

February, 2019

Vol. XIX, No. 2

Rates Close to Flat for January, Equities Posting Strong Recovery

Immediate purchase rates were up in January while deferred rates were down. The immediate annuity purchase rate increased from 3.25% to 3.29%; the deferred purchase rate decreased from 3.56% to 3.54%. The highest immediate rate was 3.65% up from 3.55%, the highest deferred rate was 3.73%, down from 3.91%.

In January rates increased on the short end and dropped slightly in the 2-30 year part of the curve. The 10 year treasury yield decreased from 2.69% to 2.66% while the 30 year treasury yield decreased from 3.02% to 2.99%. The two year treasury decreased from 2.48% to 2.45%. There was an inversion as the one year treasury was higher than the 2-7 year treasury at month end.

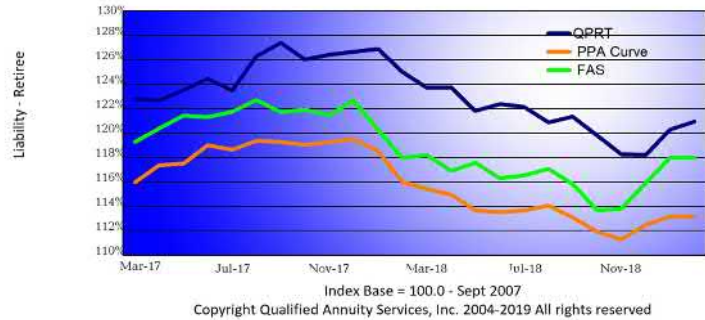
Equity markets recovered significantly in January. The S&P 500 was up just under 8% while aggregate foreign market indexes were up around 7.7%. So far in February the recovery continues with foreign markets up over 8% year-to-date and US markets up over 11%. The end of the partial government shutdown, trade talks with China having a softer tone and a market friendly Fed have soothed investor concerns. Concerns remain for turmoil in Washington, uncertainty over interest rates, global economic growth and slow corporate earnings growth.

What Is A Buy-in Contract?

You may have seen in P&I that Lockheed Martin recently did a buy-in contract. Although buy-in contracts have been around for a while, they have become more common in recent years. A buy-in contract becomes a plan asset and the insurer is liable to the plan for all benefit claims as defined by the contract. Payments are not made to participants unless the buy-in contract is converted to a buyout contract. Similar to a typical annuity contract, the insurer is on the hook for investment performance and mortality gains and losses during the life of the contract. Contracts may be discontinued in limited instances, such as PBGC non approval in a plan termination, while discretionary discontinuance may be allowed by others. Market values are determined without

QAS Pension Risk Transfer 1000 Index©

Mar 2017 to Feb 2019 - Relative Price PRT v. PPA Curve - FAS



benefit of downgrade puts as in the past. QAS has been a leader in strategic PRT and buy-in contract placements over the past several years. To learn more about whether a buy-in contract might work for your plan, give QAS a call.

Rates

According to the CME Group's Fed Watch Tool, there is roughly a 99% probability that the Fed will leave rates unchanged at the March 20 meeting. There is an 86% chance that the Fed Funds Target will remain unchanged at the year end current target range of 2.25-2.50%, with a 3% chance of a 25 basis point increase and an 11% chance of a 25 basis point decrease. Since the end of January, rates have moved up just a few basis points. The 10 year treasury is at 2.66%, the 30 year at 3.00% and the two year at 2.52%. Slight inversions persist at the short end of the curve.

PRT Trax Index +/-	
12 mo Hi-Lo %	+/- 4.7%
YTD % Δ	+ 2.3%
3 mos % Δ	+ 2.3%
1 mo % Δ	+ 0.6%

As the rules of risk change, QAS adds value for its clients. Read more or subscribe here: <https://www.qualifiedannuity.com/monthly-newsletters/>

Learn More About Custom PRT Modeling and Glide Path Capabilities.

Get Informed. Think Strategic. Act Tactical.

Ron McHugh, FSA MAAA CFA (508)733-8591 ■ Joe Cleary (201)447-3900

Date	Immediate	High	Deferred	High
February 1, 2019	3.29%	3.65%	3.54%	3.73%