



# 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.

## Employers are looking for:

- Ways to finance benefit obligations
- A simple process that is easy to implement
- Guaranteed interest rate
- 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 a guaranteed fixed rate for selected contract duration.
- Contract duration can be one to 10 years. A laddered duration is also available.
- Principal and interest are guaranteed by the financial strength and credit quality of the MetLife issuing insurance company's general account. Under current law, MetLife Funding Agreements, issued by Metropolitan Life Insurance Company (MLIC) or Metropolitan Tower Life Insurance Company (MTL), rank equally with policyholder claims, which is above unsecured senior corporate debt.<sup>1</sup>
- There are no death benefits or insurance charges.
- Contracts are individually negotiated with terms tailored for each client.<sup>2</sup>
- Corporate purchase for informal funding of future employee benefit liabilities. Not for individual use.

## Crediting rates

- Crediting rates are determined as of the date money is received.
- 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.<sup>3</sup>**

- 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 \$250,000.
- Cash flows can be scheduled for specific transactions.
- Designed as a “book value” hold to maturity investment under FAS 115,<sup>4</sup> which may minimize mark to market volatility.
- Contracts are Hold to Maturity of the selected duration.
  - A Market Value Adjustment (MVA) feature allows for early withdrawals for regulatory requirements.
  - In extreme market circumstances utilizing the MVA for early withdrawal may cause loss of principal.
- Reporting is provided annually, however more frequent reporting is available upon request. There is no separate market value adjusted report for MVA contracts.
- Funding Agreements are generally not covered by State Guaranty Funds — subject to individual state variation.
- 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).

## Compensation

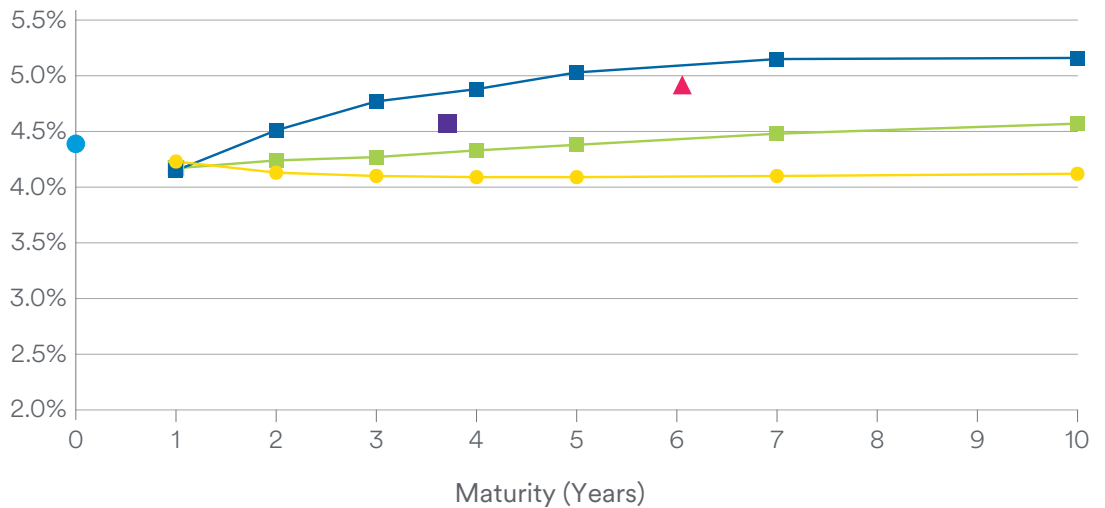
- Commissions are passed through the policy via a rate deduction throughout the term.
- There are no asset trails.
- Commissions are clearly disclosed and agreed upon by all parties.
- If the contract is surrendered using the market value adjustment formula prior to maturity, a broker commission chargeback may apply.

## 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 12/31/2024\*

#### Illustrative rates



- Illustrative MetLife GIC Rates<sup>1</sup>
- SEC MMF Stats Wtd Avg Net Govt<sup>4</sup>
- Annualized SOFR Spot Curve<sup>2</sup>
- ▲ Barclays Cap—US Agg Bond Index<sup>5</sup>
- STRIPS<sup>3</sup>
- Barclays Cap—US Intermediate Govt/Credit Bond Index<sup>6</sup>

\* Rates for STRIPS, Barclays Capital® U.S. Aggregate Bond and Barclays Capital® U.S. Intermediate Government/Credit Bond are as of close of business 12/31/24.

1. Metropolitan Life Insurance Company illustrative rates for GIC Investments as of 12/31/24.

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 12/31/24. 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>

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.

## The MetLife 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.

The major rating agencies have repeatedly recognized MetLife for our financial strength and our strong capitalization.<sup>5</sup> 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. The source of funds cannot be from replacement of COLI/BOLI policies.
4. MetLife does not provide accounting advice. Consult your accountant about accounting for Funding Agreements.
5. All guarantees are subject to the financial strength of the MetLife issuing insurance company. For current ratings information and a more complete analysis of the financial strength of MetLife insurance companies, please go to [www.metlife.com](http://www.metlife.com) and click on "About Us," "Company Ratings."

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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