



*Sample: Proposal Letter and Specifications*

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September 29, 20xx

Mr. John Consultant  
XYZ Corporation  
123 Main Street  
Anywhere, IL 99999

RE: Retirement Plan for the Employees of XYZ Corporation  
Non-Participating Single Premium Group Annuity Quotation

Dear Mr. Consultant:

In response to your recent request for a proposal, we will be providing a preliminary non-participating single premium quotation for your client by 9:00 a.m. PST on Thursday, September 25, 20xx and a final quotation on Tuesday, September 30, 20xx.

Our gross single premium quotation will be based on the specifications and plan provisions outlined in the attachments.

If our bid is accepted, any changes to the premium due to revisions in annuitant data or changes in plan provisions initiated by the client will be based on the same assumptions used in the original pricing, with the exception of the underlying market interest rate. The rate used in determining the net difference in premium will be an impartially determined rate equal to the original pricing interest rate, adjusted by the change in the yield to maturity of the 10-year U.S. Treasury Bond from the date of purchase to the date on which revised calculations are completed. In summary, the original interest rate is guaranteed only for the original premium agreed to and any additional premium subsequent to the sale will be subject to the current market rate.

If the total premium is not paid in one single deposit, the unpaid balance will be charged with interest at the pricing rate (the pricing rate will be treated as an annual effective rate of interest, and the interest calculation will reflect the actual number of days in the calendar year, i.e., an actual-over-actual method), and must be paid within 31 days of the date of bid acceptance. If your client would like to make other arrangements for premium payment, please call us to discuss their situation.

Financial information on Pacific Life may be found on our website [www.PacificLife.com](http://www.PacificLife.com). We will provide any other information necessary upon request.

Sincerely,

(Name)  
Business Development Analyst  
Retirement Annuities

**PROPOSAL FOR THE RETIREMENT PLAN  
FOR EMPLOYEES OF XYZ CORPORATION**

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**Bid Specifications**

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<b>1. Plan Name</b>	Retirement Plan for the Employees of XYZ Corporation
<b>a. Qualified Plan?</b>	Yes, Qualified Defined Benefit Plan
<b>b. Sufficient Assets?</b>	Assumed Yes

<b>2. Purpose of Annuity Placement</b>	Plan termination effective August 31, 20xx. All benefit accruals have been frozen effective December 31, 20xx.
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<b>3. Contractholder Name</b>	XYZ Corporation
<b>a. Ongoing entity?</b>	Assumed Yes
<b>b. State of Issue</b>	Texas
<b>c. State of Residence</b>	Assumed Texas

Pacific Life is not authorized to do business in the state of New York. Therefore, any covered New York participants must be "incidental" in numbers and importance to the total covered participants. Incidental has been determined to be less than 10% of total participants. If there are 10% or more residing in New York, this quote will be invalid.

<b>d. Premium Tax</b>	None
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OR

Assumed none; premium tax may be charged later upon receipt of all Participants states of residence.

For an annuity contract with at least 500 lives, state premium tax is determined by an allocation method based on the number of Participants residing in each state, to the

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states in which are located at least 5% of the total number of Participants, or 50 Participants, whichever is less. We apply the premium tax rate for each state in which reside the lesser of 5% or 50 Participants, to the portion of the total premium attributable to each such state, based on the ratio of the number of Participants in each such state to the total number of Participants in all such states.

**4. Commissions**

Assumed None or  
x.xx% of premium payable to XYZ  
Consultant

**5. Premium Receipt Date**

October 5, 20xx.

**6. Pricing Rate**

See Annuity Quote Sheet. (This rate also applies to late payment of premium).

**7. Liability Assumption Date**

January 1, 20xx.  
There will be a refund of premium for any deaths occurring prior to this date subject to a premium adjustment for any death benefits paid by Pacific Life.

**8. Benefit Takeover**

January 1, 20xx.

**a. Data Required by**

Complete annuitant data will be needed approximately four weeks before the first of the month in which Pacific Life will issue direct payments to annuitants in pay status. Data should be submitted electronically. Excel spreadsheet is preferred.

**b. Payments Begin**

January 1, 20xx. In the event there is a delay in our receipt of complete annuitant information to enable our timely takeover of benefit payments, we may request the client to continue to have all benefit payments issued by their current trustee or payor until we are in a position to start making benefit payments directly to the

annuitants who are in pay status. Bulk wire transfers will be made each month to the client's trustee or payor to sufficiently cover all such benefit payments.

**c. Withholding**

For taxes and medical insurance, if applicable. For purposes of this proposal, we have assumed there will be no withholding for medical insurance for any annuitant.

**d. Tax Reporting**

Pacific Life will be responsible for tax reporting only for those months we actually issue individual checks to annuitants in pay status.

**9. Toll Free Customer Service Number**

Yes.

**10. Proof of Age Requirements**

Plan Sponsor Certification.

**11. Data Assumptions & Notes**

None.

**Annuitants in Pay Status**

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**1. Benefit Amount**

The monthly amount specified for each annuitant or beneficiary on the census data, paid in U.S. dollars.

**2. Annuity Form**

The form specified on the census data.

**3. Payment Due Date**

Benefit is payable on the first day of each month if the annuitant is alive on that day, subject to the form of annuity in effect.

**4. Post-Retirement Death Benefit**

None other than what is inherent in the form of annuity in effect.

**5. Cost of Living Adjustment**

None.

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## Plan Provisions Applicable to Annuitants Not Yet In Pay Status

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### 1. Normal Retirement

**a. Eligibility**

The first day of the month coinciding with or next following the attainment of age 65. Separation of service is required prior to benefit commencement.

**b. Benefit Payable**

Monthly benefit as listed in the census data paid in U.S. dollars.

### 2. Early Retirement

**a. Eligibility**

The first day of the month coinciding with or next following the participant's attainment of age 55. Separation of service is required prior to benefit commencement.

**b. Benefit Payable**

The benefit payable is equal to the Participant's Normal Retirement Benefit actuarially reduced from Normal Retirement Date to early retirement date.

Or

The Normal Retirement is reduced by 5/9<sup>ths</sup> of 1% per month for each of the first sixty (60) months and 5/18<sup>ths</sup> of 1% per month for each of the next sixty (60) months by which the Early Retirement Date precedes the Normal Retirement Date.

### 3. Late Retirement

**a. Eligibility**

Active Participants may elect to defer commencement of benefit payments to the later of a) first day of April following the calendar year in which Participant attains age 70-1/2 or b) actual commencement date. Separation of service is required prior to benefit commencement.

Terminated Vested Participants may not delay commencement beyond their Normal Retirement

**b. Benefit Payable**

Date.

Active Participants will receive an amount equal to their Normal Retirement Benefit actuarially increased from Normal Retirement Date to actual retirement date.

Note: We have assumed that the Benefit Amount reflected in the data for Active Participants is as of the Participant's Normal Retirement Date without any increase.

For Terminated Vested Participants, should a temporary delay in commencement occur past Normal Retirement Date, the benefit payable at delayed commencement date is equal to the Participant's Normal Retirement Benefit with retroactive payments from the Participant's Normal Retirement Date to actual commencement date.

**4. Pre-retirement Death Benefit**

**a. Eligibility**

The surviving spouse of a married participant is eligible for a pre-retirement death benefit; - or

The surviving spouse of a married participant who was married throughout the one-year period ending on the participant's date of death is eligible for a pre-retirement death benefit.

There is no pre-retirement death benefit payable on behalf of a single participant.

**b. Benefit Payable**

A standard qualified pre-retirement survivor annuity (QPSA) is payable.

If the Participant dies on or after reaching his/her earliest retirement date, the benefit payable to the spouse is equal to 50% of that which would have been payable if the Participant had retired with a Qualified 50% Joint & Survivor Annuity (reduced for optional form and early retirement if applicable) on the day before his/her death. Benefits are payable the first of the month

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following the Participant's death.

If the Participant dies before reaching his/her earliest retirement date, the benefit payable to the spouse is equal to 50% of that which would have been payable if the Participant terminated employment at the earlier of his/her actual termination of employment or death, survived until reaching his/her earliest retirement date, retired on that date with a Qualified 50% Joint & Survivor Annuity (reduced for optional form and early retirement if applicable) and died the next day. Benefits are payable as of the first of the month following the Participant's earliest retirement age.

The spouse may elect to defer commencement of benefit payments until the Participant's Normal Retirement Date.

**5. Post-retirement Death Benefit**

In accordance with the annuity payment form in effect.

**6. Disability**

None provided under this quote.

**7. Employee Contributions**

None.

**8. Cost of Living Adjustment**

None.

**9. Small Cash-Outs**

Accrued benefits with an actuarial equivalent value of \$1,000 or less will be automatically paid in a lump sum. Automatic small cash-outs also apply to the present value of \$1,000 or less of a Pre-Retirement Survivor Annuity that may be payable to a Participant's surviving spouse. If the value exceeds \$1,000 but is less than or equal to \$5,000, a Participant may elect a lump sum of his/her benefit.

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## Definitions

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### 1. Actuarial Equivalence

**a. Optional Payment Forms and Late Retirement**

The UP84 Mortality Table with one-year set back, at 7.5% interest.

**b. Small Cash-Outs**

The mortality table is the GATT basis (currently prescribed in Revenue Ruling 2007-67 or any successor Applicable Mortality Table), and the Applicable Interest Rate is the annual rate based on the IRC 417(e) as updated and specified by the Commissioner, for the month of June immediately preceding the first day of the Plan Year during which the distribution occurs. The Plan Year is July 1 to June 30.

### 2. Normal Form of Payment

**a. Single Participants**

Life Annuity

**b. Married Participants**

Actuarial equivalent 50% Joint & Survivor Annuity. The 50% reduction occurs upon the death of the participant only.

### 3. Optional Annuity Forms

**a. Life Annuity**

The actuarial equivalent of the Life Annuity normal form.

Provides a monthly annuity for the life of the Participant.

**b. Joint & Survivor Annuity**

Provides a monthly annuity for the life of the Participant. If the Participant predeceases the joint annuitant, 50%, 66 2/3% or 100% (elected at time of commencement) of the Participant's monthly annuity is continued to the surviving joint annuitant for his/her lifetime.

If the joint annuitant is someone other than the Participant's spouse, the maximum survivor annuity, as a percentage of the annuity payable during the Participant's lifetime, must comply with Code Section 401(a)(9) and applicable IRS regulations.



**c. Joint and Last Survivor Annuity**

Once benefit payments commence, the joint annuitant designated at time of commencement can not be changed.

Provides a monthly annuity for the life of the Participant and the Joint Annuitant. When either the Participant or the Joint Annuitant dies, payments continue to the survivor in the form of a life annuity as 66 2/3% percent of the monthly annuity and is continued to the survivor annuitant for his/her lifetime.

If the joint annuitant is someone other than the Participant's spouse, the maximum survivor annuity, as a percentage of the annuity payable during the Participant's lifetime, must comply with Code Section 401(a)(9) and applicable IRS regulations.

Once benefit payments commence, the joint annuitant designated at time of commencement can not be changed.

**d. Life Annuity with Period Certain**

Provides a monthly annuity for the life of the Participant with 5, 10, 15 or 20 (elected at time of commencement) years of monthly payments guaranteed. If the Participant should die before receiving the total guaranteed payments, the remaining number of guaranteed benefit payments will continue to the designated beneficiary.

The guaranteed number of payments shall not exceed the number of months permitted under Code Section 401(1) (9) and applicable IRS regulations.

**e. Social Security Leveling Option**

This provides a temporarily increased benefit until the date the Participant attains age 62 or 65 and a reduced benefit thereafter. The temporary increase shall be equal to the amount required to provide approximately the same amount of total monthly income (taking into account monthly Social Security benefits) to the Participant

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**f. 66 2/3% Joint & Survivor  
Annuity with 10-Year  
Period Certain**

before and after the commencement of Social Security benefits.

This form provides a monthly annuity for the life of the Participant with 10 years of monthly payments guaranteed.

If the Participant predeceases the joint/contingent annuitant before receiving 120 monthly payments, the remaining number of guaranteed benefit payments will continue to the joint/contingent annuitant in the same amount paid to the Participant. Thereafter, 66 2/3% of the monthly amount will be continued to the joint/contingent annuitant for his/her lifetime.

If the Participant predeceases the joint/contingent annuitant after receiving 120 monthly payments, 66 2/3% of the Participant's monthly amount will be continued to the joint/contingent annuitant for his/her lifetime.

If the joint/contingent annuitant predeceases the Participant before the Participant received 120 payments, the monthly annuity will be continued to the Participant in the form of a life with period certain.

The period certain is equal to the months remaining on the guaranteed period of 120 months.

If the joint/contingent annuitant predeceases the Participant after the Participant has received 120 monthly payments, the monthly annuity will be continued to the Participant in the form of a life annuity.

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