



May 2024

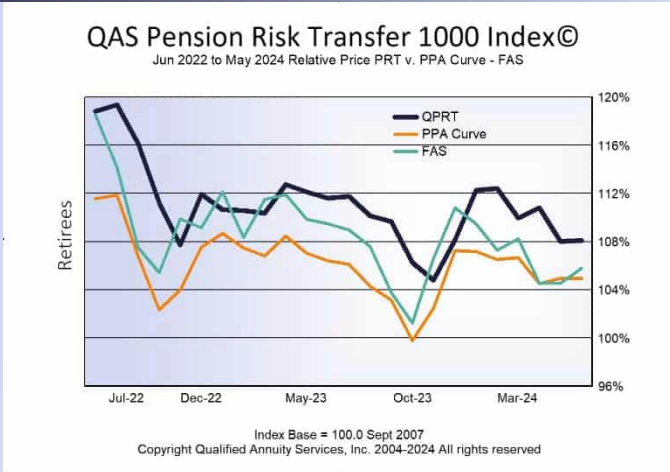
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DOL Is Confused As Are PRT Advisors; Retiree Rate Inverts

Annuity purchase rates climbed in May causing annuity prices to drop. The immediate annuity rate for Retirees rose 29 basis point to 5.11 from 4.82% and deferred rates rose 22 basis points to 5.06% from 4.84%. The highest immediate annuity rate rose 34 basis points to 5.76% and the highest deferred rate rose 27 basis points to 5.66%. The highest Retiree rate exceeded the max deferred rate.

Treasury rates leveled as the 10 Year ranged a mere 11 basis points from 4.57% to 4.68% during May. The 30 Year treasury ranged narrowly from 4.47% to 4.79%, or 32 basis points. The ICE BofA BBB US Corp Index Option Adjusted Spread continued in a narrow range as it posted a high of 114 and a low of 109 during May.

US and Foreign equity markets were positive in May. The S&P 500 rose 4.9% and aggregate MSCI World markets climbed by 6.7%. Inflation indicators fell and equity market recovered to positive territory. World-wide sentiment seems to deteriorate as factions remain divided and rhetoric fuels negative postures.



PRT Rate Action

PRT rates scampered back up sending prices down. Prices were also tempered by narrowing spreads. With narrower margins, PRT providers look more to the private placement markets for price advantages. This market provides opportunistic investment pricing which supports lower PRT prices. The extent of private placements varies by provider. Once deals are booked, rates revert to a mean based upon core allocations. Interest rate sensitivity has become more acute as US deficits continue unabated and talk of increased income taxes circulates ahead of the 2024 Presidential elections.

PRT Annuity Selection Standards

On June 24, 2024 the DOL once again deferred any decision making around the selection of annuity process. There has been no damage to participants. This makes for a weak argument. If it's not broke, don't fix it. The participant litigation is another matter entirely. In QAS's opinion, that's already been addressed in *Bussian*.

The PRT Provider market has changed. Private Equity controlled groups are being creative. See Tom Gober's brief on the subject. [\(Tom Gober\)](#) There are questionable activities in the case of 777 Re.

As ERISA §3(21) Fiduciary, QAS evaluates these differences within the scope of our practice discipline defined as "The QAS Procedural Prudence Standard." It is the "appropriate standard" for selecting such annuity providers. [\(QAS Procedural Prudence\)](#)

Fed Watch

The CME Group FedWatch Tool shows a 91.2% probability of a range of 525-550 at the July 31, 2024 meeting. The Fed's December 18, 2024 Target Rate of 475-500 now stands at 44.7%. This suggests the possibility of rate cuts by December 2024. The inflation question is not resolved. Volatility won't shape anything as PRT rates moved in a tight range with exceptions as noted. [\(CME FedWatch Tool\)](#)

Rates

The 10-year yield closed at 4.57% on May 31, down 10 basis points from April. The ICE BofA BBB US Corp Index Option-Adjusted Spread closed at 110 basis points as of May 31, falling by 5 basis points from April.

PRT Model Plan Trax Index +/-	PRT	PPA
12mo HI-Lo %	+/- 7.3%	+/- 7.5%
YTD % Δ	-0.1%	-2.2%
3mos % Δ	-3.9%	-1.5%
1mo % Δ	-2.5%	+0.4%

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Where PRT Advice Matters Most

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Date	Immediate	+/-	High	+/-	Deferred	+/-	High	+/-
May	5.11%	+0.29	5.76%	+0.34	5.06%	+0.22	5.66%	+0.27%