



**Post Retirement Benefit Solutions**  
Guaranteed Life Insurance Funding Account (GLIFA)  
for Tax-Exempt Plan Sponsors

Proposal for:  
**Fairfax County Water Authority**  
**2018 Retiree Life Insurance Additions**  
January 2, 2019

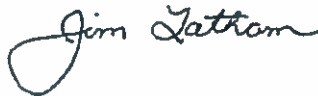
Metropolitan Life Insurance Company  
New York, NY 10010  
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With over 140 years of industry experience, MetLife has the financial strength and stability to fulfill our promises today and over the long haul. We've made Group Life our business since 1917, evolving our offerings and services so we can help you manage every aspect of your benefits program. MetLife has been a leading provider of Group Life benefits for over 25 years.

Through a dedicated Post Retirement Benefits (PRB) team, MetLife offers its expertise and a portfolio of products and services that provide liability management and funding solutions to support long term retiree life strategies. We also provide related reporting and valuation assistance to plan sponsors in compliance and decision making related to GASB 74/75 accounting rules. Let us help you handle the complex issues surrounding retiree welfare benefit funding programs.

Please contact me to discuss this proposal in more detail.

Sincerely,



Jim Latham  
Post Retirement Benefits Market Director  
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## Getting Started with a Retiree Life Buyout

MetLife's Guaranteed Life Insurance Funding Account (GLIFA) is a liability transfer solution, often referred to as a retiree life buyout. GLIFA effectively transfers a plan sponsor's GASB 74/75 liability and plan administration for a group of specifically named retirees to MetLife and relieves the employer of future cost increases associated with the group term life insurance plan for the named retirees. A GLIFA can be completed in five easy steps:

- 1 The GLIFA retiree life buyout starts with an analysis of the retiree life liability on a closed group of specifically named current retirees.
- 2
 

A GLIFA purchase is completed via a **one-time lump sum payment** or installment payment schedule. MetLife's guarantee is that an plan sponsor's out-of-pocket costs will never exceed the GLIFA purchase price.

The components that are considered in the pricing of this product are interest rates, mortality, demographics, coverage amounts, and plan design.

The price is quoted on a daily basis and is adjusted at the time a customer decides to proceed in order to reflect changes in the current interest markets and any changes to the covered group or aggregate amount of life insurance for the group. The price is the cost to transfer this liability to MetLife and includes all mortality costs, expenses and stop loss coverage.
- 3 A simple amendment is added to an plan sponsor's MetLife group term life insurance plan to establish a reserve, often referred to as a **retired lives reserve**. This reserve acts as the source for each year's group term premium to cover the annual life insurance costs for the covered retirees.
- 4 Should the Retired Lives Reserve prove insufficient in future years to cover the retiree plans costs, an **aggregate stop loss policy** provides the plan sponsor with an amount sufficient to make up any shortfall between the premium required under the group term life insurance policy and the retired lives reserve
- 5 Included in the buyout is the **transfer of retiree life recordkeeping** to MetLife. This includes maintaining beneficiary information, address or other changes, and claims processing.

### **Plan Features and Limitations**

- The plan must be non-discriminatory.
- The group of retirees to be covered under a GLIFA arrangement must have been covered under a group term life insurance plan while they were active employees.
- Key employees are typically not included under the GLIFA arrangement.
- Once the GLIFA is established, the plan sponsor may not recapture or transfer funds committed for this purpose.
- GLIFA is a financial arrangement between a plan sponsor and MetLife. There is no individual promise made to any individual retiree. Subject to the terms and conditions of the contract, a GLIFA arrangement is irrevocable. Once plan sponsor funds are committed, the plan sponsor may not recapture or transfer these funds.

**GLIFA Recordkeeping and Administration**

A GLIFA arrangement transfers all current records on covered retirees to MetLife. MetLife takes over administrative and recordkeeping functions such as maintaining inforce amounts, beneficiary designations, toll free customer service and death claims adjudication for the retiree group term life insurance plans included in the buyout. Our Recordkeeping Enrollment Services (RES) Center is a full service organization experienced in employee benefits administration and consulting. RES currently services over 1.7 million active and retired plan participants. More specifically, MetLife provides the following services to support the GLIFA:

**Customer Service**

- Provide direct customer service to retirees via a toll-free number
- Beneficiary, general and retiree-specific life insurance questions
- Respond to written inquiries regarding life insurance
- Offer a Telecommunications Device for the Hearing Impaired (TDD)
- Survey callers regarding the customer service received

**File Maintenance**

- Input beneficiary information into database
- Store hard copy beneficiary designations, special designations, absolute assignments
- Track the date of each retiree's most recent beneficiary designation

**Beneficiary Processing**

- Receive beneficiary, special beneficiary, and absolute assignment forms directly from the retiree
- Review and process all forms as appropriate

**Death Claims Preparation**

- Accept notification of death directly from survivor
- Notify plan sponsor of death and verify coverage information
- Identify beneficiary(ies) and verify addresses
- Prepare and send death claim package to beneficiary(ies)
- Forward life insurance file to MetLife Group Claims Office

**Survivor Assistance**

Delivering The Promise (DTP) is a service, designed to provide beneficiaries with the support and assistance they need during an especially difficult time. As part of this service, MetLife has carefully selected and trained DTP Specialists who are available to help beneficiaries deal with the details and questions that arise upon the death of a loved one.

**Quote Specifications and Assumptions for Fairfax Water**

The following summarizes the cost and assumptions for the GLIFA for Fairfax Water according to the most recent census provided:

**Covered Group:** 21 Current Retirees  
(based on census and plan design provided)

**Total Lump Sum Deposit:** \$230,102 Deposit at Issue.

This group is quoted on a guaranteed issue basis for the amount of coverage specified. This amount includes the aggregate stop loss premium charge and Fairfax Water will not need to provide additional funds, unless additional retirees are added to this arrangement. This product's guarantee is contingent upon all of the payments received by MetLife in accordance with the schedule above.

**General Provisions**

- In the event the Fund's balance is not sufficient to provide for the cost of insurance, MetLife agrees to pay an amount sufficient to cover the annual term life insurance premium costs for the group. In the event that any such payment is made to Fairfax Water, it is expected that it will be used for the payment of annual term premiums. If these payments are not made, life coverage will cease on the respective retirees. These supplemental payments are provided through a separate Aggregate Stop Loss contract between Fairfax Water or a trustee and MetLife.
- Under GLIFA, the plan sponsor may not recapture or transfer the funds.
- If Fairfax Water wishes to add additional retirees under the guaranteed arrangement in the future, an additional stop loss rider can be issued.

**Assumptions**

- We have assumed that Fairfax Water is a tax exempt organization under federal tax law and that all of the contributions were exempt from tax throughout the 5-taxable year period ending with the taxable year in which the contributions are made – and as a result not subject to tax code limits.
- We have assumed the data includes no key employees, and that all retirees were covered under a group term life plan while active employees.
- The retiree inforce is \$525,000, all of which can be funded through GLIFA.
- Retiree amounts are established at the time of issue in accordance with the plan design quoted.

The GLIFA quote is repriced daily and will be updated to reflect current interest rates. The price is subject to final revision when a commitment is made to transfer the funds to reflect the most current interest environment. Our quote is for the retiree life liability and is based on the census of retirees and retiree life coverage provided by the plan sponsor at the time of

quote. Prior to executing this contract, MetLife requires a final list of the specific individuals covered and the amounts involved.

MetLife, its agents, and representatives may not give legal or tax advice upon which any other party may rely. Any discussion of taxes herein or related to any attached document is for general information purposes only and does not purport to be complete or cover every situation. Tax law is subject to interpretation and legislative change. Tax results and the appropriateness of any product for any specific taxpayer may vary depending on facts and circumstances. Employers should consider consulting with their own independent tax, legal or accounting advisers regarding their particular facts and circumstances.

The attached Exhibits are based on information provided by you about your employee population and life plan. Please review the summary of assumptions and information carefully. The accuracy of these Exhibits is dependent on the assumptions and information provided. These Exhibits are included to provide information to you as a potential customer and to your tax and accounting team. However, these Exhibits may not be used for financial reporting or as an official external actuarial valuation of your life plan for audit or regulatory reporting purposes. While MetLife can share its views, MetLife cannot provide tax, legal or accounting advice to customers.

**Guaranteed Life Insurance Funding Account (GLIFA)**  
**Fairfax County Water Authority**  
**Retiree Life Insurance Additions (2018)**

Demographics			
	Total	Fundable	Non Fundable
Number of Eligible Retirees	21	21	0
Total Inforce	\$525,000	\$525,000	\$0

Quote	
Premium	\$230,102

Plan Design	
Plan Description	Flat \$25,000
Reduction Formula	None

Plan and Underwriting Assumptions	
Valuation Date	1/2/2018
Effective Date	1/1/2018
Quote Valid Until End of Business	1/2/2018
Employee Contributions?	No
Net of Commissions	\$0

**Additional Comments:**

Guaranteed LIFA is repriced daily based on covered volume, census and current market interest rates on the date that a client decides to proceed. Please note that this is an updated quote based on a drop in the 10 year Treasury rate since the last quote. Rates decreased from 2.82% to about 2.67%.