



## Fed Moves 50; PRT Prices Rise in the Face of Debt "Wall"

Annuity purchase rates declined in August sending PRT prices higher. The immediate annuity rate for Retirees fell 36 basis points to 4.56% from 4.92% and deferred rates fell 21 basis points to 4.61% from 4.82%. The highest immediate annuity rate fell 31 basis points to 5.25% and the highest deferred rate fell 33 basis points to 5.24%. The highest Retiree rate leveled with the deferred rate. (Note: The chart lists PRT rates as of September 1, 2024.)

10 Year Treasury rates trended lower ranging 29 basis points between 3.76% and 4.05% during July. The 30 Year treasury ranged lower from 4.04% to 4.32%, or 28 basis points. The ICE BofA BBB US Corp Index Option Adjusted Spread continued firming and ended August at 119 basis points after peaking at 137 from 120 at July 31.

US and Foreign equity markets diverged in July. The S&P 500 gained 3.1% and aggregate MSCI World markets posted 7.4% higher after 12.2% in July. Inflation concerns further dwindled as markets firm in anticipation of the Fed rate cut. World events and conflict began to stress the high expectations of the AI phenomenon.

### PRT Rate Action – FED Moves 50

PRT Max Rate spreads to US 10 Year Treasuries improved slightly offsetting the decline in absolute rates. Retiree spreads peaked at +207 in July 2022, they averaged +133 basis points over US T-10 between July 2022 and August 2024. The August 2024 spread stood at +126 helping to offset the decline in the PRT risk-free advantage.

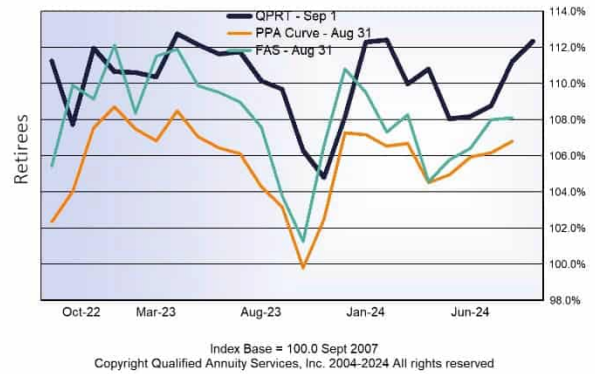
### The QAS Procedural Prudence Standard

The case for ERISA standards for procedural prudence is highlighted in *Riley v. Murdock (Riley)*. This purchase of an Executive Life group annuity was found to satisfy the requirements for procedural prudence prior to *(Bussian)*. *Riley* might get more attention as litigation increases. This may cause the DOL to look deeper into its approach to place further scrutiny upon PRT transactions. In the end, it will come back to the courts.

QAS has long questioned the efficacy of "safest available annuity" standard as defined in IB 95-1 (*Annuity Selection Standards*). QAS is the only "independent annuity expert" that adheres to ERISA's requirements for "procedural prudence" as the appropriate standard. QAS's annuity selection process is opined by counsel requiring us to maintain rigorous discipline as ERISA §3(21) Fiduciary. We refer to this discipline as "The QAS Procedural Prudence Standard." It's the "appropriate standard" to select providers. (*QAS Procedural Prudence*)

### QAS Pension Risk Transfer 1000 Index©

Oct 2022 to Sep 2024 Relative Price PRT v. PPA Curve - FAS



### Fed Watch

After the Fed's move to decrease rates by 50 bps, the CME Group FedWatch Tool shows only a 30.2% probability of a range of 425-450 basis points at the November 7, 2024 meeting. The Fed's December 18, 2024 Target Rate of 400-425 now stands at 48.3%. This move supports the possibility of multiple rate cuts by December 2024. Inflation is somewhat muted. Volatility is slightly suppressed. Lower rates span the liability segments resulting in a flat curve which may cause indecision. Employing a tactical PRT strategy can reward with more basis points and lower costs. (*CME FedWatch Tool*)

### Rates

The 10-year yield closed at 3.91% on August 31, down 20 basis points from July. The ICE BofA BBB US Corp Index Option-Adjusted Spread closed at 119 basis points as of August 31 after hitting 137.

PRT Model Plan Trax Index +/-	PRT	PPA
12mo Hi-Lo %	+/- 7.98%	+/- 8.74%
YTD % Δ	+4.75%	+1.15%
3mos % Δ	+3.99%	+1.59%
1mo % Δ	+3.59%	+2.20%

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### Where PRT Advice Matters Most

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Date	Immediate	+/-	High	+/-	Deferred	+/-	High	+/-
August	4.56%	-0.36	5.25%	-0.31	4.61%	-0.21	5.24%	-0.33%