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The Risk of 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 increased 33 basis points to 4.99% and deferred rates rose 34 basis points to 4.98% from 4.64%. The highest immediate annuity rate rose 24 basis points to 5.61% and the highest deferred rate rose 35 basis points to 5.64%. Rate volatility is more persistent. (*Note: The chart uses PRT rates as of February 1, 2025.*)

January 10 Year Treasury rates ranged narrowly by 32 basis points between 4.49% and 4.81%. The 30 Year Treasury was again parallel ranging from 4.73% to 5.00%, or 27 basis points. The ICE BofA BBB US Corp Index Option Adjusted Spread remained steady ranging from 100 to 104 basis points.

US and Foreign equity markets were mixed in January. The S&P 500 was up 2.3% after losing 2.6% in December and aggregate MSCI World markets fell 0.8%. Inflation moderated again and Fed did nothing again. The new administration is beginning to exert its influence as the markets watch with trepidation.

PRT Rate Action – Treasury Spreads Remain Tight

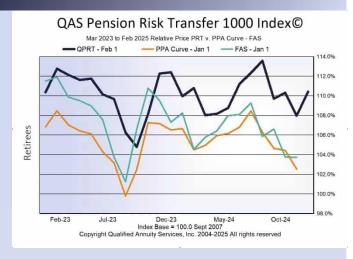
PRT Retiree Rate spreads to US 10 Year Treasuries rose slightly by 46 basis points while the Retiree Max spread slipped to 106 from 110 basis points. The January 2025 spread to US 10 Year Treasuries for deferred was 43 basis points and the Deferred Max was 109 basis points. The PRT risk-free advantage is still flat which bodes well for tactical PRT strategies like "buy in" de-risking.

The Folly of "Gilt Edge Standard"

The Safest Available Annuity "Standard" is a misguided goal and improper application of fiduciary responsibility. QAS took issue with this notion in 1995 (<u>Gilt-Edge Standard</u>). My argument challenged the use of highest public ratings as criteria for selecting providers. At the time, only three providers fit such criteria and two did not issue group annuity contracts. From a fiduciary perspective, there wouldn't be a "lowest cost." Rather, it would be whatever that provider decided to charge. The law of economics (supply and demand) held then, as it does now. It's just business.

Bussian should have settled this long ago. But advisors never adopted it. QAS did and it is our practice discipline: The QAS Procedural Prudence Standard as the appropriate. (See <u>ERISA</u> <u>Procedural Prudence: The Appropriate Standard for Selecting an</u> <u>Annuity</u>).

Jan



Fed Watch

The Fed's next move according to the CME Group FedWatch Tool (<u>CME Fed Watch Tool</u>) shows a 93.0% probability of rates unchanged at 425-450 basis points at the March 19, 2025 meeting. The probability for a Fed Target Rate of 400-425 now stands at 7.0%, down from 26.3% 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

The US Treasury 10-year yield ended at 4.57%, a mere 2 basis points lower than December 31 at 4.59%. The ICE BofA BBB US Corp Index Option-Adjusted Spread was narrow at 100-104.

PRT Model Plan Trax Index +/-	PRT	PPA
12mo Hi-Lo %	+/- 5.20%	+/- 5.79%
YTD %∆	-2.14%	-1.83%
3mos % ∆	-1.58%	-3.55%
1mo % ∆	-0.02%	-1.83%

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

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Date	Immediate	+/-	High	+/-	Deferred	+/-	High	+/-	

4.99% +0.33 5.61% +0.24 4.98% +0.34 5.64% +.35%

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