

## Meeting Minutes –I&RS Review Board

CATEGORY	DESCRIPTION
Meeting Name:	DTCC I&RS Review Board
Facilitator	Jeanann Smith, Cory Stark
Scribe	Jeanann Smith, Cory Stark
Date & Time:	May 1, 2018 2pm – 3:30pm
Location:	Conference Call

## Advisory Group Attendees

NAME	GROUP
Karen Mottley	ACORD
Zack Nyberg Nate Strauman Andrew Carter	Allianz
Carol Albright	Allstate
Michele Reece	American Equity
Susanne Kennedy Makayla Briggs	Athene
Josh Gerlach Kelly Dinville Mark Watermillier Dyan Barker Joseph Mark Franceus	Brighthouse
Alex Wiebke Cathy Moore John Cutsforth	CUNA Mutual
Dawn Maffioli	Delaware Life
Jeanann Smith Cory Stark	DTCC
Saul Herrera Bryan Holland Rich Sutphin	Ebix
Jennifer Yerly	Genworth
Ellen Lester	Global Atlantic
Michael Sullivan	Hartford
Katherine Dease	Insurance Technologies
Catrice Lane Brian Kleman Sudeep Singh	Jackson National
Dan Falco Sanjay Bharadia	John Hancock
Rob Hosier	Lincoln
Julie Taylo Andrew Hyland	LPL

Sarah Baraff	M Financial
Dave Desrocher Jennifer Demos	Mass Mutual
Carol Steele Angela Thompson	Merrill Lynch
Joe Wengler	Morgan Stanley
Karen Brenneman	National Financial
Gary Carmichael Janie Modd	Nationwide
Matt Sullivan	New York Life
Laura Klohe Tara Martin Dan Lyons	Ohio National
Randi Gordon Dan Smith Liz Moore	Pacific Life
Thomas Tofil	Prudential
Stephen Terry	Raymond James
Mike Grund	Sammons
Bev Eriean	Securian
Deb Hillebert	Security Benefit
Ryan Hoffman	Stifel
Sathya Srinivasan Monica Avery	SunAmerica
Wendell Tobiason Heather Lyons Chani Lu Allie Floro	Symetra
Fran Forslund Nancy Merryman Daniel Reiss	TransAmerica
Anne Schoville Nick Jellings	Voya
Jeanne Adams-Taylor Jim Gilmore	Wells Fargo

## Meeting Minutes

### **Enhancements Re-Reviewed:**

#### **IPS00587 – AAP, FAR, POV – Add Additional Output Cycle Time**

Today, the current output cycles are as follows for POV, FAR and AAP for production. DTCC systems are open to receive inbound files Monday through Saturday 1:00am – midnight.

This enhancement request is to add an additional output cycle for all three services at 2:00am.

Today's status: DTCC has analyzed the timing of the data files AIG was interested in. The results show a limited amount of data files is received prior to 2am. Approximately 25% of data is received before 2am. The critical mass would not be included with an earlier cycle output. DTCC had asked other meeting attendees on the call if they have the same request and there was no response. In addition, an earlier cycle time would impact DTCC's start of day processing and would need to be reviewed more thoroughly.

DTCC does not see an earlier processing time resolving the AIG issue. At this time, DTCC will not consider an earlier processing cycle of 2am(est). A follow up call is scheduled with AIG to discuss alternatives.

4/3/18 status: The Review Board discussed adding an additional early cycle of 2am (ET) to the 3 products identified for all output cycle days (Mon-Sat). Several carriers, including those located in the west coast, reported they probably would not have output data available at that time from the batch processing. It was suggested only the Monday business day have an added 2am cycle. Several carriers reported a 1 day, 2am cycle would impact their processing and the thought of a Monday falling on a holiday would add other complexities.

DTCC said they would review potential options internally and report back to the group on the next Review Board call.

03/06/18 status: This enhancement request was reviewed and remains pending for the next Review Board call. This change would require all recipients of FAR, POV and AAP data to be prepared to accept an earlier (2am ET) cycle transmission. In addition, all submitters of this data are to be prepared to accept any rejected transactions at the earlier cycle transmission time.

### **IPS00589 – APP, FAR – Friday Holiday Processing No Batch Cycle Processing**

Schwab would like some changes to the DTCC Friday Holiday processing schedule. This request is specific only when the holiday falls on a Friday. The Good Friday Holiday is one holiday that consistently falls on Friday every year. Schwab believes that the change being requested will make sense to others and is more in line with other holiday processing outside of annuities.

The requested change is to also send the Annuity Asset Price (AAP) and Financial Activity Reporting (FAR) file with the Positions & Valuation (POV): Full Refresh (PVF) on Friday morning (day after the holiday) to the recipients (Distributors and Broker/Dealers) instead of Saturday morning.

Today's status: Schwab representation was not present on the call to describe their request.

**This enhancement has been withdrawn from review.**

4/3/18 status: Schwab representation was not present on the call to describe their request. This enhancement was deferred for the next call.

### **New Enhancements Reviewed:**

#### **IPS00591 – COM – Add new CBRC Code**

Requesting additional CBRC codes for trail options. Need the ability to report the payment of trails that are not based on 'net' premiums and income value.

Add the following new codes to Item #2060 Commission Basis Reason Code List

The codes will be added to the Asset Based Commissions - Trails and Renewals on the Reason Code Section of the Reason Code List

Code = TNP	Commission Only for Trails (Net Premium Based)
Code = CTN	CB Commission Only for Trails (Net Premium Based)
Code = TIV	Commission Only for Trails (Income Value Based)
Code = CTI	CB Commission Only for Trails (Income Value Based)

These new codes will be used to report the payment of trail commissions based on net premiums and income value.

Today's status: The review board agreed to include these codes with the next release (September). Code value representation will be defined by DTCC. The group requested Nationwide define 'Net Premium Based' and include this definition/description within the commission basis reason code list.

Post meeting note: Nationwide provided the following definition for Net Premium: *Net premium is equal to the total premium, minus liquidity withdrawals and payments.*

## **Approved for September Release**

### **IPS00592 – CST – Add Schedule Banding Codes**

This request is to add the ability to communicate trails based on specific attributes to new trail basis codes for trail options. Adding these new codes will allow Nationwide to pay trails on the account value of a contract but also on the net premium or income value of a policy.

Add the following new codes to item #1032 Trail Basis:

Code = NP      Net premium    (commissions based on net premiums only).  
Code = IV      Income Value    (commission based on income value only).

Today's status: The review board agreed to include these codes with the next release (September). The group requested Nationwide define 'Net Premium' and include this definition/description within the commission basis reason code list.

Post meeting note: Nationwide provided the following definition for Net Premium:  
*Net premium is equal to the total premium, minus liquidity withdrawals and payments.*

## **Approved for September Release**

### **IPS00593 – APP, FAR, POV – Add Index Linked Annuity Work Group Codes**

This request was created by the I&RS Review Board's Index Linked Hybrid Product Work Group. It outlines the suggested and agreed upon reporting on index linked hybrid annuities on the DTCC files leveraging multiple records and code lists. These new fields and codes will be used to specifically report on the new index hybrid annuity products.

Required elements include the following products and are requesting new fields and additional codes for existing code list:

- APP/SUB – new codes
- FAR – new codes
- POV – two new fields and new codes

Today's status: The review board requested further conversation take place to agree on the identified Security Type codes . The group wants to review if additional types codes should also be included with the enhancement.

**To be reviewed on June's review board meeting**

**IPS00594 – COM – Add new CBRC Code**

This request is to add a new value to the Commission Basis Reason Code List that would represent "Levelized Plan Compensation". This would be an IPS equivalent to Commission Type 17 from the DTCC Mutual Fund Payment aXis file

Since the original DOL rule was created record keepers have been moving their commissionable business to levelized. LPL will no longer be allowing upfront commissions in July. We are requiring all providers move to level and need an indicator that can tell us once the payments have become level.

Commission Basis Reason Code requested:

Code = LPC	Levelized Plan Compensation
Code = CLP	Chargeback Levelized Plan Compensation

Today's status: Review Board approved for next available code release.

**Approved for the code list release which is scheduled for June 2018.**

**Discussion Items:**

- **TLS Upgrade Support (web services – complete before July 1<sup>st</sup>)**
  - Work continues on upgrading TLS versioning on web service URLs.  
Please note: DTCC will only support 1.1 and 1.2. The default is going to be set to 1.2 (with 1.1 as an exception)
  - PSE upgrade: completed on April 26<sup>th</sup>.
  - Production upgrade: May 17, 2018 or June 21, 2018
- **Reg SCI testing 2018**
  - Saturday, August 18<sup>th</sup> (pre-test)
  - Saturday, October 13<sup>th</sup> (test)
- **IAR/RIA – POV: Fund Transfer Restriction Reason Codes (Allianz)**

Today's status: This topic was discussed on today call.

Allianz has a potential need in the near future to start sending a level of discretion for an advisor (IAR). We have a few different levels internally

but ultimately each level defines what transactions the IAR can perform on behalf of the client. Nothing, exists at the Rep level to determine different levels to define what types of transactions the Rep can perform on behalf of the client's account.

*Allianz will review the feedback they heard on the call and determine if an enhancement request will be submitted for further review.*

- **New Oregon Transportation Tax – need the ability to report on the FAR transactions (Lincoln)**

*Today's status:* This topic was discussed on today call. Lincoln informed the review board this transportation tax was withdrawn and no longer required.

From Lincoln: Below is an excerpt from the internal communication regarding the OR tax and as noted the tax on pension and annuity payments was removed from the bill that was passed in 2017. *Oregon House Bill 4059 was signed by the Oregon governor on April 10, 2018. This bill removes the Statewide Oregon Transportation Tax withholding requirement from periodic pension and annuity payments.*

The link is to the actual law.

<https://olis.leg.state.or.us/liz/2018R1/Measures/Overview/HB4059>

**POV: Determining the Contract Percent Amount with a Contract Percentage Value Qualifier: Total Base Fee % (TBF) (Lincoln)**

*Today's status:*

**Review Board Homework:** The Review Board Carriers were asked to send their responses to Jeanann ([jsmith@dtcc.com](mailto:jsmith@dtcc.com)) and Cory ([Cstark@dtcc.com](mailto:Cstark@dtcc.com)) for the following questions:

1 – Are you sending Total Base Fee %?

2- What is your calculation for determining the Total Base Fee %?

The information we receive from the Board will be collected and reviewed during the next review board meeting.

- **Commission Processing - Standard Usage**

Jackson National has documented standard usage for identifying the "Party Role" when sending Commission (COM) and Position (POV) data files. This usage is based on the following assumptions:

- Non-primary owners & non-primary annuitants should not be sent in the COM file.
- 'OK' role should be assigned only if the client is the primary annuitant and primary owner.
- *The roles of HA & G2 can be used in place of OK.*
- *JV (joint owner) should not be present in POV more than once on a policy.*

Today's status: the review board agreed that only the primary owners and annuitants will be sent on COM and FAR. This is not to 'describe' the parties to the contract on the COM file but to use as a validation/identifying element only. All specific roles that apply to the contract should be sent on the POV file.

The full 'party roles' OK, HA, JV, G2, HC, etc would be sent only on POV. Only primary (OK or HA, G2) would be sent on COM and FAR

Legend:

Primary Role
Secondary/Joint Role

<b>Scenario #1</b>	<b>Name</b>	<b>Roles – COM &amp; FAR</b>	<b>Roles -POV</b>
Primary Owner	Jim Smith	HA	HA
Joint Owner	Betty Smith	-	JV
Primary Annuitant	Betty Smith	G2	G2
Joint Annuitant	N/A	-	-
<b>Scenario #2</b>	<b>Name</b>		
Primary Owner	Jim Smith	OK	OK
Joint Owner	Betty Smith	-	JV
Primary Annuitant	Jim Smith	-	-
Joint Annuitant	Betty Smith	-	HC
<b>Scenario #3</b>	<b>Name</b>		
Primary Owner	Jim Smith	HA	HA
Joint Owner	Betty Smith	-	JV
Primary Annuitant	Betty Smith	G2	G2
Joint Annuitant	Jim Smith	-	HC
<b>Scenario #3</b>	<b>Name</b>		
Primary Owner	Jim Smith	HA	HA
Joint Owner	Betty Smith	-	JV
Primary Annuitant	Sally Smith	G2	G2
Joint Annuitant	-	-	-

- **POV : Suggested Usage for Contract Value Qualifiers and Service Features (Merrill Lynch)**

We are trying to make sure we understand the standard usage for several items in the contract value qualifiers.

- RBP and RPC – it says SF 3601 which does not exist, is it for 336



- TAN, TAL, and TAP – these do not indicate which service feature it ties to, can it be used for GMWB, GMIB, GWLB and GMAB
- WAN and WAL – same question is the standard that it can be used with all 4 benefits

Today's status: Meeting time completed during this conversation. This will be reviewed on the next Review Board call.

- June code list updates – June 21 (PSE), June 28 (Production)

**Next Call:**

June 5, 2018 @ 2:00pm ET