

<b>DATE:</b>	
<b>CATEGORY:</b>	<b>INVESTMENTS</b>
<b>TO:</b>	Managing General Agents, Associate General Agents, Advisors, General Agents and National Accounts
<b>SUBJECT:</b>	<b>Sell/Buys into new Class Plus 3.0 contracts</b>

The purpose of this information circular is to clarify our administrative rules around selling an existing Class Plus 3.0 contract to ultimately purchase a new Class Plus 3.0 contract for the purposes of resetting the customer's Guaranteed Withdrawal Benefits (GWB)

Class Plus 3.0 is a GWB product that offers triennial resets of the Income Base and Death Benefit Guarantee<sup>1</sup> (DBG), along with a 4% annual Income Base Bonus<sup>2</sup> each calendar year in which no withdrawals are made. The product was designed and priced for all customers to receive these benefits; when actions are taken to circumvent the structure and/or accelerate these benefits, it has a cost to all customers who own the product.

Examples of this would be selling an existing Class Plus 3.0 contract with the intent to:

- Directly purchase a new Class Plus 3.0 contract
- Purchase a Guaranteed Investment Funds (GIF) contract, and then redeeming the GIF contract to purchase a new Class Plus 3.0 contract
- Transfer the funds to another institution and then transfer the funds back to Empire Life to purchase a new Class Plus 3.0 contract
- Redeem the funds to the customer's bank account and then purchase into a new Class Plus 3.0 contract

Advisors who take these actions may believe they are acting in their customer's best interests, however they are not only increasing the costs to all Class Plus 3.0 customers, and they risk incurring direct costs to themselves and their customer.

Selling a Class Plus 3.0 to purchase a new Class Plus 3.0, whether directly or through another route, is not allowed and this activity could result in cancellation of contract.

If a sell is processed from a Class Plus 3.0 contract to purchase a new Class Plus 3.0 contract **in the same calendar year** the following will occur:

- The trades will be reversed from the new contract and placed back in the original contract
- Any loss to the funds (dilution) as a result of this transaction will be billed to the MGA/Advisor

Additionally, if the transaction results in the redemption of units purchased within 90 days the customer may be subject to an Excessive Short-Term Trading Fee of up to 2% of the transaction amount (as outlined in the product's Information Folder & Contract Provisions document).

As a reminder, our administrative rules for Sell/Buys within a Class Plus 3.0 contract are outlined in Information Circular 2019-08 (Sells/Buys in an Investment Contract)

1 – Death Benefit Guarantee resets available until the annuitant's 80<sup>th</sup> birthday

2 – Income Base Bonuses are available for the first 20 calendar years of the contract

## Reference

Stephanie Wisniewski, Director, Operations