

### PRT Annuity Selection Standards; Rates Muted

Annuity purchase rates were mixed in April causing annuity prices to rise slightly. The immediate annuity rate fell 3 basis point to 4.82% from 4.85%, and deferred rates rose 2 basis points to 4.74% from 4.72%. The highest immediate annuity rate fell 5 basis points to 5.42% and the highest deferred rate rose 8 basis points to 5.39%.

Treasury rates leveled as the 10 Year ranged 50 basis points from 4.24% to 4.74%. The 30 Year treasury plodded upward ranging from 4.39% to 4.85%, or 46 basis points. The ICE BofA BBB US Corp Index Option Adjusted Spread continued to narrow as it posted a high of 117 and a low of 111 during April.

US and Foreign equity markets dropped in April. The S&P 500 fell 4.2% and aggregate MSCI World markets dropped by 17.2%. Inflation concerns impacted equity market returns along with macro business conditions worldwide. The sentiment of the Fed continues to take center stage as economic momentum seems uncertain.

#### PRT Rate Action

April 2024 PRT rates were mixed as retirees fell modestly and deferred rates rose slightly. Narrow price movement resulted in stable market prices. Pricing is driven by portfolio allocations which are often influenced by private placements. Private placements often sweeten available returns to support lower PRT prices. Once deals are committed, rates revert to a mean based upon core allocations. Interest rate sensitivity has become more acute as the US deficits continue unabated and talk of increased income taxes circulates ahead of the 2024 Presidential elections.

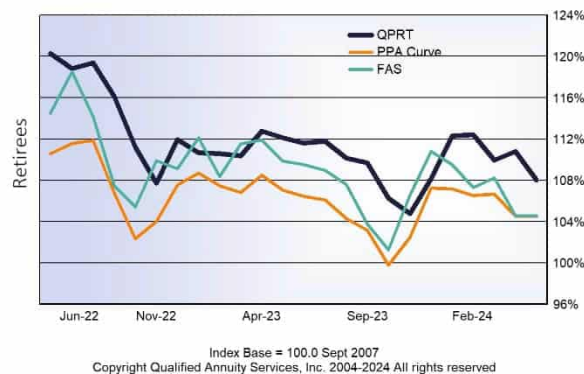
#### PRT Annuity Selection Standards

The recent news regarding insurer risk taking is unwelcome. Multiple actions have been taken against employers and their advisors for the selection of an annuity. Less prominent is the regulatory control of 777 Re where the issues were uncovered by regulatory authorities during the due diligence period covering its investments in soccer team holdings. ([When Insurers Fail.](#))

As ERISA §3(21) Fiduciary, QAS continues to deepen its evaluation of risky assets and liquidity demands. Single metric tools are helpful. However, testing and back testing within QAS's existing framework allows greater scrutiny and rigorous discipline within our proprietary approach. We have defined it as "The QAS Procedural Prudence Standard." It is the "appropriate standard" for selecting such annuity providers. ([QAS Procedural Prudence](#))

#### QAS Pension Risk Transfer 1000 Index©

May 2022 to Apr 2024 Relative Price PRT v. PPA Curve - FAS



#### Fed Watch

The CME Group FedWatch Tool shows a 99.1% probability of a range of 525-550 at the June 12, 2024 meeting. The confidence in the Fed's December 18, 2024 Target Rate of 525-550 now stands at 20.9%. There is an increasing weight of 42.9% for a rate cut in December 2024. Volatility will be driven by sentiment in a narrowing range as PRT rates become flat into the summer of 2024. ([CME FedWatch Tool](#))

#### Rates

The 10-year yield closed at 4.67% on April 30, up 46 basis points from March 28. The ICE BofA BBB US Corp Index Option-Adjusted Spread closed at 115 basis points as of April 30, falling only 1 basis point during April.

PRT Model Plan Trax Index +/-	PRT	PPA
12mo HI-Lo %	+/- 7.3%	+/- 7.5%
YTD % Δ	+2.4%	-2.6%
3mos % Δ	-1.3%	-2.5%
1mo % Δ	+0.8%	-2.0%

As the rules of risk change, QAS adds value for its clients. Read more or subscribe here: <https://qualifiedannuity.com/newsletter-subscription/>

#### Where PRT Advice Matters Most

Ron McHugh, FSA MAAA CFA Advisor (508)733-8591 # Joe Cleary Relationship Manager (201)447-3900

Date	Immediate	+/-	High	+/-	Deferred	+/-	High	+/-
Apr	4.82%	-0.03	5.42%	-0.05	4.74%	+0.02	5.39%	+0.08