

Spreads Narrow; PRT Costs Rise

Annuity interest rates declined in February. The immediate annuity rate fell 38 basis points to 4.36% from 4.74%, and deferred interest rates fell 43 basis points to 4.36% from 4.79%. The highest immediate annuity rate fell 30 basis points to 4.93% and the highest deferred rate fell 39 basis points to 4.66%.

Treasury rates continued their volatility as the 10 Year ranged 44 basis points from 3.81% to 3.37% during January. The 30 Year treasury yield ranged from a high of 3.91% to a low of 3.52%, or 39 basis points. The ICE BofA BBB US Corp Index Option Adjusted Spread dropped adding to PRT cost increases as the spread began at 173 and ended at 156 costing 17 basis points.

US and Foreign equity markets rose in January. The S&P 500 rose 7.3% and aggregate MSCI World markets climbed 7.1%. The Fed has a mixed message as actual barometers disappoint sending messages that conflict with reality.

PRT Rate Action

February 2023 PRT rates dropped sending annuity prices higher. PRT rates retraced marking a flat line. Opening deal flow has been steady with turnaround time inching out to four weeks. The 2023 calendar Q1 is very active.

Exercise Embedded Options

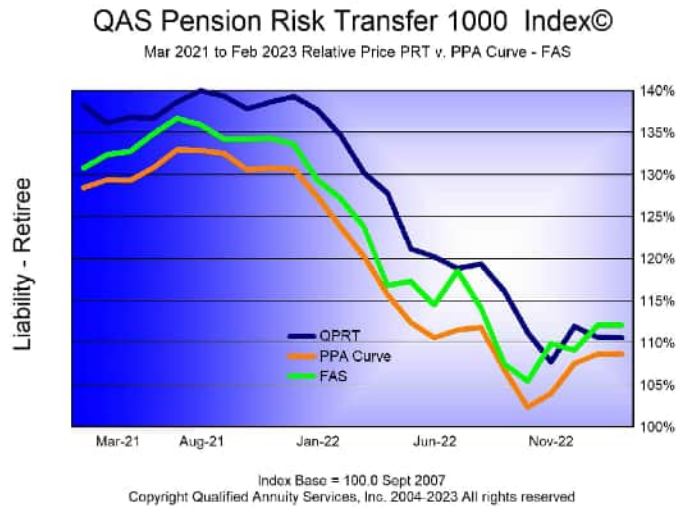
The Tactical PRT strategies employed by QAS for advised clients continue to make sense. Discretionary settlement activity indicates that plan sponsors are now more willing to transact in off calendar year end placements. Plan termination settlements tend to be year end events as most plan years are calendar year end.

New Dynamics

As larger plans weigh the benefits of right sizing, strategy becomes more relevant. A number of plans consider how to best facilitate unwinding assets or realigning assets for asset-in-kind transfer. The question remains:

What Drives the Best Outcomes Equation?

PRT price volatility is no friend to pension liability as regulations continue to add complexity to the planning



and decision process. Secure Act 2 now requires the DOL to revisit IB 95-1, the "safest annuity standard." Back to the drawing board?

Credit Always Job #1

Pension promises are backed by plan assets. Transferring those promises and assets to an insurer is subject to ERISA standards for "procedural prudence." It's real. It has teeth. While DOL guidance reviewed, QAS is on target with ERISA.

Rates

The 10 year yield closed at 3.95% on February 24, 2023 and the ICE BofA BBB US Corp Index Option-Adjusted Spread was 159 basis points on the 23rd. Stay healthy.

PRT Model Plan Trax Index +/-	PRT	PPA
12 mo Hi-Lo %	+/- 20.9%	+/- 17.5%
YTD % Δ	- 1.2%	+ 1.1%
3 mos % Δ	+ 2.7%	+ 4.5%
1 mo % Δ	- 0.1%	+ 1.1%

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	+/-
January	4.36%	-0.38%	4.93%	-0.30%	4.36%	-0.43%	4.66%	-0.39%