



MEMORANDUM

TO: Interested Parties

FROM: Product Standards Committee

DATE: April 25, 2023

SUBJECT: Amendments to Change the Title and to Clarify the Scope provision of the SINGLE PREMIUM GROUP FIXED ANNUITY CONTRACT UNIFORM STANDARDS FOR EMPLOYER GROUPS

The Product Standards Committee received a request from the Compact Office to determine if the Single Premium Group Fixed Annuity Contract Uniform Standards for Employer Groups encompasses other arrangements beyond pension risk transfers such as a group annuity terminal funding contract.

The scope of the current Uniform Standards provides these contracts “are used as part of a pension risk transfer.” The PSC was concerned this sentence narrowed the ability of this standard to be used for other types of group fixed annuity contracts. Compact has approved group annuity contracts more commonly referred to as “close out contracts” or “pension risk transfers” under these Standards. It is common to use “terminal funding contracts” and “close out contracts” interchangeably, but there are distinctions. Close out contracts are group annuity contracts issued to trustees of a pension plan where the plan transfers liability for the payment of pension benefits to an insurance company in exchange for a lump sum payment. In these arrangements, typically the pension plan is terminating. Terminal funding contracts are group annuity contracts issued to trustees of a pension plan for the purchase of immediate annuity benefits to pay pension benefits as plan participants separate from service due to retirement, disability, or death. Unlike close out contracts, these arrangements typically involve active pension plans where multiple single sum payments are made under the contract on an ongoing basis as each annuity is purchased. There are other types of group annuity arrangements that are funding through fixed annuities.

The Product Standards Committee reviewed the request and determined that the Scope provision of the applicable Uniform Standard would need to be amended. The Compact Office prepared a draft amendment. The amendment:

1. Changed the title of the standard to Group Fixed Annuity Contract Uniform Standards for Employer Groups.
2. Amending the scope to apply to either a defined benefit or a defined contribution plan and deleting the reference to single premium fixed annuity contracts.

Clarification to Change the Title and to Clarify the Scope of SINGLE PREMIUM GROUP FIXED ANNUITY
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3. Adding a definition of “pension risk transfer”.

The Product Standards Committee reviewed the draft and is exposing the draft for public comment.