

Retiree Rate Inverts; Breaches Levels from Great Recession

Annuity interest rates rose during August. The immediate annuity rate climbed 47 basis points to 4.26% from 3.79%, and deferred interest rates rose 34 basis points to 4.25% from 3.91%. The highest immediate annuity rate rose 50 basis points to 5.08% and the highest deferred rate rose 45 basis points to 5.10%.

Treasury rates continued their volatility as the 10 Year high was 3.15% during August and the low was 2.53%. The 30 Year treasury yield ranged between 3.33% and 2.86%, a 47 basis point swing. The ICE BofA BBB US Corp Index Option Adjusted Spread peaked at 191 basis points on August 1, 2022 and reached a low of 175 basis points on the 16th before ending at 185 basis points on August 31, 2022.

US and Foreign equity markets fell in August. The S&P 500 was down 4.2% and aggregate MSCI World markets dropped 4.7%. The Fed is likely to make a bold move after the inflation report sent negative tones.

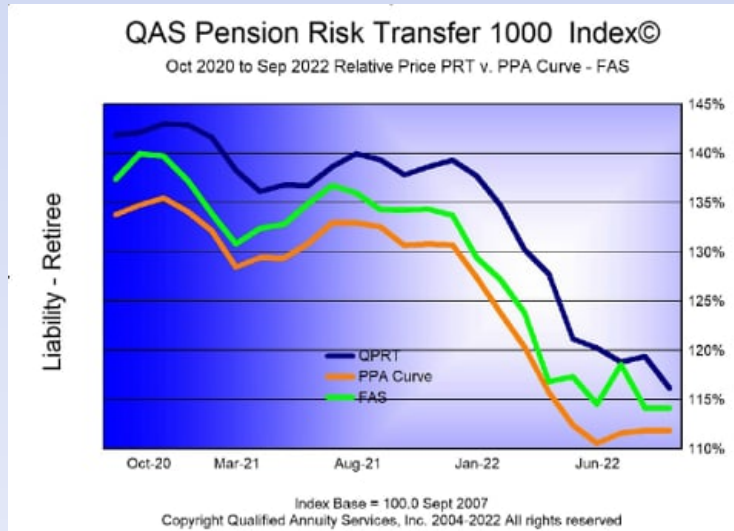
PRT Spreads: Buyer Advantage

QAS has monitored PRT rates for decades beginning in 1986. Rates alone, do not tell the story. In order to effectively manage PRT risks, the puzzle must be pieced together carefully. A complete puzzle involves planning and preparation. One piece of the puzzle is:

spreads.

Since 2004 there have only been 3 (three) times when the QAS Retiree Index vs. US 10 Yr Treasury rates exceeded 100 basis points - the most recent being Aug - Sept 2022. Unless plan sponsors are prepared, demand could overtake supply. See you next year.

The PRT market is still evolving. Numerous alternatives exist. Few are implemented with an end-to-end strategy. Various strategies can be designed to meet plan sponsor needs. A phased strategy can meet objectives. However, a plan termination may not work as well. Plan sponsors should seek appropriate advice from a PRT Advisor before implementing a plan termination.



What's The Benefit?

QAS advised on its first plan termination in 1981. Years of experience lead to new views on how *best outcomes* can be achieved, even in times of extreme volatility. Managing to obtain *best outcomes* requires Tactical Advice, the trademark of QAS's practice. We answer the *When, Where, How, Why and How Much* question by merging the art with the science of the PRT equation.

Rates

The 10 year yield closed at 3.42% on September 13 and the ICE BofA BBB US Corp Index Option-Adjusted Spread stood at 183 basis points. Stay healthy.

| PRT Model Plan Trax Index +/- | PRT | PPA |
|-------------------------------|-----------|-----------|
| 12 mo Hi-Lo % | +/- 19.9% | +/- 19.9% |
| YTD % Δ | - 16.6% | - 14.5% |
| 3 mos % Δ | - 3.4% | - 0.5% |
| 1 mo % Δ | - 2.7% | 0.3% |

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 | +/- |
|-----------|-----------|-------|-------|-------|----------|-------|-------|-------|
| September | 4.26% | 0.47% | 5.08% | 0.50% | 4.25% | 0.34% | 5.10% | 0.45% |