

Retiree Rate Up 304 Basis Points from May 2020

Annuity interest rates continued higher in September. The immediate annuity rate climbed 45 basis points to 4.71% from 4.26%, and deferred interest rates rose 50 basis points to 4.75% from 4.25%. The highest immediate annuity rate rose 32 basis points to 5.40% and the highest deferred rate rose 3 basis points to 5.13%.

Treasury rates continued their volatility as the 10 Year rose from a low of 3.18% to a high of 3.99% during September. The 30 Year treasury yield ranged from 3.34% to 3.85%, a 51 basis point swing. The ICE BofA BBB US Corp Index Option Adjusted Spread peaked at 207 basis points on September 29, 2022 with a low of 181 basis points on September 15, 2022.

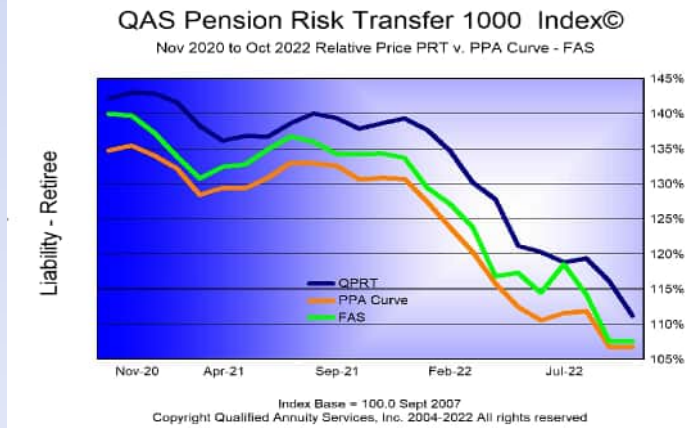
US and Foreign equity markets fell in September. The S&P 500 was down 10.0% and aggregate MSCI World markets dropped 9.6%. Inflation reference points continue to cause disruption in views of future Fed moves.

Covid Related PRT Rate Action

The recent new Omicron variant might send some shock waves to the market once again. The Ukrainian conflict festers as the rhetoric increases. However, PRT retiree interest rates have risen 304 basis points since May 2020. PRT annuity price volatility from the August 2020 low to October 2022 was 29.7%. No matter how you slice it, that price move is huge. From a tactical perspective, both rates and spreads are very favorable. Have they peaked? The Fed is walking a tightrope. The risk of a miscue is extremely high. But you wouldn't know it from the trend.

Big Picture

Reports of pension solvency falling in the UK have caused concerns about derivative risk exposure. No sooner had the UK system registered record surpluses than the volatility has reversed the picture. The US reporting is showing some indications of trouble based upon recent reports. P&I just commented on the risks emerging from wider spreads, which QAS historically follows as a part of its proprietary tool box. It's a big picture with significant implications for LDI oriented portfolios.



Years of Expertise

QAS continues to focus on best outcomes. QAS accomplishes this via its Tactical Advice practice disciplines. We answer the *When, Where, How, Why and How Much* question by merging the art with the science of the PRT equation.

Next Month

Marginal Excess Return: What does it mean? Why is it relevant?

Rates

The 10 year yield closed at 4.01% on October 14, 2022 and the ICE BofA BBB US Corp Index Option-Adjusted Spread stood at 210 basis points on October 13th. Stay healthy.

PRT Model Plan Trax Index +/-	PRT	PPA
12 mo Hi-Lo %	+/- 25.2%	+/- 22.5%
YTD % Δ	- 20.1%	- 18.4%
3 mos % Δ	- 6.4%	- 3.4%
1 mo % Δ	- 4.2%	- 4.5%

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Where PRT Advice Matters Most

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Date	Immediate	+/-	High	+/-	Deferred	+/-	High	+/-
October	4.71%	0.45%	5.40%	0.32%	4.75%	0.50%	5.13%	0.03%