

Volatility: The Newest Normal and PRT's Best Friend

July annuity interest rates advanced once again. The immediate annuity rate rose 15 basis points to 3.97% from 3.82%, and deferred interest rates rose 14 basis points to 3.99% from 3.85%. The highest immediate annuity rate rose 40 basis points to 4.95% and the highest deferred rate rose 32 basis points to 4.52%.

Treasury rates continued their volatility as the 10 Year treasury peaked at 3.48% on June 14 before falling 52 basis points to 2.96% on July 12. The 30 Year treasury yield rose to 3.45% on June 14 and fell to 3.15% on July 12, a 30 basis point decline from its peak. The ICE BofA BBB US Corp Index Option Adjusted Spread was 180 basis points on June 14 and rose to 208, an increase of 28 basis points during this same time span.

US and Foreign equity markets declined in June. The S&P 500 fell 8.0% while aggregate MSCI World markets fell 9.2% in June. Hedging statements, the Fed is less certain about inflation, macro economics and politics.

The Newest Normal

How can it be that volatility is a news item every month? This is driven by the extremes. "The New Normal" has been replaced by "The Newest Normal." The dramatic change in rates is magnified when you consider the trillions of invested assets of pension plans. The volatility of impact is diminished when LDI matching strategies are deployed. So, all the excitement gets muted.

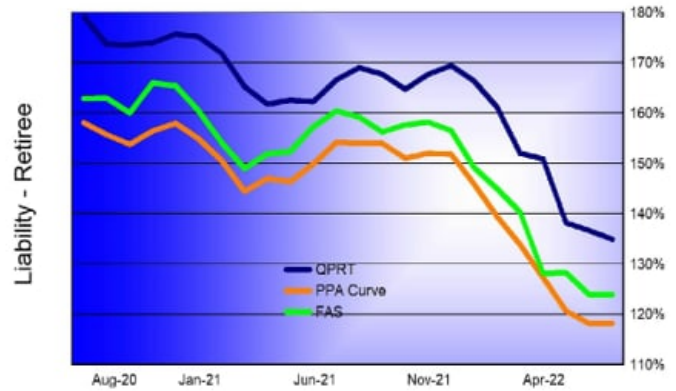
The treasury yields have been volatile, peaking on June 14. The food and energy price explosion has begun to show signs of slowing purchasing. The ICE BofA BBB US Corp Index Option-Adjusted Spread shot up from its recent highs in the 180's to 208 basis points. Risk is returning to the bond markets.

Volatility Is Opportunity

Most Defined Benefit pension plans are aware of the benefits of Pension Risk Transfer. However, volatility might interfere with the best intentions. Many sponsors are happily surprised at good pricing that is available. The more plans that act quickly, the more potential for further capacity constraints.

QAS Pension Risk Transfer 1000 Index©

Aug 2020 to Jul 2022 Relative Price PRT v. PPA Curve - FAS



Index Base = 100.0 Sept 2007
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QAS addresses this Newest Normal with its tactical PRT approach. Clients are well prepared as QAS's advice role facilitates opportunity and answers the *When, Where, How, Why and How Much* PRT question. QAS merges the art with science in the PRT equation. At QAS, PRT Advice Matters Most.

PRT Advice Is Driven By Best Outcomes

Rates

The 10 year yield trades at 2.96% on July 12 and the ICE BofA BBB US Corp Index Option-Adjusted Spread stood at 208 basis points. Stay healthy.

PRT Model Plan Trax Index +/-	PRT	PPA
12 mo Hi-Lo %	+/- 25.6%	+/- 30.3%
YTD % Δ	- 20.4%	- 22.1%
3 mos % Δ	- 10.6%	- 11.7%
1 mo % Δ	- 1.40%	- 2.0%

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

<https://www.qualifiedannuity.com/monthly-newsletters/>

Where PRT Advice Matters Most

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Date	Immediate	+/-	High	+/-	Deferred	+/-	High	+/-
July	3.97%	0.15	4.95%	0.40	3.99%	0.14%	4.52	0.32%