



August 1, 2018

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Purchase Rates Continue Upward Move, Equities Mixed, Turkish Turmoil

Both immediate and deferred purchase rates were up in July as immediate rates increased from 3.22% to 3.34% and deferred rates rose from 3.34% to 3.45%.

Year-to-date, immediate and deferred rates are up 60 and 54 basis points each. In July, the 10 year treasury increased from 2.85% to 2.96% while the 30 year treasury yield increased from 2.98% to 3.11%. The two year treasury yield moved up 14 basis points from 2.52% to 2.66%.

The S&P 500 gained roughly 3.5% in July outpacing the 2.5% gain of aggregate foreign market indexes. The S&P has been flat since the end of July with significant day-to-day volatility yet gained 5.3% year-to-date. While foreign markets were up significantly in July, they are now down 7.7% in August for the year. Daily trade war threats and actions continue as the dollar strengthens. Turkey is the new poster child for economic and currency challenges.

Implications for PRT

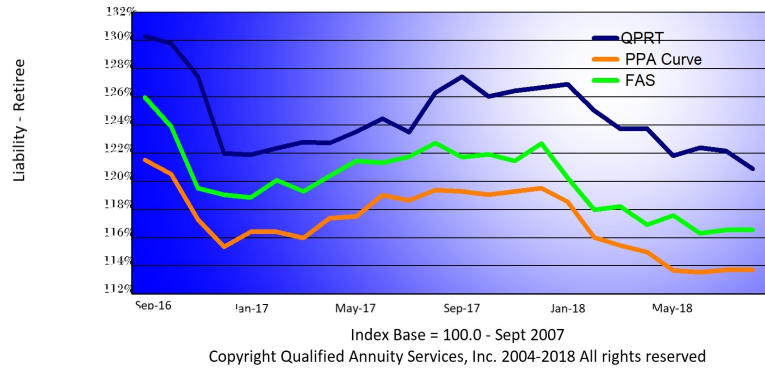
The best way to know your annuity cost is to engage a PRT advisor who can work with you and get an estimate on what your purchase cost would be. The annuity price is down significantly since the end of 2017 and we estimate a 5.0% lower price for an all retiree bid and 7.5% lower cost for a deferred bid.

What Should Plan Sponsors Do?

Plan sponsors should know their numbers. You get market value of assets from your investment advisors, your census data from your HR department, your legal advice from your general or outside counsel, your regulatory liability from your

QAS Pension Risk Transfer 1000 Index©

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



actuary. Shouldn't you get your annuity cost to defuse your plan liability from a PRT Advisor?

Rates

Since the end of July, the two year is down 3 basis points to 2.63% and the 10 and 30 year have decreased by 7 and 5 basis points to 2.89% and 3.06%, respectively. The spread between the two and 10 year treasury is 26 basis points, down from 51 basis points at year end 2017 and 2 basis points wider than July. According to the CME Group, Fed funds futures trade at a 96% chance of a Fed rate hike at the September meeting in just over a month.

PRT Trax Index +/-	
12 mo Hi-Lo %	+/- 5.4%
YTD % Δ	- 4.6%
3 mos % Δ	- 0.8%
1 mo % Δ	- 1.1%

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Date	Immediate	Deferred
July 1, 2018	3.22%	3.34%
August 1, 2018	3.34%	3.45%

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