

Retiree Purchase Rate Drops Below 2%

Purchase rates were down in July. The immediate annuity purchase rate was down 18 basis points from 2.00% to 1.82%, while the deferred purchase rate was down 16 basis points from 2.24% to 2.08%. The highest rate for immediate annuities was down 20 basis points to 2.18%, while the highest deferred rate was down 31 basis points to 2.30%. Decreasing treasury rates were again the main driver.

At the end of July, US Treasury bond yields were down from the end of June. The Ten Year treasury yield decreased from 1.45% to 1.24%, a decrease of 21 basis points, while the Thirty Year treasury yield decreased from 2.06% to 1.89%, a decrease of 17 basis points. The Two Year treasury yield was down 6 basis points to 0.19%. During the month of July, the ICE BofA BBB US Corp Index Option Adjusted Spread widened by 6 basis points to 1.13%.

US and Foreign equity markets were mixed in July. The S&P 500 was up roughly 2.5% in July while aggregate foreign markets were down just over 1%. Year-to-date US markets were up roughly 17% while foreign markets were up 8%. Since the end of July, markets remain mixed with US markets up around 1% and foreign markets down about 1.5%. The Delta variant continues to wreak havoc on the healthcare system, the economic recovery, and our physical and mental well-being. However, vaccine levels have been rising again, the FDA has approved booster shots and the Pfizer vaccine has received full authorization, and vaccine mandates are expected to increase. The Fed will meet this week virtually to discuss when to begin cutting back on support for the economy. The recently released minutes of the July meeting indicated there was strong support to reduce asset purchases at the end of the year, but a lot has happened since then including good jobs and economic data offset by more hospitalizations, deaths, and restrictions.

What Should A Fiduciary Do?

Few plan sponsors have direct experience with terminating a defined benefit pension plan. The guidance often cited is in DOL IB-95-1 and Bussian. IB 95-1 cites 6

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Sep 2019 to Aug 2021 Relative Price PRT v. PPA Curve - FAS



factors to follow when selecting an annuity provider, while Bussian cites adhering to a process of procedural prudence. We take our clients through the factors of IB-95-1, but as part of our process of procedural prudence. Each step is documented and shared with the other fiduciaries of the plan sponsor. If you'd like to hear more, give QAS a call.

Rates

Since the end of July, the 10 year yield increased 2 basis points to 1.26%, while the 30 year yield decreased 2 basis points to 1.87%. The 2 year treasury is up 4 basis points to 0.23%. The ICE BofA BBB US Corp Index Option Adjusted Spread has widened 4 basis points since the end of July. Stay healthy.

| PRT Trax Index +/- | |
|--------------------|----------|
| 12 mo Hi-Lo % | +/- 5.9% |
| YTD % Δ | - 2.10% |
| 3 mos % Δ | + 2.30% |
| 1 mo % Δ | + 1.00% |

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| Date | Immediate | +/- | High | +/- | Deferred | +/- | High | +/- |
|--------|-----------|--------|-------|--------|----------|--------|-------|--------|
| August | 1.82% | -0.18% | 2.18% | -0.20% | 2.08% | -0.16% | 2.30% | -0.31% |