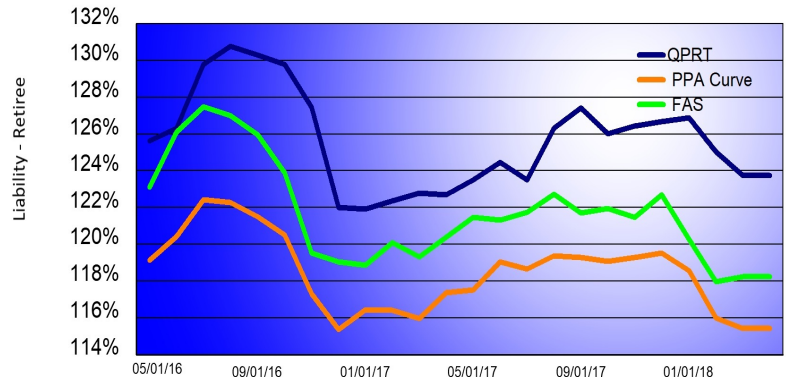
The annuity price continues to improve for plan sponsors as a 30 basis point increase in rates translates roughly to a 2.5% improvement in price for a typical retiree only bid, and more than a 4% reduction in price for an all deferred quote.

What Should Plan Sponsors Do?

A clear theme at the PRT sessions at the recent EA meeting is how difficult it is to get insurers to quote on bids that are small, have non-standard provisions, less than perfect data, or too many deferred lives. It's never been more important to engage a PRT advisor with experience to assist plan sponsors and their advisors on risk transfer.

QAS Pension Risk Transfer 1000 Index[®]

May 2016 to Apr 2018 - Relative Price PRT v. PPA Curve - FAS



Index Base = 100.0 - Sept 2007
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Rates

As of the writing of this newsletter, the ten year treasury is up 19 basis points the beginning of April. Earlier in the week, the two year- ten year treasury spread reached it's lowest point in a decade. The yield curve continues to flatten as Fed action increases the short end of the curve and other factors impact the long end. Current sentiment might suggest three more rate increases this year.

PRT Trax Index +/-	
12 mo Hi-Lo %	+/- 3.5%
YTD % Δ	- 2.7%
3 mos % Δ	- 2.5%
1 mo % Δ	- 0.0%

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Date	Immediate	Deferred
March 1, 2018	3.03%	3.17%
April 1, 2018	3.03%	3.18%