MetLife Executive Income Program

With innovative solutions, MetLife is able to provide guaranteed retirement income solutions for key executives. The MetLife Executive Income Program offers annuity solutions to address benefit needs resulting from Supplemental Executive Retirement Plans (SERPS), excess plans and other non-qualified plan arrangements.

Benefit delivery and security with corporate-owned annuities

MetLife’s Executive Income Program addresses corporate and executives’ needs, balancing benefit security with financial objectives. In general, corporate or trust ownership of an annuity satisfies the benefit obligation and serves the financial and longevity risks. Furthermore, the benefit can possibly be protected from a change in management control if an annuity is held in a Rabbi Trust, but the annuity would typically be deemed an asset of the corporation and subject to claims of corporate creditors.

In addition to the advantages mentioned earlier, the corporate or trust-owned annuity offers these benefits:

- The annuity can be used to provide income payments under the non-qualified plan arrangement and in fulfillment of the company’s promise to pay.
- A corporate tax deduction is generally available when benefits are paid to the executive.
- Benefit provisions for beneficiaries are available and are established by the corporation.

When a company is the owner of the annuity, a certificate documenting this ownership is issued to the corporation. With this approach, the company may retain control over the annuity.

Executive-owned annuities for plans with lump sum distribution options

If the non-qualified plan allows for lump-sum distributions, MetLife’s Executive Income Program offers your key executives the ability to convert these balances into a guaranteed income stream. A certificate is issued to the executives providing choice in benefit design offering investment flexibility and income options tailored to their unique needs. Most of all, the MetLife solution can help ensure that the key executives optimize their retirement income without outliving their assets.

- Although the executive will be subject to immediate taxation on the lump sum amount, a portion of the executive’s monthly benefit received as an income annuity should be nontaxable until the after-tax purchase price has been recovered tax-free.
- Benefit provisions for beneficiaries are available and are established by the executive, in accordance with applicable legal requirements.

Fulfilling non-qualified benefits: the MetLife advantage

Supplemental Executive Retirement Plans (SERPs) and Non-qualified Deferred Compensation (NQDC) plans provide a compelling approach to attracting and retaining key executives.
However, they also present risks and challenges, such as:

- Longevity risk
- Investment risk
- Financial statement volatility
- Administrative burdens

With improvements in health and mortality, living past 90 is a very real possibility for people today. Longevity creates issues and risks in providing lifetime retirement benefits. Income benefit payments may need to continue far beyond the expected time horizon. MetLife’s Executive Income Program may help address the financial implications of these risks. MetLife is ready to work with your firm to help craft a solution that can guarantee the income stream promised to your client’s key executives.

Non-qualified plan arrangements create a contractual liability. MetLife can help deliver the corporate promise to covered executives. MetLife’s Executive Income Program can help address funding needs for current retirement benefits as well as non-qualified benefits due in future years.

Advantages that meet objectives

The Executive Income Program is funded with a corporate or individual annuity contract that can offer the following advantages:

- The transfer of certain risks to MetLife: MetLife assumes the longevity risk and financial risks associated with these long duration liabilities.
- The provision of funds for the exact benefit determined by the non-qualified arrangement.
- May reduce financial statement volatility.
- Various payment options available to meet plan design and objectives.
- Guaranteed payments from MetLife.
- Depending on plan provisions, the possibility of using the Executive Income Program as an alternative for executives electing lump sum distributions.
- Support from a specialized service unit with toll-free telephone access.

Flexibility in funding the plan design

Whether the need to fund and protect non-qualified benefit plans is immediate or long-term, MetLife’s Executive Income Program offers solutions. Immediate annuities with a wide range of income benefit designs can be used to provide SERP or other non-qualified benefits due at separation from service or at a specified date.

Optimize the benefits program

SERP and NQDC plans can provide unique benefits for key executives. In times of unprecedented change (economic, competitive, mergers) and continued financial pressures, MetLife understands that companies need a solution that optimizes the plan, protects benefits and fulfills the unsecured promise to these executives. MetLife’s Executive Income Program provides benefit payment choice and flexibility.

Why MetLife?

MetLife, Inc., through its subsidiaries and affiliates (“MetLife”), is one of the largest providers of life insurance products in the world. Founded in 1868, MetLife is a global provider of life insurance, annuities, employee benefits and asset management. Serving approximately 100 million customers, MetLife has operations in nearly 50 countries and holds leading market positions in the United States, Japan, Latin America, Asia, Europe and the Middle East.

MetLife, Inc. serves 90 of the top 100 FORTUNE 500®-ranked companies and has $720.5 billion in total assets and $663.6 billion in liabilities. Metropolitan Life Insurance Company has $401.4 billion in total assets and $390.9 billion in total liabilities.

MetLife continues to earn high marks from the major rating agencies. 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.

We look forward to working with your consulting firm to provide executive retirement income solutions unmatched in the industry.
Example

Monthly benefit of $41,667 (male, age 65) commencing January 1, 2018

<table>
<thead>
<tr>
<th></th>
<th>Ongoing payout from corporation’s general assets (non-annuity)</th>
<th>Corporate purchased, executive-owned annuity</th>
<th>Corporate purchased, corporate-owned annuity</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Provide retirement income that is not subject to employer creditors</td>
<td>No</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>2. Eliminate long-term employer credit risk for participant and beneficiaries</td>
<td>No</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>3. Remove liability from corporate financial statements: obtain immediate deduction</td>
<td>No</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>4. Remove risk of substantial additional expense from corporation if participant(s) live longer than assumed</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
</tr>
</tbody>
</table>

**Annual benefit to executive**

<table>
<thead>
<tr>
<th></th>
<th>$500,000</th>
<th>$333,333</th>
<th>$500,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Executive’s taxes</td>
<td>$200,000</td>
<td>$33,333</td>
<td>$200,000</td>
</tr>
<tr>
<td>After-tax benefit to executive</td>
<td>$300,000</td>
<td>$300,000</td>
<td>$300,000</td>
</tr>
<tr>
<td>Cost to corporation to purchase annuity</td>
<td>n/a</td>
<td>$5,000,000</td>
<td>$7,500,000</td>
</tr>
<tr>
<td>Gross-up of compensation for individual’s taxes payable by corporation</td>
<td>n/a</td>
<td>$3,333,333</td>
<td>n/a</td>
</tr>
<tr>
<td>Total cost to corporation to purchase annuity (including gross-up)</td>
<td>n/a</td>
<td>$8,333,333</td>
<td>$7,500,000</td>
</tr>
<tr>
<td>Deductible expense arising from annuity purchase (including gross-up)</td>
<td>n/a</td>
<td>$8,333,333</td>
<td>$0</td>
</tr>
<tr>
<td>Tax benefit to corporation arising from annuity purchase</td>
<td>n/a</td>
<td>$1,750,000</td>
<td>$0</td>
</tr>
<tr>
<td>After-tax cost to corporation arising from annuity purchase</td>
<td>n/a</td>
<td>$6,583,333</td>
<td>$7,500,000</td>
</tr>
<tr>
<td>Deductible expenses arising from benefit programs</td>
<td>$500,000</td>
<td>n/a</td>
<td>$500,000</td>
</tr>
<tr>
<td>Taxable annual income to corporation</td>
<td>n/a</td>
<td>n/a</td>
<td>$125,000</td>
</tr>
<tr>
<td>After-tax cost to corporation arising from benefit payouts</td>
<td>$395,000</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>Annual tax benefit to corporation arising from annuity purchase</td>
<td>n/a</td>
<td>n/a</td>
<td>$78,750</td>
</tr>
</tbody>
</table>

**Assumptions:** Executive-Owned Exclusion Ratio: 75.0%; Corporate-Owned Exclusion Ratio: 75.0%; Corporate Tax Rate: 21.0%; Executive Tax Rate: 40.0%

This example shows how a hypothetical annuity income payment could be affected by an initial annuity purchase. This example is not intended to reflect actual returns available under any particular MetLife product. It is based on illustrative purchase rates as of January 25, 2018.

Numbers have been rounded. They are a hypothetical example provided only to compare the tax treatment of corporate and employee-owned annuities. Marginal tax rates shown are a hypothetical example using an assumed simple flat 40% tax rate for illustrative purposes and may not represent actual tax rates under current tax laws.

FICA and other payroll taxes will generally be due in the year in which the employee’s benefit becomes vested under the terms of the plan. These illustrations do not take into account the cost to the employer of FICA tax paid on the deferred compensation or severance benefit, or the effect of the employee’s share of FICA tax that may be withheld from the benefit payments if FICA has not already been collected and paid. The example does not take into account foregone investment income on the amount used to purchase the annuity.
1. All guarantees are based on the claims-paying ability and financial strength of Metropolitan Life Insurance Company.

2. The Executive Income Program is an array of fixed income annuity products available from MetLife which can be used to satisfy various executive benefit needs.

3. A Rabbi Trust is a trust created for the purpose of supporting the non-qualified benefit obligations of employers to their employees.

   The American Jobs Creation Act of 2004 imposes limits on invoking Rabbi Trust arrangements to protect against adverse changes in financial conditions. Consult your tax advisor.

4. The Internal Revenue Code imposes limits on the deductibility of certain types of compensation. A corporation must generally include an interest portion of payments from the annuity in its taxable income. If the annuity is not an “immediate annuity” as defined under the tax law, income recognition for tax purposes may be accelerated.

5. The gross-up payment covers taxes on the cost of the annuity, because the cost of the annuity must be included in the executive's taxable income. In this example, the gross-up payment of $3,333,333 equals the total cost of $8,333,333 multiplied by the assumed executive tax rate of 40%.

6. Compensation is deductible by the Corporation only to the extent it does not exceed certain limitations under the Internal Revenue Code. Currently this limit is $1,000,000 in the case of covered employees of a public company (generally the CEO and the four highest compensated officers). Certain exceptions may apply.

7. FORTUNE 500® is a registered trademark of the FORTUNE magazine division of Time Inc.

8. MetLife, Inc. as of September 30, 2017. Total assets include general account and separate account assets and are reported under accounting principles generally accepted in the United States of America.

9. Metropolitan Life Insurance Company as of September 30, 2017. Total assets include general account and separate account assets and are reported on a statutory basis.

10. For current ratings information and a more complete analysis of the financial strength of Metropolitan Life Insurance Company, please go to www.MetLife.com and click on “About MetLife” and then click on “Ratings.”

Any discussion of taxes is intended to be general in nature. The ability to achieve the intended results will depend on the individual situation of the employer and the executive including the terms of the non-qualified deferred compensation or supplemental executive retirement plan (SERP). Tax laws are subject to change and to different interpretations. On October 22, 2004, legislation was enacted into law, with a general effective date of January 1, 2005, that significantly restricts features and options under non-qualified deferred compensation arrangements (including SERPs), including, but not limited to, restrictions on the timing of elective deferrals, the acceleration of benefit payments and restrictions on the ability to change payment options including annuities.

Additionally, special restrictions apply with respect to changes in payment streams and timing of benefit payments with respect to certain key executives. These rules apply to amounts deferred after December 31, 2004. For this purpose, benefits and amounts earned and vested as of December 31, 2004 will not be considered as deferred after December 31, 2004, and will be grandfathered. In general, however, any changes in the Plan after October 3, 2004 (aside from certain administrative changes) will cause this grandfathering to be lost, and will subject the pre-2005 deferrals (and earnings thereon) to these restrictions.

Accordingly, the employer should consult its own tax and legal advisor prior to making any change in the terms of the plan on or after October 4, 2004. Failure to satisfy these rules will generally subject any deferred amounts with respect to an affected participant which are vested to ordinary income tax in the year of failure. Additionally, a 20% penalty tax and interest computed from the year in which such amounts first vested will apply.

Neither MetLife nor its affiliates provide tax, legal, ERISA or accounting advice. Both the employer and executive should consult their own advisors prior to purchase of any product, which could have an adverse tax or other impact on the employer, the employer’s plan or the executive.

Variable products are issued by Metropolitan Life Insurance Company (member FINRA) and distributed by MetLife Investors Distribution Company (member FINRA). Metropolitan Life Insurance Company and MetLife Investors Distribution Company are MetLife companies.

Like most annuity contracts, MetLife contracts contain charges, termination provisions and terms for keeping them in force. Please see your MetLife representative for complete details.

Any discussion of taxes is for general informational purposes only and does not purport to be complete or cover every situation. MetLife, its agents and representatives may not give legal, tax or accounting advice and this document should not be construed as such. You should confer with your qualified legal, tax and accounting advisors as appropriate.