



PRT Rates Jump, Then Reverse

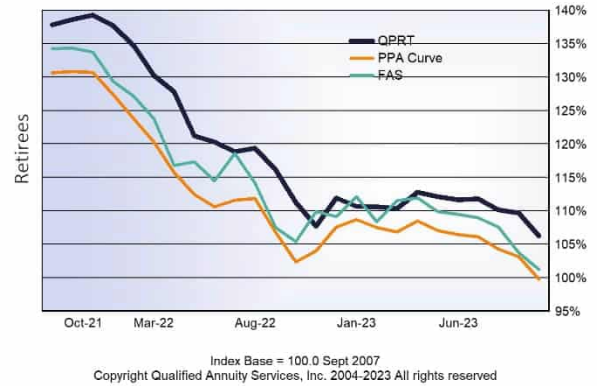
Annuity purchase rates jumped in October. The immediate annuity rate jumped 51 basis points to 5.31% from 4.80%, and deferred interest jumped 42 basis points to 5.21% from 4.79%. The highest immediate annuity rate jumped 63 basis points to 5.94% and the highest deferred rate jumped 45 basis points to 5.92%.

Treasury rate volatility widened during September as the 10 Year ranged 39 basis points from 4.23% to 4.62%. The 30 Year treasury yield ranged from 4.34% to 4.75%, or 41 basis points. The ICE BofA BBB US Corp Index Option Adjusted Spread was once again range bound between 147 and 153 during September.

US and Foreign equity markets fell in September. The S&P 500 was down 5.35% and aggregate MSCI World markets were down 6.35%. The Fed's hesitation is welcome news as inflation moderates giving markets a breather.

QAS Pension Risk Transfer 1000 Index©

Nov 2021 to Oct 2023 Relative Price PRT v. PPA Curve - FAS



PRT Rate Action

October 2023 PRT rates fashioned happy shopping for PRT buyers as annuity costs fell to open Q4. The US T 10 year had a wild ride in accelerated volatility. Purchase activity has resulted in several providers reaching capacity. Very selective pricing is limiting marginal placement activity.

Rejuvenating Retirement Income

A blistering level of activity in Pension Risk Transfer has led at least one sponsor to continue the trend of change. IBM announced a type of cash balance pension plan that allocates 5% of pay to what it calls an IBM Retirement Benefit Account ("RBA"). At retirement, the accumulation account is converted to an annuity income stream based upon the option elected. In one easy step, IBM has diversified the retirement income proposition and broadened the income at retirement solution in a simplified fashion. This arrangement basically redirects the company's 401-k contribution match to a retirement income arrangement. See the link ([IBM](#)).

The recent development of hybrid pensions is good news. The retirement income paradox has been at odds with retirement asset speculation for decades. It's refreshing to see hybrid plans evolve. It is fundamentally sound to retain a targeted goal of retirement income, and not lottery winnings. Providing a conservatively managed approach, IBM has met the best interests of participants by securing retirement income in their future.

Fed Watch

The recent reversal of rates comes from concerns of the Fed going too far, too fast. Indeed, it takes a while to absorb the dramatic increases. The Fed Watch tool indicates a 98.9% probability of a range of 525-550. In January 2024, the needle doesn't move much as the probability drops to a meager 96.8% for the 525-550 range. However, in March 2024 the probability drops to 65.0% for 525-550 while the probability of a rate cut to 500-525 registers 32.9%. Whether there is more movement in the market signals whether the reversal will follow through.

Rates

The 10-year yield closed at 4.57% on September 28. The ICE BofA BBB US Corp Index Option-Adjusted Spread rose 2 basis points to close at 153 as of September 30. Stay healthy.

PRT Model Plan Trax Index +/-	PRT	PPA
12mo HI-Lo %	+/- 6.1%	+/- 8.9%
YTD % Δ	-5.1%	-7.2%
3mos % Δ	-3.9%	-6.0%
1mo % Δ	-1.0%	-3.3%

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Where PRT Advice Matters Most

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Date	Immediate	+/-	High	+/-	Deferred	+/-	High	+/-
Oct	5.31%	+0.51	5.94%	+0.63	5.21%	+0.42	5.92%	+0.45