



Headwinds for PRT and Safest Available Annuity "Standard"

Annuity purchase rates moved narrowly to yield slightly higher PRT costs in December to the disadvantage of purchasers. Immediate annuity rates for Retirees dropped 10 basis points to 4.66% and deferred rates fell 10 basis points to 4.54% from 4.64%. The highest immediate annuity rate fell 9 basis points to 5.37% and the highest deferred rate fell 20 basis points to 5.29%. The tug of war between Retiree and Deferred rates continued. (Note: The chart uses PRT rates as of January 1, 2025.)

During December 10 Year Treasury rates ranged 52 basis points between 4.12% and 4.64%. The 30 Year Treasury was parallel ranging from 4.30% to 4.82%, or 52 basis points. The ICE BofA BBB US Corp Index Option Adjusted Spread flattened beginning at 101 and ending at 102, about as narrow as you can get

US and Foreign equity markets fell in December. The S&P 500 was down 2.6% after rising 5.4% in November and aggregate MSCI World markets fell 1.3%. Inflation moderated again tempering the Fed's next move. World events could influence a new era of cooperation or friction.

PRT Rate Action – Treasury Spreads Remain Tight

PRT Retiree Rate spreads to US 10 Year Treasuries were flat at 39 basis points while the Retiree Max spread was 110 versus 109 basis points. The December 2024 spread to US 10 Year Treasuries for deferred was 42 basis points and the Deferred Max fell from 112 to 102 basis points. The PRT risk-free advantage remains flat suggesting greater attention to tactical strategies.

Safest Annuity "Standard" v. Procedural Prudence

Litigation is mounting. The recent Verizon complaint opens new challenges, such as "lowest cost," as a potential breach. The complaint also introduces breach for reinsurance activities with affiliated insurers. (See Dempsey v. Verizon). Similar actions in other cases focus upon both affiliated and unaffiliated reinsurer activities due to their potential for lack of transparency.

While the number of lawsuits has increased, there is still a view that the selection process is in view. From QAS's perspective The QAS Procedural Prudence Standard is the appropriate standard by which we guide our practice discipline. Give us a call to learn more. (See ERISA Procedural Prudence: The Appropriate Standard for Selecting an Annuity).

QAS Pension Risk Transfer 1000 Index©



Fed Watch

The Fed's next move according to the CME Group FedWatch Tool (CME Fed Watch Tool) shows a 99.5% probability of rates unchanged at 425-450 basis points at the January 29, 2025 meeting. The probability for a Fed Target Rate of 400-425 now stands at 26.3% down from 48.4% at the March 19, 2025 meeting. Recent rates infer sentiment declining on higher debt concerns. The new administration's agenda and policies as proposed and enacted will influence the markets.

Rates

Volatility in the 10-year yield continued to march up closing at 4.59% on December 31, climbing 41 basis points higher than November at 4.18%. The ICE BofA BBB US Corp Index Option-Adjusted Spread was flat at 102.

PRT Model Plan Trax Index +/-	PRT	PPA
12mo Hi-Lo %	+/- 5.18%	+/- 5.42%
YTD % Δ	-2.12%	-0.22%
3mos % Δ	-4.93%	-3.70%
1mo % Δ	+2.121	-0.22%

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Where PRT Advice Matters Most

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Date	Immediate	+/-	High	+/-	Deferred	+/-	High	+/-
Dec	4.66%	-0.10	5.37%	-0.09	4.54%	-0.10	5.29%	-0.20%