

Translating PRT Volatility to Dollars and Sense

July annuity interest rates dropped in August. The immediate annuity rate fell 18 basis points to 3.79% from 3.97%, and deferred interest rates fell 8 basis points to 3.91% from 3.99%. The highest immediate annuity rate fell 37 basis points to 4.58% and the highest deferred rate fell 19 basis points to 4.33%.

Treasury rates continued their volatility as the 10 Year peaked at 3.10% during July before falling to 46 basis points to 2.64% on July 29. The 30 Year treasury yield rose to 3.27% on July 8 and fell to 2.97% on July 29, a 30 basis point decline from its peak. The ICE BofA BBB US Corp Index Option Adjusted Spread peaked at 208 basis points on July 5, 2022 ending at 192 basis points on July 31, 2022 for a decline of 16 basis points during July.

US and Foreign equity markets reversed to the upside in July. The S&P 500 climbed 9.1% while aggregate MSCI World markets rose 8.1% in July. The Fed seems determined to tackle inflation. However, the Fed's hesitation has not been welcomed.

PRT Volatility

Many PRT market pundits now seem to promote a sense of urgency. By the time preparations are made to implement a PRT transaction, the party may be over. This short sighted view can be very problematic in volatile periods. FAS liability price movement can be more volatile than the QAS PRT Index creating price dispersion. QAS's maximum Immediate rate was 80 basis points higher than the average Immediate. The 12 month maximum Immediate averaged 64 basis points higher than the average Immediate rate for 12 months ending in August.

Dollars and Sense

The PRT market is dynamic. Plan sponsors can only benefit from this phenomenon by obtaining continuous advice from a PRT Advisor capable of implementing a comprehensive strategy in a dynamic fashion.

What's The Benefit?

If a \$100 million DB plan wants to settle a 10 year duration liability and the peak rate is obtained, then the DB plan

QAS Pension Risk Transfer 1000 Index©

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



can save \$6.4 million on average by being prepared.
 $((0.64\% \times 10) \times \$100\text{million}) = \$6.4\text{ million}$

QAS has more than a decade of experience addressing DB plan deficits with Tactical Advice which is the trademark of the practice. QAS prepares its clients to answer the *When, Where, How, Why and How Much* PRT question. QAS merges the art with science in the PRT equation.

Rates

The 10 year yield closed at 2.64% on July 31 and the ICE BofA BBB US Corp Index Option-Adjusted Spread stood at 192 basis points. Stay healthy.

PRT Model Plan Trax Index +/-	PRT	PPA
12 mo Hi-Lo %	+/- 17.3%	+/- 19.9%
YTD % Δ	- 14.3%	- 14.6%
3 mos % Δ	- 1.5%	- 0.8%
1 mo % Δ	+ 0.40%	0.0%

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	+/-
August	3.79%	-0.18%	4.58%	-0.37%	3.91%	-0.08%	4.33%	-0.19%