

September 1, 2018

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**Purchase Rates Have Late Summer Dip, Equities Mixed, September Upswing Underway**

Both immediate and deferred purchase rates were down slightly in August. The immediate annuity purchase rate decreased from 3.34% to 3.26%; the deferred purchase rate decreased from 3.45% to 3.39%. Year-to-date, both rates remain up significantly.

In August, the ten year treasury yield decreased from 2.96% to 2.86% while the thirty year treasury yield decreased from 3.08% to 3.00%. The two year treasury yield declined 5 basis points from 2.67% to 2.62%.

The S&P 500 was up roughly 3.2% in August, while aggregate foreign market indexes were down roughly 2.4%. The S&P 500 was up 8.74% year-to-date at the end of August while aggregate foreign market indexes were down 4.68%. September thus far has been a positive month as the S&P 500 is approaching the 10% year-to-date mark and foreign markets have reduced their losses. Trade war rhetoric, foreign economic instability, interest rate increases and political turmoil (both foreign and domestic) are currently being trumped by investor confidence in the US economy.

**Including the High Rate**

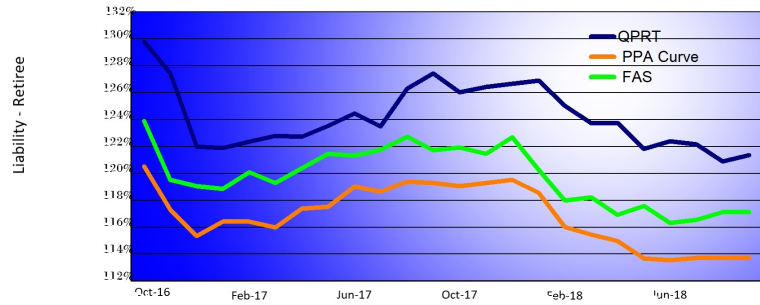
When we develop rates for publication in our newsletter, we use information provided by a number of insurers who are active in this market and our published number is in the range of what is provided. Practices vary widely on the rates provided in this market, from not providing rates at all, to providing a few data points, to providing a single data point for retirees. Practices vary from providing rates close to current pricing to rates adjusted for conservatism so as to confuse competitors and avoid negative surprises. The insurer providing the High rate may also not underwrite all plans. However, QAS has decided to publish the High rate as well as our market average rate since we feel, on balance, this information could be useful to some plan sponsors and their advisors.

**What Should Plan Sponsors Do?**

As we approach the busiest part of the year in the PRT

**QAS Pension Risk Transfer 1000 Index©**

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



Index Base = 100.0 - Sept 2007  
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market, this is a good time to re-evaluate where you are. Rates are up, so the cost to purchase an annuity is down. The US stock market is up as are foreign markets. With assets up and liabilities down, the cost to execute may be in your range. The best way to know for sure is by working with a PRT Advisor.

**Rates**

Since the end of August, rates have increased roughly 20 basis points across the curve. Expectations are high that the Fed Funds rate will be raised from 1.75-2.00%. The CME Group's Fed Watch Tool indicates roughly a 93% chance of a 25 basis point increase and just under a 7% chance of a 50 basis point increase. Since the treasury yield curve is the primary driver of purchase rates, we expect a strong September increase in purchase rates.

| PRT Trax Index +/- |          |
|--------------------|----------|
| 12 mo Hi-Lo %      | +/- 5.0% |
| YTD % Δ            | - 4.2%   |
| 3 mos % Δ          | - 0.8%   |
| 1 mo % Δ           | + 0.4%   |

**As the rules of risk change, QAS adds value for its clients.**

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| Date              | Immediate | High  | Deferred | High  |
|-------------------|-----------|-------|----------|-------|
| September 1, 2018 | 3.26%     | 3.60% | 3.39%    | 3.60% |

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