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Volatility Lurches Forward

Annuity interest rates began marching higher again in June. The immediate annuity rate rose 16 basis points to 4.75% from 4.59%, and deferred interest rates rose 5 basis points to 4.63% from 4.58%. The highest immediate annuity rate climbed 10 basis points to 5.19% and the highest deferred rate fell 1 basis points to 4.98%.

Treasury rate volatility narrowed as the 10 Year ranged 25 basis points from 3.62% to 3.87% during June. The 30 Year treasury yield ranged from 3.77% to 3.98%, or 21 basis points. The ICE BofA BBB US Corp Index Option Adjusted Spread also narrowed with a range between a low of 161 and a high of 176 during June.

US and Foreign equity markets rose in May. The S&P 500 rose 6.47% and aggregate MSCI World markets fell 0.40%. The markets appeared to reflect the Fed's decision to keep rates the same. Inflation indicators signaled less need to act.

PRT Rate Action

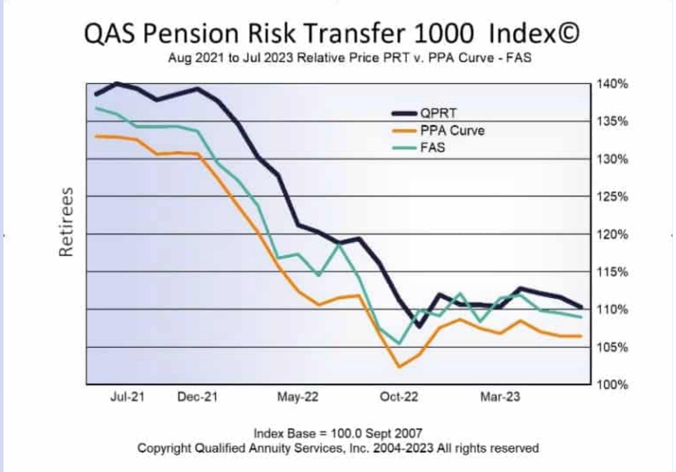
July 2023 PRT rates bounced, bringing annuity prices down slightly. The US T 10 year ranged narrowly in June and has since moved higher. The 2023 PRT calendar is loaded as benefit commencement dates near December for some providers. This is the longest lead time ever in the industry. It's a seller's market.

"Safest Available" Standard

Secure Act 2.0 requires the Department of Labor to revisit its Interpretive Bulletin 95-1 ("IB 95-1") "safest annuity standard." In July, the ERISA Advisory Council convened with comments from a host of experts. The comments and conclusions appear to search for the magic bullet for "safest" credit and largely ignore process. Once again, DOL tracks the folly of its first effort as the experts pursue yet another unworkable standard. Meanwhile, fundamental principles of settled law are ignored. DOL seems intent that new promulgations for the sake of regulatory authority are needed. This unnecessary scrutiny only serves to further erode retirement security. See this link (Safest Annuity Standard).

Volatility

In a word, extreme. Last month we wrote: "subsides." Now, we script: "increases." The drivers continue to shift and realign among the macro-economic, political and global conflict contagion. The benchmark US 10-year treasury yield consumer spending continues to be steady. Where is the other shoe?



Two Sides

US private pensions have moved significantly into Liability Driven Investing portfolios. In many instances, matching assets more closely has paid off as future contributions are fundamentally held as an option on the private plan sponsor's balance sheet. With recent equity gains and shrinking settlement costs, shortfalls have decreased for many plans. Employers now have Pension Risk Transfer ("PRT") available as an embedded option. Choosing a path and developing a strategy that enables right sizing within an overall risk management framework may yield PBGC savings and can enhance participant security.

Rates

The 10-year yield at June 30 closed at 3.82% and the ICE BofA BBB US Corp Index Option-Adjusted Spread was 161 basis points. Stay healthy.

PRT Model Plan Trax Index +/-	PRT	PPA
12mo Hi-Lo %	+/- 10.8%	+/- 9.3%
YTD % Δ	-1.4%	-2.2%
3mos % Δ	-2.2%	-1.9%
1mo % Δ	-1.2%	-0.6%

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Where PRT Advice Matters Most

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Date	Immediate	+/-	High	+/-	Deferred	+/-	High	+/-
July	4.75%	+0.16	5.19%	+0.10	4.63%	+.05	4.98%	-0.01