



Funding Agreements

Today, the topic of financing employee benefit obligations is at the forefront for employers and their advisors. The current economic climate makes it a challenge to achieve positive financial results when financing employee benefit obligations.

What are employers looking for?

- Ways to finance benefit obligations
- A simple process that is easy to implement
- Guaranteed, reliable payments
- A low-cost financing vehicle
- Flexible terms and distribution schedules
- An alternative to individual insurance on executives and/or employees

The winning solution: Funding Agreements

Funding Agreements are contracts issued by insurance companies as general account obligations.

- Interest is credited at fixed or floating rates.
- Principal and interest are guaranteed by the financial strength and credit quality of the general account. Under current law, MetLife Funding Agreements, issued by Metropolitan Life Insurance Company (MetLife or MLIC), rank equally with policyholder claims, which is above unsecured senior corporate debt.¹
- Provides rate of return over specified period of time ranging from one to 10 years.
- The Funding Agreement is purchased by an entity and not tied to any individual mortality.
- There are no death benefits or insurance charges.
- Contracts are individually negotiated with terms tailored for each client.²
- Funding Agreements meet ERISA requirements that plan assets be held either in insurance company contracts or trusts (ERISA Section 403, 29 U.S.C. Section 1103).
- Up to 10-year installment payout option after the Funding Agreement term ends.

Crediting rates

- Crediting rates are determined as of the date money is received, and will be reduced to reflect any placement compensation.
- Crediting rates are available every business day, and reflect the term selected (rates are not locked at time of quote).
- Crediting rates are determined as an effective annual interest rate with interest compounded daily. Interest is credited on the date of deposit, but not on the date of withdrawal.

Funding Agreement highlights

Contracts are generally issued as single premium deposits.

- The contract is owned by the entity as both purchaser and beneficiary. There is no individual coverage or individual consents/applications.
- The minimum transaction is \$100,000 — exceptions on a case-by-case basis.
- Designed as a “book value” hold to maturity investment under FAS 115,³ which may minimize mark to market volatility.
- Contracts with or without Market Value Adjustments (MVA) upon surrender are available, subject to state approval.⁵
- MetLife will consider large placements of \$50M or more. For large placements, MetLife works with the employer and advisor to make sure the structure is consistent with the larger placement size.
- The contract can be renewed at the end of the term or can have staggered maturities.
- Cash flows can be scheduled for specific transactions.
- Benefit responsive liquidity is available with a rate modification.
- Reporting is provided annually, however more frequent reporting is available upon request. There is no separate market value adjusted report for MVA contracts.
- Principal is guaranteed by MetLife.⁴ MetLife credits guaranteed interest at one or more specified rates, depending on the terms selected.
- The rates are clearly disclosed based on scheduled payments with a deduction only for compensation.
- Funding Agreements are generally not covered by State Guaranty Funds — subject to individual state variation.
- Floating rate strategies are available with potential to lock in relative performance utilizing a pre-defined benchmark and spread.

Compensation

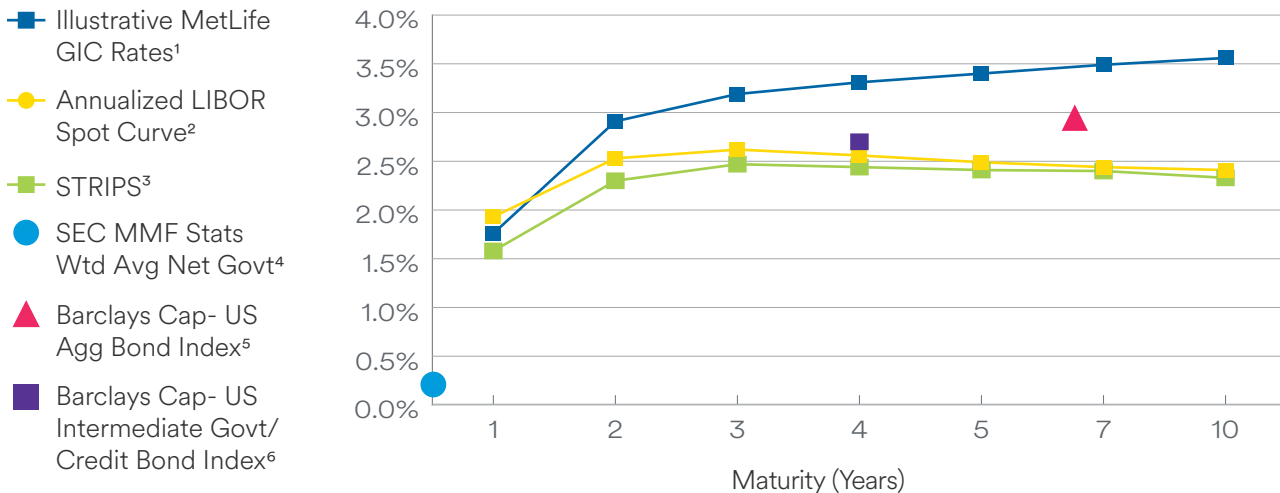
- Commissions are passed through the policy via a rate deduction throughout the term.
- There are no asset trails.
- Commissions are clearly disclosed and agreed upon by all parties.
- A selling agreement is required between MetLife and the intermediary. If MVA and/or a floating rate contract is utilized, a broker/dealer selling agreement may also be required.

Return comparisons

The chart below compares the returns of a MetLife Funding Agreement to several alternative market investments and benchmarks.

MetLife fixed returns vs. alternative market solutions as of 3/31/22*

Illustrative rates



* Rates for STRIPS, Barclays Capital® U.S. Aggregate Bond and Barclays Capital® U.S. Intermediate Government/Credit Bond are as of close of business 03/31/22

1. MetLife's illustrative rates for GIC Investments as of 3/31/22

2,3. Rates as quoted by Bloomberg Professional service (Bloomberg LP)

4. The SEC Money Market Fund Weighted Average Net Government Yields based on 7-day yields as of 03/31/22. Data is obtained from sec.gov website at: <https://www.sec.gov/divisions/investment/mmf-statistics.shtml>

5. Barclays Capital® U.S. Aggregate Bond Index is sponsored by Barclays Capital. Data is obtained from Barclays Capital Live website at: <https://live.barcap.com>

6. Barclays Capital® U.S. Intermediate Government/Credit Bond Index is sponsored by Barclays Capital. Data is obtained from Barclays Capital Live website at: <https://live.barcap.com>

Benefits of our Specialized Benefit Resources team

Specialized Benefit Resources (SBR), a full-service unit within MetLife, focuses exclusively on providing customized insurance solutions to informally finance non-qualified benefit plan liabilities. We tailor our offerings with creative product design, expert underwriting and institutional pricing developed specifically for executive benefits.

For over 30 years, the SBR team has provided knowledge and tools to help navigate the complex regulatory issues and potential tax implications that are unique to benefits and benefit liabilities. We use a consultative approach to help companies mitigate risks in a tax-efficient manner through the use of Bank-Owned Life Insurance (BOLI), Corporate-Owned Life Insurance (COLI) and Trust-Owned Life Insurance (TOLI) products.

Our advantage

MetLife, Inc. is a leading global provider of insurance, annuities and employee benefit programs, serving 90 million customers. Through its subsidiaries and affiliates, MetLife holds leading market positions in the United States, Japan, Latin America, Asia, Europe, the Middle East and Africa.

MetLife's Retirement & Income Solutions division (RIS), the company's institutional retirement business, issues products through Metropolitan Life Insurance Company and Metropolitan Tower Life Insurance Company, two wholly owned subsidiaries of MetLife, Inc. Retirement & Income Solutions issues products for transferred pension liabilities, stable value, institutional income annuities, benefits funding and structured settlements.

The RIS team is here to help guide the far-reaching financial decisions that will impact hundreds, even thousands, of lives for years. We know what's at stake. By partnering with us, you'll work with skilled associates who develop innovative financial solutions designed to help reduce financial and regulatory risk, so both your company and your plan participants can have a more secure future. Explore our solutions to find the one that best suits your organization's needs.

The major rating agencies have repeatedly recognized MetLife for our financial strength and our strong capitalization.⁴ Our financial strength has been built upon, and is sustained through our diversity of businesses, conservative risk management and expertise in focusing on investment fundamentals. MetLife specializes in providing clients with the knowledge, tools and solutions to help manage the complex regulatory issues and potential tax implications that are unique to benefits and benefit liabilities.

1. Funding Agreements may not be available in all jurisdictions. In addition, they are backed solely by the financial strength of the issuing company. MetLife does not provide legal advice. Consult your own counsel on all legal issues.
2. Funding Agreements are generally pre-approved in the state of issue. They generally require filing and approval by the relevant state insurance regulator before a contract can be issued.
3. MetLife does not provide accounting advice. Consult your accountant about accounting for Funding Agreements.
4. MetLife guarantees are subject to its financial strength. For current ratings information and a more complete analysis of the financial strength of MLIC, please go to www.metlife.com and click on "About Us," "Company Ratings."
5. For contracts with a market value adjustment, MetLife shall determine the book value at termination in accordance with its established principles and procedures in effect at the time payment is to be made. Due to the market value adjust, the payment may be less than the original principal payment.

The foregoing summary is general in nature and does not purport to be complete or to cover every situation and is not intended as legal, accounting or tax advice. MetLife cannot provide any legal, accounting or tax advice. Clients should seek and rely on their own counsel.

The information contained in this document provides a general description of Funding Agreements. This information is not intended to be a substitute for specific tax, legal or accounting advice. MetLife does not render tax, legal or accounting advice.

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