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PRT Rates Inverted At Multi-Year High's, Equities Are Volatile

Both immediate and deferred purchase rates were up significantly in September. The immediate annuity purchase rate increased from 3.26% to 3.43%; the deferred purchase rate increased from 3.39% to 3.56%. Both rates are the highest since early 2014. The high immediate rate of 3.85% is actually inverted to the deferred at 3.60%.

In September, the treasury curve upward shift of approximately 20 basis points fully explains higher annuity purchase rates. The 10 year treasury yield rose from 2.86% to 3.05%; the 30 year yield advanced from 3.00% to 3.20% while the two year treasury yield rose from 2.62% to 2.81%.

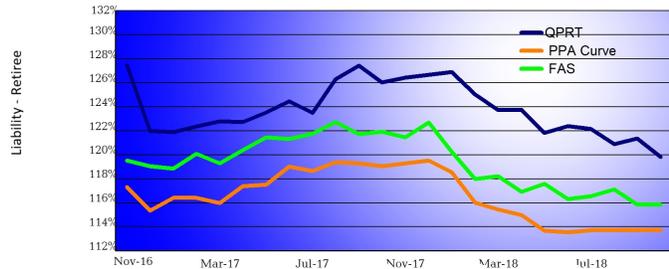
Equity markets were generally flat in September. The S&P 500 was up 0.1%, while aggregate foreign market indexes were down 0.3%. The S&P 500 was up 8.87% year-to-date at the end of September while aggregate foreign market indexes were down 4.95%. The fourth quarter is off to a rocky start as the S&P 500 is down roughly 4% and foreign markets are down roughly 6%. A number of factors have been identified: trade war rhetoric, interest rate increases, Brexit and other EU stability concerns, geopolitical instability and US elections that could somewhat reshape the political landscape. Earnings and economic data remain positive. After months of tame markets, most days have large moves up and down, but mostly down.

How Can Plan Sponsors Lower Expenses and Eliminate Risk?

There are many expenses associated with managing a defined benefit pension plan which requires hiring third parties, however, oversight by plan sponsor executives is still required. Legal, actuarial, administrative and PBGC premium costs can be measured and thus get lots of attention. The cost in terms of corporate focus is harder to quantify. All these functions and their associated costs are eliminated when a PRT transaction is successfully completed. Actuarial costs and PBGC premiums go away. Administration and investment management can be done more efficiently by insurers. The risks of the plan and

QAS Pension Risk Transfer 1000 Index©

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



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third-party oversight go away. A company can focus on the things they do best and not worry about mortality, interest rate and stock market volatility. Participants get their checks from a high quality insurer with a guarantee that extends for their lifetime.

Rates

In September, the Fed increased the Fed Funds rate by 25 basis points to a target rate of 2.00-2.25%. The Fed has two more meetings this year, and expectations of a November rate hike are very low. However, according to the CME Group's Fed Watch Tool, there is roughly a 75% chance of a 25 basis point increase and just under a 5% chance of a 50 basis point increase in December. Since the end of September the 10 year treasury rose 12 basis points and the 30 year treasury rose 16 basis points. Since treasury rates remain the driver of annuity purchase rates, we expect our November purchase rates to reflect these changes.

PRT Trax Index +/-	
12 mo Hi-Lo %	+/- 5.9%
YTD % Δ	- 5.4%
3 mos % Δ	- 1.9%
1 mo % Δ	- 1.3%

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Date	Immediate	High	Deferred	High
October 1, 2018	3.43%	3.85%	3.56%	3.60%