



## Liability Driven Risk Transfer – A New Paradigm

Annuity interest rates began marching higher again in July. The immediate annuity rate rose 8 basis points to 4.83% from 4.75%, and deferred interest rates rose 14 basis points to 4.77% from 4.63%. The highest immediate annuity rate climbed 11 basis points to 5.30% and the highest deferred rate rose 15 basis points to 5.13%.

Treasury rate volatility widened as the 10 Year ranged 35 basis points from 3.74% to 4.09% during July. The 30 Year treasury yield ranged from 3.81% to 4.09%, or 28 basis points. The ICE BofA BBB US Corp Index Option Adjusted Spread also narrowed with a range between a low of 147 and a high of 160 during July.

US and Foreign equity markets rose in July. The S&P 500 rose 3.1% and aggregate MSCI World markets rose 17%. The markets reacted to the Fed's decision to not raise rates. Inflation indicators rolled over accelerating the pace of equity market gains.

### PRT Rate Action

August 2023 PRT rates bounced again, lowering PRT and annuity costs. The US T 10 year widened in July and has since moved higher again through August. The PRT calendar continues to build as providers become even more selective. PRT Buy Out Sales hit their highest for any second quarter as reported by LIMRA. See this link. ([LIMRA Q2 PRT](#)).

### Liability Driven Risk Transfer ("LDRT")

The adoption of Liability Driven Investing gradually enabled many DB plans to achieve better funded status. Now that plans are approaching a fully funded status, a new question arises.

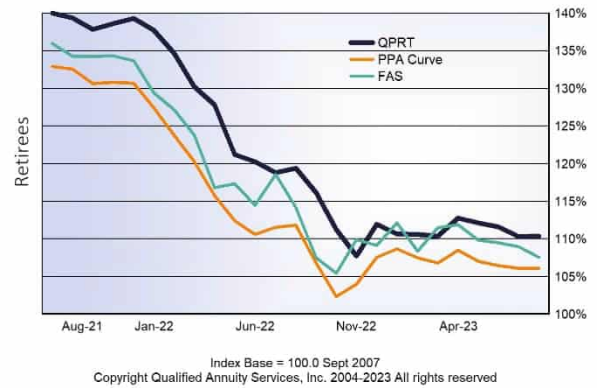
*What is the most risk averse way to right size a DB plan?*

We think Liability Driven Risk Transfer is the best way. With an eye upon the constantly moving liabilities, implementing a risk transfer can be phased in through an LDRT strategy. Once properly positioned, the plan proceeds to commence a plan termination or complete a settlement. This process is demonstrated in multiple instances and eliminates the guess work about ultimate cost. See this link ([Why Advice Matters](#)).

Leveraging the skills and tools for monitoring price, DB Sponsors can take a methodical approach to implementing a risk transfer and focus on good execution without undue pressure to transact on a pre-determined time line.

### QAS Pension Risk Transfer 1000 Index©

Sep 2021 to Aug 2023 Relative Price PRT v. PPA Curve - FAS



### Think Options

Right now, risk is still high. Why? The slightly inverted yield curve really isn't a welcome event. With DB plan liabilities for mostly retiree populations, its good news. Annuity prices are very competitive and now, there are more providers in the market. With the latest LIMRA numbers, retiree blocks are being placed in volume. Employers have an embedded option in risk transfer. That option only has value if it can be implemented when the time is right for the employer. Getting it right requires skill. QAS predominantly focuses on our proprietary approach to LDRT. Give us a call to discuss.

### Rates

The 10-year yield at July 31 closed at 3.96% and the ICE BofA BBB US Corp Index Option-Adjusted Spread declined 14 basis points to close at 147 basis points. Stay healthy.

PRT Model Plan Trax Index +/-	PRT	PPA
12mo Hi-Lo %	+/- 11.0%	+/- 9.3%
YTD % Δ	0.8%	-2.4%
3mos % Δ	-1.0%	-2.2%
1mo % Δ	-0.0%	-0.3%

*As the rules of risk change, QAS adds value for its clients.*  
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### Where PRT Advice Matters Most

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Date	Immediate	+/-	High	+/-	Deferred	+/-	High	+/-
August	4.83%	+0.08	5.30%	+0.11	4.77%	+0.14	5.13%	+0.15