# EXHIBIT B: Evaluation Checklist - GICs

## *Summary*

**Financial Instrument or Contract Reviewed:** Met Life Insurance Company GIC - Effective Date of 1/25/08; Expiration Date 1/31/2013 - Contract: GA-29861
**Evaluation as of:** 6/30/2009
**Evaluation Prepared By:** J. Plotts **Reviewed By:**

| | | | |
|---|---|---|---|
| Interest rate swap | | Swaptions | |
| Commodity swap | | Forward contracts | |
| Interest rate lock | | Futures contracts | |
| Options: | | Other: | X |
| Caps | | Describe | *Guaranteed Investment Contract* |
| Floors | | | |
| Collars | | | |

**Is this financial instrument is a derivative instrument under GASB 53?**

| | Reference Questions | Check as Appropriate |
|---|---|---|
| Derivative instrument | 1-3 | |
| Hybrid instrument | 4-7 | |
| Synthetic Guaranteed Investment Contract | 8-14 | |
| If a derivative instrument, is it excluded from scope? | 15-19 | |
| This is not a derivative instrument | | X |

**Is this an investment derivative or a potential hedging derivative?** **Check one**

| | | |
|---|---|---|
| Investment derivative | 20 | |
| Potential hedging derivative: | | |
| Existing or expected financial instrument? | 21 | |
| Existing or expected commodity? | 21 | |

**For existing or expected financial instruments:** 21-29 **Check one**

Effective hedge (hedge accounting applies): (1)
- Cash flow hedge ______
- Fair value hedge ______
- Indicate method used to document effectiveness

Ineffective hedge (hedge accounting does not apply) ______

**For existing or expected commodity transactions:** 30-37 **Check one**

Effective hedge (hedge accounting applies): (1)
- Cash flow hedge ______
- Fair value hedge ______
- Indicate method used to document effectiveness: *Dollar Offset Method & Regression Analysis Method*

Ineffective hedge (hedge accounting does not apply) ______

(1) Once determined to be an eveluation must be performed each subsequent year to validate continued effectiveness, unless Consistent Critical Terms Method is used.

# EXHIBIT B: Evaluation Checklist - GICs

***Initial Year Evaluation Checklist for:*** MetLife Insurance Company GIC -
Effective Date of 1/25/2008; Expiration Date 1/31/2013 - Contract: GA-298613

Refer to the GASB Statement No. 53 Outline for details

*Note: A* ttach comments as necessary for further discussion of the conclusion. Certain questions may not result in simple "yes" or "no" answers and the substance of the financial instrument or contract must be considered in in order to arrive at the conclusion.

**Determine whether the financial instrument or contract qualifies as a derivative instrument. If so, evaluate whether it is a hedging derivative. If a hedging derivative, determine whether it is a cash flow or fair value hedge.**

## Does this Meet the Definition of a Derivative Instrument? (¶7-13)

| | YES/ NO | Source Document/ X - Reference |
|---|---|---|
| 1. Does the financial instrument have settlement factors that include a) a reference rate and b) a notional amount? | No | Contract 29861 |
| 2. Is there leverage, i.e. little or no initial net investment? | No | Contract 29861 |
| 3. Are there net settlement provisions? | No | Contract 29861 |

*If "yes," to question 1-3, the financial instrument or contract is a derivative instrument. However, continue the evaluation beginning with question 15 to determine whether the type of financial instrument or contract is excluded from the scope of Statement No. 53.*

*If "no" to any one of questions 1-3, the financial instrument or contract is not be a derivative instrument. However, continue the evaluation beginning with question 4 to assess whether a hybrid instrument is involved.*

## If Not, Does this Meet the Definition of a Hybrid Instrument? (¶64)

| | | |
|---|---|---|
| 4. Is this a situation where there may be a derivative instrument that accompanies, or is incorporated within, a companion document? | No | Contract 29861 |

*If "yes," to question 4, the financial instrument or contract may be a hybrid instrument and must be further evaluated. Continue the evaluation beginning with question 5 to determine whether the type of financial instrument or contract is is a hybrid instrument.*

*If "no" to question 4, the financial instrument or contract is not a hybrid instrument. However, continue the evaluation beginning with question 8 to determine whether an SGIC is involved.*

| | | |
|---|---|---|
| 5. Is it a true statement that the companion instrument is not measured at fair value on the Statement of Net Assets? | N/A | No companion instrument |
| 6. Would a separate instrument with the same terms as a derivative instrument meet the definition of a derivative instrument using questions 1-3 above? | N/A | No companion instrument |
| 7. Is it a true statement that the economic characteristics and risks of the derivative instrument are not closely related to the economic characteristics and risks of the companion instrument? | N/A | No companion instrument |

*If "yes" to all questions of 5-7 the financial instrument or contract is a hybrid instrument. However, continue the evaluation beginning with question 15 to determine whether the type of financial instrument or contract is excluded from the scope of Statement No. 53.*

*If "no" to any one of questions 4-6, the financial instrument or contract is not a hybrid instrument However, continue the evaluation beginning with question 8 to assess whether an SGIC is involved.*

## If Not, Does this Meet the Definition of a Synthetic Guaranteed Investment Contract (SGIC)? (¶67)

| | | |
|---|---|---|
| 8. Does the SGIC prohibit the University from assigning or selling the contract or its proceeds to another party without the consent of the issuer? | N/A | GIC, not a SGIC |
| 9. Are prospective interest crediting rate adjustments provided to plan partcipants and UC on a designated pool of investments by a financially responsible third party? | N/A | GIC, not a SGIC |
| 10. Do the adjustments provide assurance that probable future rate adjustments would result in an interest crediting rate of less than zero is remote? | N/A | GIC, not a SGIC |
| 11. Do the pool of investments in total meet both of the following criteria?<br>* The pool is of high credit quality such that the possibility of credit loss is remote?<br>* The pool may be prepaid or otherwise settled in such a way that UC and its plan participants would recover contract value? | N/A | GIC, not a SGIC |
| 12. Do the terms of the SGIC require all permitted participant-initiated transactions with UC to occur at contract value with no conditions, limits, or restrictions? (permitted participant-initiated transactions are those transactions allowed by UC, such as withdrawals for benefits, loans, or transfers to other investment choices) | N/A | GIC, not a SGIC |
| 13. Some events may limit UC's ability to transact with participants at contract value. Examples are premature termination of contracts, layoffs, plan terminations, bankruptcies, and early retirement incentives. Is the probability of such an event occurring within one year of the date of the financial statements remote? | N/A | GIC, not a SGIC |
| 14. Does UC allow participants reasonable access to their investments? | N/A | GIC, not a SGIC |

*If "yes" to all questions of 8-14 the financial instrument or contract is an SGIC under Statement No. 53. Measure at contract value and disclose in accordance with that Statement. The evaluation does not continue.*

*If "no" to any of questions 8-14, the financial instrument or contract is not an SGIC under Statement No. 53. The evaluation does not continue.*

## If this Meets the Definition of a Derivative Instrument, is it Excluded from the Scope of GASB Statement No. 53? (¶14-18)

| | | |
|---|---|---|
| 15. Is the derivative instrument a normal purchase or sale contract for a commodity used in the normal course of operations? Consider whether the contract results in the purchase or sale of a commodity such as natural gas or electricity, whether the contract includes a net settlement feature, whether the University has entered into such a contract in the past, whether the University has a practice of taking delivery or selling a commodity, and whether the quantity of the commodity in the contract is consistent with the volume used in the University's activities. | | |
| 16. Is this a risk financing or insurance related contract? | | |

17. Is this a financial guarantee contract that does not respond to changes in a reference rate?

18. Is this a specific type of contract that is not exchange traded and includes a reference rate based upon climate, geological, other physical variables, or the price of a nonfinancial asset?

19. Is this a loan commitment contract?

*If "yes" to any one of questions 15-19, the financial instrument or contract is excluded from the scope of Statement No. 53 and the evaluation does not continue.*

*However, if "no" to all of questions 14-19, the financial instrument or contract is a derivative instrument that must be further evaluated under Statement No. 53 to determine whether it is an "investment derivative" or a "hedging derivative," and if a "hedging derivative," whether it is "effective" or "ineffective" hedge. Begin the next stage of the evaluation with question 20.*

## Determine Whether the Derivative Instrument is an "Investment Derivative" or a Potential "Hedging Derivative" (¶20)

20. Was the derivative instrument or contract entered into for the purpose of making a profit?

*If "yes" to question 20, the financial instrument or contract is an investment derivative under Statement No. 53. Apply investment derivative financial reporting treatment and disclosures as outlined in the IRM.*

*If "no" to question 20, the financial instrument or contract is a hedging derivative and must be further evaluated to determine whether it is an "effective" or "ineffective" hedge. Begin the next stage of the evaluation with question 21.*

21. Is the hedgeable item an existing or expected financial instrument?

*If "yes" to question 21, continue the evaluation with question 22.*

*If "no" to question 21, the hedgeable item item is an existing or expected commodity transaction. Skip to question 30.*

## Evaluate Whether the Potential Hedging Derivative Where the Hedgeable Item is a Existing or Expected Financial Instrument is an "Effective" or Ineffective" Hedge. (¶34-48)

*If the derivative instrument is an interest rate swap or forward contract, determine whether it is "effective" under the Consistent Critical Terms Method by continuing with question 22a, 23a or 24a.*

Based upon the answers to the following, determine whether the Consistent Critical Terms Method of evaluating an interest rate swap or forward contract results in an "effective" hedge:

## EXISTING OR EXPECTED FINANCIAL INSTRUMENTS

**Consistent Critical Terms Method**

***For an "effective" interest rate swap-cash flow hedge (¶37):***

22a. Is the notional amount of the interest rate swap the same as the principal amount of the hedgeable item throughout the life of the hedging relationship? This criterion is met if the notional amount of the interest rate swap and principal amount of the hedgeable item are equal for each hedged interest payment, even if the hedged item amortizes or otherwise adjusts subsequent to the inception of the hedge.

22b. Upon association with the hedgeable item, does the interest rate swap have a zero fair value? (the value of a derivative instrument that is either entered into or exited with no consideration being exchanged. A zero fair value should be within a dealer's normal bid/offer spread.)

22c. Is the formula for computing net settlements under the interest rate swap the same for each net settlement? (That is, the fixed rate is the same throughout the term of the interest rate swap. Likewise, each variable payment of the interest rate swap is based on the same variable, such as the same reference rate or index.)

22d. Is the reference rate of the interest rate swap's variable payment consistent with one of the following:
(1) The reference rate or payment of the hedgeable item. For example, an interest rate swap provides variable payments to the University equal to the total variable payments of variable-rate bonds—a cost-of-funds hedge.
(2) A benchmark interest rate as specified in paragraph 35 if interest rate risk is the hedged risk. The reference rate cannot be multiplied by a coefficient, such as 68 percent of LIBOR, but it may be adjusted by addition or subtraction of a constant, such as the SIFMA swap index plus 10 basis points, provided that the constant is specifically attributable to the effects of state-specific tax rates.

22e. Do interest receipts or payments of the interest rate swap occur during the term of the hedgeable item, and no interest receipts or payments of the interest rate swap occur after the term of the hedgeable item? (For example, an interest rate swap that hedges the first 10 years of a 15-year variable-rate bond meets this criterion.)

22f. Is it true that the reference rate of the interest rate swap does not have a floor or cap unless the hedgeable item has a floor or cap. (If the hedgeable item has a floor or cap, does the interest rate swap have a floor or cap on the variable interest rate that is comparable to the floor or cap on the hedgeable item? (Comparable does not necessarily mean equal. For example, an interest rate swap's reference rate is the SIFMA swap index, while the hedgeable bond's variable rate is the SIFMA swap index plus 2 percent. A 10 percent cap on the interest rate swap would be comparable to a 12 percent cap on the bonds and would meet this criterion as both caps produce equal changes in cash flows if the SIFMA swap index exceeds 10 percent.)

22g. Is the time interval of the reference rate, commonly referred to as the designated maturity, employed in the variable payment of the interest rate swap the same as the time interval of the rate reset periods of the hedgeable item? (Examples that meet this criterion include an interest rate swap with a variable payment referenced to (1) the SIFMA swap index—a seven-day index—that hedges variable-rate bonds with a rate reset every seven days and (2) an interest rate swap with a variable payment referenced to the one-month LIBOR index that hedges taxable variable-rate bonds with a monthly rate reset.)

22h. Are the frequency of the rate resets of the variable payment of the swap and the hedgeable item the same? (For example, this criterion is met by an interest rate swap with a reference rate that resets monthly and hedges bonds with a variable interest rate that also resets monthly.)

22i. Are the rate reset dates of the interest rate swap within six days of the rate reset dates of the hedgeable item? (For example, this criterion is met by an interest rate swap with a reference rate that resets on the 15th day of the month that hedges bonds with a variable interest rate that resets on the 18th day of the month.)

22j. Are the periodic interest rate swap payments within 15 days of the periodic payments of the hedgeable item?

*If "yes" to all of questions 22a-j, the interest rate swap is an "effective" <u>cash flow hedge</u> under the Consistent Critical Terms Method. Apply hedging derivative financial reporting treatment and disclosures as outlined in the IRM.*

*If "no" to any one of questions 22 a-j, the interest rate swap is not an "effective" <u>cash flow hedge</u> under the Consistent Critical Terms Method and must be further evaluated. Begin the next stage of the evaluation with question 23.*

***For an "effective" interest rate swap-fair value hedge (¶38):***

23a. Is the notional amount of the interest rate swap the same as the principal amount of the hedgeable item throughout the life of the hedging relationship? (This criterion is met if the notional amount of the interest rate swap and principal amount of the hedgeable item are equal over the entire term of the hedgeable item, even if the hedgeable item amortizes or otherwise adjusts subsequent to the inception of the hedge.)

23b. Upon association with the hedgeable item, does the interest rate swap have a zero fair value?

23c. Is the formula for computing net settlements under the interest rate swap the same for each net settlement? (That is, the fixed rate is the same throughout the term of the interest rate swap. Likewise, each variable payment of the interest rate swap is based on the same variable, such as the same reference rate or index.)

23d. Is it true that the interest rate swap that hedges interest rate risk has a variable payment based on a benchmark interest rate without multiplication by a coefficient, such as 68 percent of LIBOR? (The benchmark interest rate, however, may be adjusted by addition or subtraction of a constant, such as the SIFMA swap index plus 10 basis points, provided that the constant is specifically attributed to the effect of state-specific tax rates.)

23e. Is it true that the hedgeable item is not prepayable? (that is, the hedgeable item is not able to be settled by either party prior to its scheduled maturity). This criterion does not apply to a call option in an interest-bearing hedgeable item that is matched by a mirror-image call option in an interest rate swap if both of the following criteria are met:
(1) A mirror-image call option matches the terms of the call option in the hedgeable item. The terms include maturities, strike price, related notional amounts, timing and frequency of payments, and dates on which the instruments may be called.
(2) The University is the writer of one call option and the holder (or purchaser) of the other call option.

23f. Is the expiration date of the interest rate swap on or about the maturity date of the hedgeable item so that the University will not be exposed to interest rate risk or market risk?

23g. Is it true that the reference rate of the interest rate swap has neither a floor nor a cap?

23f. Does the reference rate of the interest rate swap reset at least every 90 days so that the variable payment or receipt is considered to be at a market rate?

*If "yes" to all of questions 22a-f, the interest rate swap is an "effective" <u>fair value hedge</u> under the Consistent Critical Terms Method. Apply hedging derivative financial reporting treatment and disclosures as outlined in the IRM.*

*If "no" to any one of questions 23 a-f, the interest rate swap is not an "effective" <u>fair value hedge</u> under the Consistent Critical Terms Method and must be further evaluated. Begin the next stage of the evaluation with question 24a.*

***For an "effective" forward contract-cash flow hedge (¶39):***

24a. Is the object of the hedge an existing single asset or liability, or group of assets and liabilities, that are currently measured at fair value on the SRECNA, such as debt or

*If "yes" to question 24a, the derivative instrument is an investment derivative. Apply investment derivative financial reporting treatment and disclosures as outlined in the*

*If "no" to question 24a, continue to 24b.*

24b. Is the object of the hedge an expected single asset or liability, or group of assets and liabilities, that are not currently measured at fair value on the SRECNA, such as the

*If "yes" to question 24b, a hedgeable item exists and therefore continue the evaluation to 24c to determine whether the potential hedging derivative is "effective".*

*If "no" to question 24b, the derivative instrument is an investment derivative. Apply investment derivative financial reporting treatment and disclosures as outlined in the*

24c. Is the forward contract for the purchase or sale of the same quantity or notional amount and at the same time as the hedgeable item?

24d. Upon association with the hedgeable item, does the forward contract have a zero fair value?

24e. Is the reference rate of the forward contract consistent with the reference rate of the hedgeable item?

*If "yes" to all of questions 24c-e, the forward contract is an "effective" cash flow hedge under the Consistent Critical Terms Method. Apply hedging derivative financial reporting treatment and disclosures as outlined in the IRM. Discontinue the evaluation.*

*If "no" to any one of questions 24a-c, the forward contract is not an "effective" cash flow hedge under the Consistent Critical Terms Method. Do not apply hedging derivative financial reporting treatment. Apply investment derivative financial reporting treatment and disclosures as outlined in the IRM. Discontinue the evaluation.*

***Quantitative Methods***

If the interest rate swap or forward contract is not "effective" under the Consistent Critical Terms Method, continue the evaluation using at least one of the quantitative methods discussed below.

**Synthetic instrument method-cash flow hedge (¶42-43):**

25a. Is the notional amount of the potential hedging derivative instrument the same as the principal amount of the associated variable-rate asset or liability throughout the life of the hedging relationship? (This criterion is met if the notional amount of the swap and principal amount of the hedgeable item match for each hedged interest payment, even if the hedged item amortizes or otherwise adjusts subsequent to the inception of the hedge.)

25b. Upon association with the variable-rate asset or liability, does the potential hedging derivative instrument have a zero fair value or is the forward price at-the-market?

25c. Is the formula for computing net settlements under the potential hedging derivative instrument the same for each net settlement; that is, the same fixed rate, reference rate, and constant adjustment, if any, throughout the term of the potential hedging derivative instrument?

25d. Do the interest receipts or payments of the potential hedging derivative instrument occur during the term of the variable-rate asset or liability, and no interest receipts or payments occur after the term of the variable-rate asset or liability? (For example, a swap that hedges the first 10 years of a 15-year variable-rate bond meets this criterion.)

*If "yes" to all of questions 25a-d, the Synthetic Instrument Method may be applied to evaluate the effectiveness of a potential hedging derivative. Continue with question 26.*

*If "no" to any one of questions 25a-d, the Synthetic Instrument Method may not be applied to evaluate the effectiveness of a potential hedging derivative. Skip to question 27 for another quantitative method.*

26. Under the synthetic instrument method, a potential hedging derivative instrument is effective if the actual synthetic rate is substantially fixed. The results of this analysis should be evaluated as follows:

26a. Is the actual synthetic rate within a range of 90 to 111 percent of the fixed rate of the potential hedging derivative instrument?

26b. If the actual synthetic rate is outside the required range for the current reporting period, the actual synthetic rate should be calculated on a life-to-date basis. Is the actual synthetic rate on a life-to-date basis within the required range?

26c. If a short time period has elapsed since inception of the hedge and the actual synthetic rate is outside the required range, the evaluation may include hypothetical payments, as if the hedge had been established at an earlier date. Effectiveness should then be reevaluated. For example, the first reporting period ends 90 days into a 10-year hedge, and when the government prepares its financial statements, it finds that the actual synthetic rate for the 90-day period is outside the 90 to 111 percent range. In that case, hypothetical payments from periods prior to the establishment of the hedge may be added to the evaluation. Does that analysis show a synthetic rate within the required range?

*If "yes" to any of questions 26a-c, the derivative instrument is an "effective" cash flow hedge under the Synthetic Instrument Method. Apply hedging derivative financial reporting treatment and disclosures as outlined in the IRM.*

*If "no" to any one of questions 26a-c, the derivative instrument is not an "effective" cash flow hedge under the Synthetic Instrument Method and must be further evaluated. Skip to question 27 for another quantitative method.*

**Dollar-offset method-fair value or cash flow hedge (¶44):**

27. The dollar-offset method evaluates effectiveness by comparing the changes in expected cash flows or fair values of the potential hedging derivative instrument with the changes in expected cash flows or fair values of the hedgeable item. This evaluation may be made using changes in the current period or on a life-to-date basis. Do changes in either the hedgeable item or the potential hedging derivative instrument divided by the other result within a range of 80 to 125 percent in absolute terms?

*If "yes" to question 27, the derivative instrument is an "effective" as either a cash flow or fair value hedge under the Dollar Offset Method. Apply hedging derivative financial reporting treatment and disclosures as outlined in the IRM.*

*If "no" to question 27, the derivative instrument is not an "effective" cash flow or fair value hedge under the Dollar Offset Method and must be further evaluated. Skip to question 28 for another quantitative method.*

**Regression analysis method (¶45-47):**

Cash flow hedges. If a potential hedging derivative instrument is employed as a cash flow hedge, the relationship analyzed should be relevant cash flows, rates, or fair values of the potential hedging derivative instrument and the hedgeable item. See ¶46.

Fair value hedges. If a potential hedging derivative instrument is employed as a fair value hedge, the relationship analyzed should be the changes in fair values of the potential hedging derivative instrument and the hedgeable item.

28. For either a cash flow or fair value hedge, under the regreession analysis method:

28a. Is the R-squared of the regression analysis is at least 0.80?

28b. Does the F-statistic calculated for the regression model demonstrate that the model is significant using a 95 percent confidence interval?

28c. Is the regression coefficient for the slope is between –1.25 and –0.80?

*If "yes" to all of questions 28a-c, the derivative instrument is either an "effective" <u>cash flow hedge</u> or <u>fair value hedge</u> under the Regression Analysis Method. Apply hedging derivative financial reporting treatment and disclosures as outlined in the IRM.*

*If "no" to any one of questions 28a-c, the derivative instrument is not an "effective" <u>cash flow or fair value hedge</u> under the Regression Analysis Method and must be further evaluated. Skip to question 29 for another quantitative method.*

**Other Quantitative Methods (¶48):**

The University may use a quantitative method to evaluate effectiveness not specifically identified in Statement No. 53 if the method meets all of the following criteria:

29a. Through identification and analysis of critical terms, does the method demonstrates that the changes in cash flows or fair values of the potential hedging derivative instrument substantially offset the changes in cash flows or fair values of the hedgeable item?

29b. Can replicable evaluations of effectiveness be generated that are sufficiently complete and documented such that different evaluators using the same method and assumptions would reach substantially similar results?

29c. Have the substantive characteristics of the hedgeable item and the potential hedging derivative instrument that could affect their cash flows or fair values been considered?

*If "yes" to all of questions 29a-c, another quantitative method may be used to demonstrate effectiveness.*

*If "no" to any of questions 29a-c, another quantitative method may not be used to demonstrate effectiveness.*

## EXISTING OR EXPECTED COMMODITY TRANSACTIONS

Based upon the answers to the following, determine whether the Consistent Critical Terms Method of evaluating a commodity asset or expected transaction results in an "effective" hedge:

**Consistent Critical Terms Method**

***For an "effective" commodity swap-cash flow hedge (¶51):***

30a. Is the commodity swap for the purchase or sale of the same quantity (notional amount) of the same hedgeable item at the same time and delivery location as the hedgeable item?

30b. Upon association with the hedgeable item, does the commodity swap have a zero fair value?

30c. Is the reference rate of the commodity swap consistent with the reference rate of the hedgeable item. (For example, a commodity swap hedges the University's natural gas purchases at the Henry Hub pricing point. That commodity swap also should have a reference rate based on the Henry Hub pricing point to meet this criterion.)

30d. Is it true that the reference rate of the commodity swap does not have a floor or cap unless the hedgeable item has a floor or cap? (Floors and caps place limits on expected cash flows. If the hedgeable item has a floor or cap, the commodity swap has a comparable floor or cap on the variable commodity price.)

*If "yes" to all of questions 30a-d, the interest rate swap is an "effective" <u>cash flow hedge</u> under the Consistent Critical Terms Method. Apply hedging derivative financial reporting treatment and disclosures as outlined in the IRM.*

*If "no" to any one of questions 30 a-d, the interest rate swap is not an "effective" <u>cash flow hedge</u> under the Consistent Critical Terms Method and must be further evaluated. Begin the next stage of the evaluation with question 31.*

***For an "effective" commodity swap-fair value hedge (¶52):***

31a. Is the commodity swap for the purchase or sale of the same quantity (notional amount) of the same hedgeable item at the same time and delivery location as the hedgeable item?

31b. Upon association with the hedgeable item, does the commodity swap have a zero fair value?

31c. Is it true that the hedgeable item is not prepayable? (that is, the hedgeable item is not able to be settled by either party prior to its scheduled maturity). This criterion does not apply to a call option in an interest-bearing hedgeable item that is matched by a mirror-image call option in a commodity swap if both of the following criteria are met:
(1) A mirror-image call option matches the terms of the call option in the hedgeable item. The terms include maturities, strike price, related notional amounts, timing and frequency of payments, and dates on which the instruments may be called.
(2) The University is the writer of one call option and the holder (or purchaser) of the other call option.

31d. Is the expiration date of the commodity swap on or about the maturity date of the hedgeable item so that the University will not be exposed to interest rate risk or market risk?

31e. Is it true that the reference rate of the commodity swap has neither a floor nor a cap?

31f. Does the reference rate of the commodity swap reset at least every 90 days so that the variable payment or receipt is considered to be at a market rate?

*If "yes" to all of questions 31a-f, the commodity swap is an "effective" <u>fair value hedge</u> under the Consistent Critical Terms Method. Apply hedging derivative financial reporting treatment and disclosures as outlined in the IRM.*

*If "no" to any one of questions 31 a-f, the commodity swap is not an "effective" <u>fair value hedge</u> under the Consistent Critical Terms Method and must be further evaluated. Begin the next stage of the evaluation with question 33a.*

***For an "effective" commodity forward contract-cash flow hedge (¶53):***

32a. Is the forward contract for the purchase or sale of the same quantity or notional amount and at the same time as the hedgeable item?

32b. Upon association with the hedgeable item, does the forward contract have a zero fair value?

32c. Is the reference rate of the forward contract consistent with the reference rate of the hedgeable item?

*If "yes" to all of questions 32a-c, the commodity forward contract is an "effective" cash flow hedge under the Consistent Critical Terms Method. Apply hedging derivative financial reporting treatment and disclosures as outlined in the IRM.*

*If "no" to any one of questions 32 a-c, the commodity forward contract is not an "effective" cash flow hedge under the Consistent Critical Terms Method and must be further evaluated. Begin the next stage of the evaluation with question 33a.*

***Quantitative Methods***

If the commodity swap or forward contract is not "effective" under the Consistent Critical Terms Method, continue the evaluation using at least one of the quantitative methods discussed below.

**Synthetic instrument method-cash flow hedge (¶56-57):**

33a. Is the notional amount of the potential hedging derivative instrument the same as the quantity of the hedgeable item?

33b. Upon association with the hedgeable item, does the potential hedging derivative instrument have a zero fair value or is the forward price at-the-market?

*If "yes" to all of questions 33 a-b, the Synthetic Instrument Method may be applied to evaluate the effectiveness of a potential hedging derivative. Continue with question 34.*

*If "no" to any one of questions 33 a-b, the Synthetic Instrument Method may not be applied to evaluate the effectiveness of a potential hedging derivative. Skip to question 35 for another quantitative method.*

34. Under the synthetic instrument method, a potential hedging derivative instrument is effective if the actual synthetic rate is substantially fixed. The results of this analysis should be evaluated as follows:

34a. Is the actual synthetic rate within a range of 90 to 111 percent of the fixed rate of the potential hedging derivative instrument?

**Dollar-offset method-fair value or cash flow hedge (¶58):**

35. The dollar-offset method evaluates effectiveness by comparing the changes in expected cash flows or fair values of the potential hedging derivative instrument with the changes in expected cash flows or fair values of the hedgeable item. This evaluation may be made using changes in the current period or on a life-to-date basis. Do changes in either the hedgeable item or the potential hedging derivative instrument divided by the other result within a range of 80 to 125 percent in absolute terms?

*If "yes" to question 35, the derivative instrument is an "effective" as either a <u>cash flow or fair value hedge</u> under the Dollar Offset Method. Apply hedging derivative financial reporting treatment and disclosures as outlined in the IRM.*

*If "no" to question 35, the derivative instrument is not an "effective" cash flow <u>or fair value hedge</u> under the Dollar Offset Method and must be further evaluated. Skip to question 36 for another quantitative method.*

**Regression analysis method (¶59):**

**Cash flow hedges.** If a potential hedging derivative instrument is employed as a cash flow hedge, the relationship analyzed should be relevant cash flows, rates, or fair values of the potential hedging derivative instrument and the hedgeable item. See ¶60.

**Fair value hedges.** If a potential hedging derivative instrument is employed as a fair value hedge, the relationship analyzed should be the changes in fair values of the potential hedging derivative instrument and the hedgeable item.

For either a cash flow or fair value hedge, under the regreession analysis method:

36a. Is the R-squared of the regression analysis is at least 0.80?

36b. Does the F-statistic calculated for the regression model demonstrate that the model is significant using a 95 percent confidence interval?

36c. Is the regression coefficient for the slope is between –1.25 and –0.80?

*If "yes" to all of questions 36a-c, the derivative instrument is either an "effective" <u>cash flow hedge or fair value hedge</u> under the Regression Analysis Method. Apply hedging derivative financial reporting treatment and disclosures as outlined in the IRM.*

*If "no" to any one of questions 36a-c, the derivative instrument is not an "effective" <u>cash flow or fair value hedge</u> under the Regression Analysis Method and must be further evaluated. Skip to question 37 for another quantitative method.*

**Other Quantitative Methods (¶62):**

The University may use a quantitative method to evaluate effectiveness not specifically identified in Statement No. 53 if the method meets all of the following criteria:

37a. Through identification and analysis of critical terms, does the method demonstrates that the changes in cash flows or fair values of the potential hedging derivative instrument substantially offset the changes in cash flows or fair values of the hedgeable item?

37b. Can replicable evaluations of effectiveness be generated that are sufficiently complete and documented such that different evaluators using the same method and assumptions would reach substantially similar results?

37c. Have the substantive characteristics of the hedgeable item and the potential hedging derivative instrument that could affect their cash flows or fair values been considered?

*If "yes" to all of questions 37 a-c, another quantitative method may be used to demonstrate effectiveness.*

*If "no" to any of questions 37 a-c, another quantitative method may not be used to demonstrate effectiveness.*

# MetLife®

Metropolitan Life Insurance Company
New York, NY

| Contractholder | |
|---|---|
| The University of California | |
| **Group Annuity Contract No.** | **Issue Date** |
| 29861 | January 25, 2008 |

In Consideration of the Contractholder's payments under this Contract,

**Metropolitan Life Insurance Company**
A Stock Company
("MetLife")

agrees to make payments, and to pay annuities bought, under this Contract in accordance with and subject to its terms.

Therefore, the Contractholder and MetLife execute this Contract in duplicate to take effect as of the Issue Date.

The Regents of the University of California Office of the Treasurer

Signature

Title

Witness

Date

City and State

Metropolitan Life Insurance Company

Gwenn L. Carr

Gwenn L. Carr
Senior Vice-President
and Secretary

C. Robert Henrikson

C. Robert Henrikson
Chairman, President
and Chief Executive
Officer

Registrar

SPECIMEN

Date

City and State

ALTHOUGH THIS IS A PARTICIPATING CONTRACT, METLIFE DOES NOT ANTICIPATE THAT THIS CONTRACT WILL BE ENTITLED TO ANY DIVIDEND. SEE SECTION 6.1.

Defined Contribution Plan Accumulation Contract
Nonparticipating Annuities

# Contents

## Section 1. Introduction

1.1 **"Plan" means** the University of California Defined Contribution Plan and the University of California 457(b) Deferred Compensation Plan. **The Contractholder has given MetLife a copy of the Plan as in effect on the Issue Date. The Plan is mentioned for reference purposes only. MetLife is not a party to the Plan.**

1.2 **"Plan Reserve Account" means the account MetLife will establish under this Contract and to which it will add Contractholder payments of Plan contributions.**

1.3 **"Qualified Plan" means a plan that meets the requirements for qualification under Section 401 of the United States Internal Revenue Code or that is a governmental plan, as defined in Section 414 (d) of such Code, including plans that meet the requirements under Section 457(b) of such code, established by an employer for the exclusive benefit of its employees or their beneficiaries and under which it is impossible before the satisfaction of all liabilities with respect to such employees and their beneficiaries for any part of the corpus or income to be diverted to purposes other than for their exclusive benefit. The Contractholder represents that the Plan is a Qualified Plan as of the Issue Date.**

## Section 2. Relation Between Plan and Contract

### 2.1 General Understanding

**The Plan permits contributions made thereunder to be paid to an insurance company under a contract of this type. However, the existence of this Contract between the Contractholder and MetLife does not cause MetLife to be a fiduciary of the Plan.**

**The Contractholder and MetLife agree as follows:**

(1) As of the Issue Date of this Contract the Plan has certain provisions and/or related administrative practices applicable to contributions by and on behalf of participants, investment options available to Plan participants, allocation of contributions (including loan repayments) among the Plan's investment options, transfers of account balance amounts between investment options and payments to participants or their beneficiaries because of retirement, termination of employment, disability, death, loans or in-service withdrawals. References in this Contract to the Plan's provisions mean, unless MetLife agrees otherwise, such provisions and/or administrative practices as in effect on the Issue Date.

As used in this Contract, "termination of employment" does not include either (i) transfer or other change of employment from an employer to a parent, subsidiary or any company under common ownership or control with the employer, or (ii) any change of employers as the result of the spin-off, sale or merger of any unit of the employer or Plan sponsor.

(2) Participants will exercise their own independently determined judgments, without influence or direction by the Contractholder, employer or Plan sponsor, in regard to their actions under the Plan. Upon request by MetLife, the Contractholder will furnish it with copies of communications to participants concerning the Plan.

(3) For purposes of this Contract the investment option which invests Plan assets in guaranteed interest contracts issued by insurance companies and other fixed income funding vehicles will be referred to as the ICC Fund.

(4) Under the Plan's terms and administrative practices, Plan participants may elect once each month to transfer all or part of their account balances in any of the Plan's investment options to another such option, except that no such transfer may be made

directly between the Plan's ICC Fund and the Plan's Savings Fund or the Plan's Money Market Fund.

### 2.2 Changes in Plan's Terms and Operation; Competing Plan

**The Contractholder agrees to furnish MetLife promptly with a copy of each amendment to the Plan that takes effect after the Issue Date and to notify MetLife promptly if the Plan is determined not to be a Qualified Plan.**

**If the Plan is amended so that its terms no longer conform to those set out in Section 2.1, or if in practice the Plan is administered in a manner that has the substantive effect of changing the Plan's terms or administration from that set out in Section 2.1, or if any of the agreements expressed in Section 2.1 or this Section 2.2 is breached, or if the Contractholder has not made any payment specified in Section 3.1 by the end of the Grace Period or any report specified in Section 4, or if the Plan is determined not to be a Qualified Plan, MetLife will have the right as of the effective date of such Plan amendment, administrative change or breach of agreement, or as of the end of the Grace Period in which the Contractholder did not make the required payment, or as of the date the Contractholder did not make the required report or MetLife learns that the Plan is no longer a Qualified Plan, to do any or all of the following:**

(a) If the Plan is amended so that its terms no longer conform to those set out in Section 2.1, or if in practice the Plan is administered in a manner that has the substantive effect of changing the Plan's terms or administration from that set out in Section 2.1, and MetLife determines that such amendment or administrative change would adversely affect MetLife's financial experience under this Contract, the following provisions will apply:

(i) If MetLife determines that such amendment or change would increase the amount of payments MetLife would have to make under this Contract or change the interval between such payments, MetLife will make only the payments that MetLife determines would have been made if the amendment or change had not been made.

(ii) If MetLife determines that such amendment or change would decrease the amount of payments MetLife would have to make under this Contract or change the interval between such payments, MetLife will determine the additional amounts that it will withdraw from the Plan Reserve Account and pay to the Contractholder so that the aggregate of all payments made by MetLife under this Contract would be the same as the payments that would have been made under this Contract had the amendment or change not been made.

The terms of this item (a) will not apply to any Plan amendment that is required to maintain the Plan's status as a Qualified Plan.

(b) If the Contractholder has not made any report specified in Section 4, or if the Plan is determined not to be a Qualified Plan, or if any of the agreements expressed in Section 2.1 or this Section 2.2 is breached, and MetLife determines that such event would adversely affect MetLife's financial experience under this Contract, MetLife will have the right to charge the Contractholder and, to the extent not paid by the Contractholder, to withdraw from the Plan Reserve Account, the amount necessary to compensate MetLife for the loss or losses MetLife in its sole discretion determines in connection with an event described in this item (b).

If MetLife exercises its rights under the foregoing items (a) and (b) and within 90 days thereof the Contractholder and MetLife agree upon an alternative arrangement, then MetLife will rescind its action or actions under said items upon such agreement. No action by MetLife under said items (a) and (b) will exceed that necessary to avoid an impairment of MetLife's financial experience under this Contract. In any event MetLife will provide the Contractholder with sufficient information to substantiate MetLife's action.

If under the Plan, the nature or length of maturity of investments, or the operation of any investment option offered, changes significantly from that in effect on the Issue Date in a manner that causes such option to become competitive with the Plan's ICC Fund, then MetLife will have the right to deem such change to be a change in the Plan's terms as contemplated by the second paragraph of this Section 2.2 and so permit MetLife to exercise its rights under subitem (i) of said second paragraph.

If the Contractholder, employer or Plan sponsor establishes another pension or profit sharing plan or program to which participants contribute, or any plan or program to which participants contribute and which contains a savings element, or amends an existing plan or program so that it falls within the foregoing description, and if such plan or program is available to participants eligible for the Plan, or if the employer agrees to make payroll deductions for another plan or program (whether or not established by the employer) as described in this paragraph on account of participants eligible for the Plan, then MetLife will have the right to deem such action to be a change in the Plan's terms as contemplated by the second paragraph of this Section 2.2 and so permit MetLife to exercise its rights under item (a) of said second paragraph.

If a spin-off, sale or merger of any unit of the employer or Plan sponsor occurs, and if with respect to Plan participants employed by that unit

(i) such Plan participants become participants under a defined contribution plan adopted by the successor employer (the "Successor Plan"),

(ii) the Successor Plan provisions conform to those represented to MetLife for the Plan pursuant to Section 2.1 of this Contract, and

(iii) the successor employer applies to MetLife for a guaranteed interest contract issued in connection with the Successor Plan (the "Clone Contract") to receive, at issue, designated amounts which had been added to the Plan Reserve Account under this Contract,

then MetLife will, upon mutual agreement with the successor employer, do the following:

(a) Issue the Clone Contract to the new Contractholder in accordance with MetLife's underwriting guidelines for contracts in the class to which this Contract belongs.

(b) Amend this Contract to effect the withdrawal and transfer to the Clone Contract of the portion of the Plan Reserve Account attributable to Plan participants employed by the successor employer.

(c) Assess a one-time expense charge of $1,500.00 in connection with the issuance of the Clone Contract and the corresponding amendment of this Contract.

However, if MetLife and the successor employer do not reach a mutual agreement for the issuance of a Clone Contract, then MetLife will apply the provisions of the next following paragraph separately to each business-related event that would otherwise have resulted in the issuance of a Clone Contract.

If a Plan or business-related event causes a group of participants eligible on the Issue Date to be thereafter excluded from eligibility, and if as a result of such exclusion withdrawals are to be made on account of such participants, the Contractholder will (i) promptly advise MetLife of any such event and (ii) as soon as practicable thereafter request MetLife to withdraw from the Plan Reserve Account this Contract's share (see

Section 4.1) of the amounts needed to accommodate such event. The Contractholder will identify to MetLife amounts to be withdrawn for each such event. MetLife will determine the ratio of the amount of each such withdrawal to the amount in the Plan Reserve Account as of the date prior to the day such withdrawal is to be paid. So long as the sum of all such ratios attributable to all such events, determined since the Issue Date, expressed as a percentage, does not exceed 10%, MetLife will make application of such withdrawals in accordance with item (a) or (b) of Section 4.3. If an event would cause the sum of these percentages to exceed 10%, then MetLife will deem such event to be a change in the Plan's terms as contemplated by the second paragraph of this Section 2.2 and so permit MetLife to exercise its rights under subitem (i) of said second paragraph. This paragraph does not apply to events, such as layoffs and plant closings, that result in bona fide termination of employment for participants.

## Section 3. Payments to MetLife

### 3.1 Payments for Addition to the Plan Reserve Account

**The Contractholder will pay to MetLife under this Contract the following:**

$4,562,500.00 on January 31, 2008.

MetLife will add such payment to the Plan Reserve Account as of the date of MetLife's receipt of the payment.

### 3.2 Interest Rates

**MetLife will credit interest on amounts while in the Plan Reserve Account. Interest will be credited from the date of addition up to, but not including, the date of withdrawal from the Plan Reserve Account.**

Such interest will be credited at a rate, compounded daily, equivalent to an effective annual rate of 5.05% which will be the rate of return under this Contract on amounts while in the Plan Reserve Account.

### 3.3 Payment of Expenses

**The administrative expenses allocated to this Contract will be as follows:**

MetLife will determine the administrative expense charges allocated to this Contract if MetLife performs administrative services under this Contract at the Contractholder's request that are not otherwise provided for by this Contract. MetLife will provide an estimate of the administrative expense charge prior to performing any services requested by the Contractholder, and will not perform such services prior to the Contractholder's acceptance of such estimated charges. MetLife will notify the Contractholder after the completion of such services of the amount of the expense charges due.

The Contractholder will, upon receipt of notice of the amount of such expense charges, pay MetLife such amount. MetLife will not add any such payment to the Plan Reserve Account. To the extent the Contractholder does not pay all or any portion of such amount within the Grace Period, MetLife will have the right to withdraw the unpaid amount from the Plan Reserve Account.

### 3.4 Grace Period

**The Contractholder will have a Grace Period of 31 days within which to pay MetLife any amount, except the first amount, payable under this Contract.**

## Section 4. Payments by MetLife

### 4.1 Reports of Plan Benefits and Transfers

**The Contractholder will promptly report to MetLife under this Contract the following:**

Provided all amounts in the Plan's ICC Fund attributable to amounts allocated or transferred to such Fund after January 31, 2008 have been exhausted, the amount of each Net Withdrawal from the Plan's ICC Fund made after January 30, 2008.

In such report, the Contractholder will also specify the application of any such amount under Section 4.3.

As used in this Contract, the term Net Withdrawal means for any month the excess, if any, of (1) the amounts withdrawn or transferred from the Plan's ICC Fund, pursuant to the Plan provisions referred to in Section 2.1, during that month over (2) the amounts allocated or transferred to the Plan's ICC Fund, pursuant to such provisions, during that month.

For purposes of this Section 4.1, any amounts attributable to the Plan's ICC Fund paid to another guaranteed interest contract or other funding vehicle after January 31, 2008 will be deemed amounts allocated or transferred to such Fund after January 31, 2008. In addition, such funding vehicle will not be considered exhausted because of the bankruptcy, insolvency or other failure to act of the bank, insurance company or other entity providing it.

### 4.2 Withdrawals from Plan Reserve Account

**MetLife will withdraw from the Plan Reserve Account each amount the Contractholder reports under Section 4.1.**

**MetLife will make each withdrawal from the Plan Reserve Account under this Section 4.2 as of the date the Contractholder specifies in its report under Section 4.1, except that MetLife will not make any withdrawal as of a date before the date MetLife receives the Contractholder's report.**

In addition to any withdrawal on account of a report under Section 4.1, MetLife will withdraw the entire amount remaining in the Plan Reserve Account on January 31, 2013.

Notwithstanding the foregoing paragraphs of this Section 4.2, MetLife, in its sole discretion and upon notification to the Contractholder by no later than December 31, 2008, may withdraw the entire amount remaining in the Plan Reserve Account on January 30, 2009. After MetLife makes such withdrawal and applies the amount withdrawn under item (b) of Section 4.3, no further withdrawals will be made from the Plan Reserve Account under this Section 4.2.

If the date any withdrawal would otherwise be made is a day on which MetLife, MetLife's bank or the payee is not open for business, such withdrawal will be made on the next following date on which all such parties are open for business.

In no event will any withdrawal from the Plan Reserve Account exceed the total amount in the Plan Reserve Account.

**4.3 Application of the Plan Reserve Account Withdrawals**

**MetLife will apply each amount withdrawn from the Plan Reserve Account under Section 4.2 in one of, or a combination of, the following ways, as the Contractholder specifies:**

**(a) To buy immediate annuities under this Contract on account of persons entitled to Plan benefits.**

**(b) To provide a payment to the Contractholder or, upon agreement between the Contractholder and MetLife, to a payee the Contractholder names.**

**If the amount withdrawn from the Plan Reserve Account under Section 4.2 exhausts the Plan Rese0rve Account and if there are then any charges under Section 3.3 not previously paid by the Contractholder, then notwithstanding the first paragraph of this Section 4.3, MetLife will deduct such charges from the amount withdrawn from the Plan Reserve Account before making any application under the foregoing item (a) or (b).**

## Section 5. Annuities

### 5.1 Annuity Purchase

At the Contractholder's option, all or part of any amount payable under Section 4 may be used to buy annuities under this Contract for persons entitled to Plan benefits.

The Contractholder will report the following information to MetLife for each person on whose account an annuity is to be bought under this Contract.

(a) The date as of which payment of the annuity is to commence. Such date will be the Annuity Commencement Date. The Annuity Commencement Date may not be more than 60 days after the date of the Contractholder's report. If MetLife receives the report less than 30 days before the date reported as the Annuity Commencement Date, MetLife will have the right to make the Annuity Commencement Date the first day of the month next following the date reported by the Contractholder.

(b) The amount to be applied as a Stipulated Payment to buy the annuity.

(c) The form of annuity to be bought.

(d) The name, sex, date of birth and any other relevant data for each annuitant.

### 5.2 Stipulated Payments

Stipulated Payments are the amounts required to buy annuities under this Contract. As of the Issue Date, the Stipulated Payments to buy annuities are those set forth in Section 7. MetLife may change such Stipulated Payments on the first anniversary of the Issue Date and at any time thereafter. No such change will be made within one year of any previous change. MetLife will give the Contractholder at least 90 days notice of any change in Stipulated Payments.

### 5.3 Certificates

MetLife will issue to the Contractholder, for delivery to each annuitant, a certificate outlining the benefits payable under the annuity.

Any certificate or certificate rider issued under this Contract that contains MetLife's name in the space provided for execution thereof

**will be considered as certified by MetLife as fully as if the signature of one of its officers appeared in such space.**

**5.4 Misstatements**

**If the age or any other relevant fact relating to any annuitant is found to be misstated, MetLife will not pay a greater amount of annuity than that provided by the actual Stipulated Payment and the correct information. Any overpayment or underpayment of an annuity will, together with interest, be deducted from or added to, respectively, future annuity payments. The interest rate will be that used to determine the Stipulated Payment.**

## Section 6. General Provisions

### 6.1 Participation; Dividends*

This Contract is a participating contract except that the financial experience of annuities bought under this Contract will not be considered in determining this Contract's financial experience. MetLife will determine annually any dividend to which this Contract may be entitled. However, in view of the manner in which MetLife determines the rates of interest credited under this Contract on amounts in the Plan Reserve Account, MetLife does not anticipate that this Contract will be entitled to any dividend. Any dividend will be paid to the payee the Contractholder names.

* See Endorsement Form G.7812-47

### 6.2 Entire Contract

This Contract is the entire contract between the parties. The Contractholder's statements will be deemed representations and not warranties. No sales representative or other person, except an authorized officer of MetLife, may make or change any contract or make any binding promises about any contract on behalf of MetLife. Any amendment, modification or waiver of any provision of this Contract will be in writing and may be made effective on behalf of MetLife only by an authorized officer of MetLife.

### 6.3 Assignment or Alienation

No amounts payable under this Contract may be assigned or encumbered and, to the extent permitted by law, no amount payable under this Contract will be subject to legal process or attachment for payment of any claim against any payee. This Contract may not be assigned to any person except the Plan sponsor or a trustee of the Plan; however, if the Plan is consolidated or merged with another plan or if the assets and liabilities of the Plan are transferred to another plan, this Contract may be assigned to the plan sponsor or trustee of such other plan.

### 6.4 Liability for Payments

MetLife has no obligation to inquire as to the authority of any payee to receive any payments made under this Contract or to inquire into or see to the payee's application of any amounts so paid.

**6.5 Communications; Payments**

**All communications between the Contractholder and MetLife provided for in this Contract will be in writing. For this purpose MetLife's address is 200 Park Avenue, New York, New York 10166–0188. The Contractholder will state its address to MetLife. All payments to MetLife under this Contract are payable at its Home Office. Any communication or payment may be made for the Contractholder by a party or parties the Contractholder names to act on its behalf.**

**MetLife will report to the Contractholder the amount in the Plan Reserve Account. Such reports will be made** monthly.

**6.6 Information to be Furnished**

**The Contractholder will furnish all information and documents that MetLife may reasonably require to determine its rights and duties under this Contract and to otherwise administer this Contract in accordance with its terms.**

**6.7 Termination of Contract**

**This Contract will cease upon MetLife's and the Contractholder's fulfillment of all their duties and obligations hereunder.**

## Section 7. Stipulated Payments

**The Stipulated Payment for an annuity is the amount from the appropriate schedule below for each $1 of monthly annuity payment, plus $500 and plus any applicable tax.**

(A) Life Annuity —— Payable on the first day of each month from the date of purchase to the first day of the month in which the annuitant dies.

| Annuitant's Exact Age | Amount per $1 Monthly Annuity Payment |
|---|---|
| 55 | $262.37 |
| 56 | 258.51 |
| 57 | 254.57 |
| 58 | 250.55 |
| 59 | 246.46 |
| 60 | 242.29 |
| 61 | 238.04 |
| 62 | 233.71 |
| 63 | 229.30 |
| 64 | 224.81 |
| 65 | 220.23 |
| 66 | 215.56 |
| 67 | 210.81 |
| 68 | 205.97 |
| 69 | 201.05 |
| 70 | 196.05 |

Edition 2000
(Unisex)

(B) Joint and Survivor Annuity —— Payable on the first day of each month from the date of purchase to the first day of the month in which the second of the annuitants dies.

| Annuitants' Exact Ages | | |
|---|---|---|
| Primary Annuitant | Survivor Annuitant | Amount per $1 Monthly Annuity Payment |
| 55 | 60 | $285.66 |
| 60 | 65 | 267.78 |
| 65 | 65 | 257.08 |

Edition 2000
(Unisex)

On request MetLife will furnish values for ages and forms of annuity not shown. Also, if at the time an annuity is bought MetLife makes it available on more favorable values under contracts in the class to which this Contract belongs, then such more favorable values will be applicable. MetLife will calculate such values on the same actuarial basis as that used to determine the values shown above.

**MetLife®**

Metropolitan Life Insurance Company
New York, NY

**Group Annuity Contract No.** 29861 **issued to**

The University of California

**is hereby endorsed as follows effective** January 25, 2008:

> Notwithstanding any provision of this Contract to the contrary, this Contract is non-dividend paying. As a result, (i) Section 6.1 and (ii) any paragraph on the cover page relating to such Section are deleted.

**This endorsement is attached to and made part of the Contract.**

Metropolitan Life Insurance Company

Gwenn L. Carr

Gwenn L. Carr
Senior Vice-President and Secretary

Registrar

Date

City and State

Form G.7812-47