



July 1, 2018

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Purchase Rates Up Slightly, Equities Mixed But Improving, Yield Curve Flattening

Both immediate and deferred purchase rates were up slightly in June. The immediate annuity purchase rate increased from 3.19% to 3.22%; the deferred purchase rate increased from 3.31% to 3.34%. Year-to-date, immediate rates are up 48 basis points while deferred rates are up 43 basis points.

In June, the ten year treasury increased slightly from 2.83% to 2.85% while the thirty year treasury yield declined slightly from 3.00% to 2.98%. The two year treasury yield moved up 12 basis points from 2.40% to 2.52%.

The S&P 500 was up less than 1% in June, while aggregate foreign market indexes were down roughly 3%. The S&P is up nearly 3% since the end of June and up roughly 5% year-to-date while foreign markets are up slightly since the end of June and down roughly 4% year-to-date. Daily trade war comments continue, and the dollar remains strong.

Implications for PRT

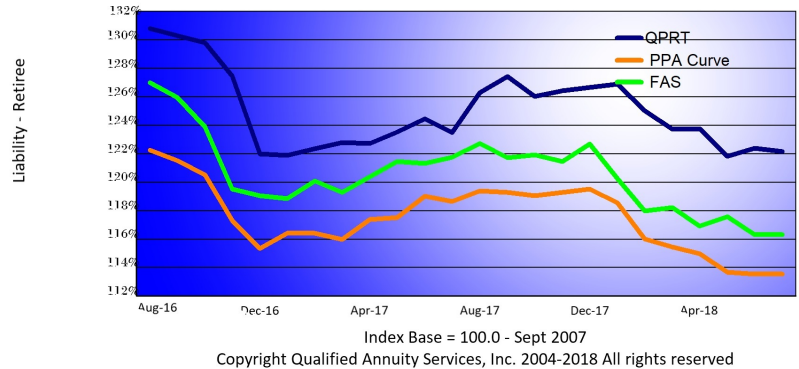
Both the annuity price and equity assets moved in the right direction in June for a plan contemplating de-risking. The annuity price is down significantly since the end of last year, lowering retiree cost by 4% and lowering deferred annuity costs by 6.5%.

What Should Plan Sponsors Do?

The best way to learn what your annuity would cost is to engage a PRT advisor who can provide a market based estimate of the cost of an annuity either through direct quotes from insurers or proxies that have been developed within their firms.

QAS Pension Risk Transfer 1000 Index®

Aug 2016 to Jul 2018 - Relative Price PRT v. PPA Curve - FAS



Rates

Since the end of June, the two year is up 8 basis points to 2.6%, while the ten and thirty year decreased by 1 and 2 basis points to 2.84% and 2.96%, respectively. The two to ten year spread is 24 basis points, down from 51 basis points at year end 2017. The ten to thirty year spread flattened significantly from 34 basis points at year end to 12 basis points currently. The two year treasury is most often tied to fed rate hike policy (not longer term rates). Economists debate if yield flattening will turn to inversion followed by recession.

PRT Trax Index +/-	
12 mo Hi-Lo %	+/- 4.6%
YTD % Δ	- 3.7%
3 mos % Δ	- 1.3%
1 mo % Δ	+ 0.2%

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Date	Immediate	Deferred
June 1, 2018	3.19%	3.31%
July 1, 2018	3.22%	3.34%

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