

PRT Curve Inverts as Equities Pressure Funded Status

May annuity interest rates repeated the April trend. The immediate annuity rate rose 62 basis points to 3.72% from 3.10%, and deferred interest rates rose 62 basis points to 3.10% from 3.72% in a strange parallel shift. The highest immediate annuity rate was up 88 basis points to 4.68%, while the highest deferred rate rose 73 basis points to 4.23%.

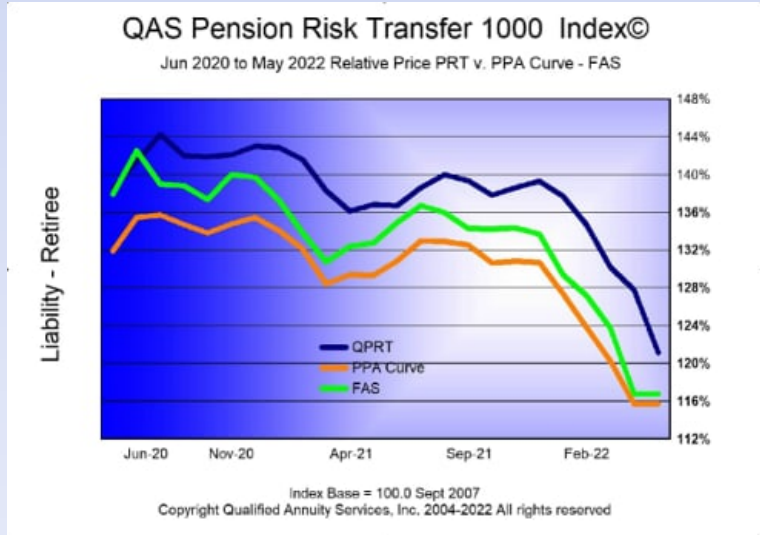
Treasury rates continued their volatility. At the end of April, US Treasury bond yields advanced from March month end. The Ten Year treasury yield rose from 2.33% to 2.89%, a 56 basis point advance while the 30 Year treasury yield rose from 2.45% to 2.95%, a 50 basis point increase. The ICE BofA BBB US Corp Index Option Adjusted Spread declined from 149 to 169 for a 20 basis points increase from March month end.

US and Foreign equity markets declined in April. The S&P 500 declined 8.80% while aggregate foreign markets per the MSCI were down 8.31%. The Fed announced a 50 basis points hike at its May 4 meeting and raised its target to 0.75%-1.00%.

PPA Rates Advance

The impact of PPA rates for funding spells some relief. However, it comes with a cost for pension plans with LDI and matched bond portfolios. The decline in equities is taking the steam out of the alpha. Funded status will once again decline. We highlight this unfolding collision again as energy becomes a bargaining chip of conflict. The PRT Risk Vortex (see the link below to read the January Newsletter) will reveal itself as those monitoring the action will illustrate in upcoming releases. The ICE BofA BBB US Corp Index Option Adjusted Spread Index is now approaching its recent high of 185 basis points on March 15, 2022. Year to Date PRT annuity purchase price declines have now dropped 12.8% from December 1, 2021 to May 1, 2022.

Preparation Only Works If You Have A Plan Ready. Fire, Aim is not a good plan. Pension Risk Transfer implementation requires expertise to be effective. With a 12.8% price drop in just 4 months, plan sponsors can benefit from QAS's tactical approach. Whether rates top out is anyone's guess. QAS's advice role answers the



When, Where, How, Why and How Much PRT question. Plan sponsors need to evaluate their options. The right advice could mean \$12.8mm to a \$100mm plan.

QAS merges the art with science in the PRT equation. At QAS, PRT Advice Matters Most. QAS is where *PRT Advice Is Driven By Best Outcomes*

Rates

As this letter is being written, the 10 year yield touched 2.99% on May 10, a 21 basis point increase from April 10. The ICE BofA BBB US Corp Index Option Adjusted Spread stood at 177 basis points as of May 10, 2022. Stay healthy.

PRT Model Plan Trax Index +/-	PRT	PPA
12 mo Hi-Lo %	+/- 15.30%	+/- 14.90%
YTD % Δ	- 12.80%	- 11.40%
3 mos % Δ	- 9.90%	- 6.50%
1 mo % Δ	- 1.80%	- 2.80%

As the rules of risk change, QAS adds value for its clients. Read more or subscribe here:

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Where PRT Advice Matters Most

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Date	Immediate	+/-	High	+/-	Deferred	+/-	High	+/-
May	3.72%	0.62%	4.68%	0.88%	3.72%	0.62%	4.23%	0.73%