Inherited Individual Retirement Annuity (Inherited IRA) Information Disclosure Statement

Guaranteed Lifetime Income Annuity II or Guaranteed Period Income Annuity II

The terms used in this disclosure statement have the same meaning as defined in the policy.

Unless otherwise indicated, this information applies to both traditional and Roth Inherited IRAs.

1. What is an Inherited IRA?

When the owner of an IRA or a participant in an eligible retirement plan (hereinafter referred to as the "Deceased Owner") dies and has named you as a beneficiary of the IRA or eligible retirement plan, you may direct that the death proceeds be transferred in a direct trustee-to-trustee transfer to purchase a new policy issued as an Inherited IRA. An eligible retirement plan includes a section 401(a) qualified retirement plan, a section 403(b) tax sheltered annuity, or an eligible governmental section 457 plan. If you are a beneficiary of an eligible retirement plan, you should confirm with the plan administrator that the plan allows direct rollovers by non-spouse beneficiaries. The Inherited IRA policy is subject to all of the fees and charges and all other provisions as outlined in the policy. In addition, special tax rules apply to the Inherited IRA and differ based on whether you are considered an Eligible Designated Beneficiary ("EDB") under the Internal Revenue Code ("IRC"). These special tax rules are described below.

2. Who is the Owner of an Inherited IRA?

An Inherited IRA is established in the name of the Deceased Owner for the benefit of the Beneficiary (the Inherited IRA will be titled, for example, as Tom Smith as Beneficiary of John Smith, deceased). However, you are entitled to exercise all rights under the Inherited IRA, including the right to name a Beneficiary in the event of your death. You will be named as the Annuitant under the Inherited IRA (however, see Question 11).

3. Who is considered an Eligible Designated Beneficiary ("EDB") under the IRC?

An EDB is an individual who is: 1) the Deceased Owner's spouse; 2) the Deceased Owner's minor child until he or she reaches the age of majority; 3) disabled or chronically ill, as determined by the IRC Section 401(a)(9)(E), (including certain trusts for the disabled or chronically ill); or 4) not more than 10 years younger than the Deceased Owner. The determination of whether a beneficiary is an EDB is made as of the date of death of the Deceased Owner.

4. For individuals who are non-EDBs, what is the benefit of an Inherited IRA?

An Inherited IRA allows you, the non-EDB of the original IRA or eligible retirement plan, to receive distributions from the Inherited IRA over a period not exceeding 10 years from the end of the year following the year of death of the Deceased Owner.

QUESTIONS 5 – 12 APPLY TO EDBs ONLY. IF YOU ARE NOT AN EDB, PLEASE SKIP AHEAD TO QUESTION 13.

5. What is the benefit of an Inherited IRA?

An Inherited IRA allows you, the EDB of the original IRA or eligible retirement plan, to receive distributions from the Inherited IRA over a period of years generally based upon your life expectancy (however, see Question 11). By receiving distributions from the Inherited IRA over a period of time rather than as a single sum, you can spread out the tax due on the original IRA's or eligible retirement plan's death proceeds. However, if your policy is issued as an **Inherited Roth IRA**, please see Questions 16 and 17.

6. Is there a minimum amount that I must withdraw from an Inherited IRA each year in order to avoid income tax penalties?

Yes. There is a Required Minimum Distribution (RMD) generally based upon your life expectancy. The Annuity Income Payments generated by your Guaranteed Lifetime Income Annuity II and Guaranteed Period Income Annuity II will satisfy this requirement with respect to the funds transferred into this policy. RMDs with respect to any other IRAs or Inherited IRAs that you may own must be separately calculated and satisfied.

7. When must I take distributions of my RMD to avoid an IRS tax penalty?

To satisfy the RMD requirements and avoid an IRS tax penalty, Annuity Income Payments under your Guaranteed Lifetime Income Annuity II or Guaranteed Period Income Annuity II policy must begin by December 31 of the year following the year in which the Deceased Owner died. Additionally, since the Guaranteed Lifetime Income Annuity II and Guaranteed Period Income Annuity II are immediate annuities, Annuity Income Payments must begin within 12 months of the Policy Date.

8. Can I withdraw more from the Inherited IRA each year than my RMD amount?

Yes. You can withdraw more than your RMD amount each year, in accordance with the terms of your policy.

9. Is there an IRS 10% early withdrawal penalty on my withdrawals if I am under age 59½?

No. There is no IRS early withdrawal penalty on any withdrawals you make from the Inherited IRA.

10. Will I have to pay taxes on Annuity Income Payments and any other withdrawals I receive from my Inherited IRA?

Yes. Annuity Income Payments and other withdrawals made from your Inherited IRA are treated as ordinary income for the tax year in which the Annuity Income Payments or withdrawals are received. However, if your policy is issued as an **Inherited Roth IRA**, please see Questions 16 and 17.

11. ***Will I be eligible to purchase this policy if I am not the measuring life for purposes of calculating RMDs?*** No. In order to purchase this policy, you must be the measuring life for purposes of the RMD rules. The measuring life determines the maximum period over which distributions from the Inherited IRA may be made. Generally, the designated beneficiary of the IRA or eligible retirement plan is the measuring life for RMD purposes. However, the following special rules apply if there are multiple beneficiaries, or if a trust is the beneficiary, of the IRA or eligible retirement plan. Please consult your tax advisor regarding the application of these rules to your particular circumstances.

Multiple Beneficiaries. If there are multiple individual beneficiaries named under an IRA or eligible retirement plan, the oldest beneficiary is generally the measuring life for purposes of the RMD rules. However, IRS regulations generally permit beneficiaries to establish separate accounts with respect to each beneficiary's share of the IRA or eligible retirement plan. Each beneficiary who properly and timely establishes a separate account may be treated as a measuring life for RMD purposes, and generally will be able to receive distributions over his or her own life expectancy, provided that the beneficiary is an EDB.

Trust Beneficiaries. If a trust is named as the beneficiary of an IRA or eligible retirement plan, then the beneficiary of the trust may be treated as having been designated as a beneficiary of the IRA or eligible retirement plan provided that the beneficiary is an EDB and if certain requirements are met. These requirements can be found in IRS Publication 590-B. However, if the trust has multiple beneficiaries, the separate account rules described above are <u>not</u> available to the beneficiaries of the trust. Therefore, if a trust with multiple trust beneficiaries is the beneficiary of an IRA or eligible retirement plan, and the trust satisfies all applicable requirements under IRS regulations, then only the oldest beneficiary of the trust would be the measuring life for RMD purposes. In this situation, if the oldest beneficiary is an EDB, then the trust can purchase a Guaranteed Lifetime Income product.

12. May a person other than an individual be treated as a designated beneficiary for purposes of the RMD rules?

No, except for certain trusts (see Question 11), only individuals may be designated beneficiaries for purposes of the RMD rules. A person that is not an individual, such as the Deceased Owner's estate or a charity, may not be a designated beneficiary. If, as of September 30 of the year following the year in which the Deceased Owner dies, a person other than an individual is designated as a beneficiary, the Deceased Owner will be treated as having <u>no</u> designated beneficiary for purposes of the RMD rules, even if there are also individuals designated as beneficiaries. In this situation, you will not be eligible to purchase an Inherited IRA policy. Please consult your tax advisor regarding the application of these rules to your particular circumstances.

QUESTIONS 13 –17 APPLY TO BOTH EDBs AND NON-EDBs

13. *Can I name Beneficiaries of my Inherited IRA?*

Yes. You have a right to name Beneficiaries of your Inherited IRA. However, if you are an EDB after your death, your beneficiaries may be limited to a distribution period that does not exceed 10 years from the end of the year of death of the Deceased Owner.

14. *Can I make additional contributions to my Inherited IRA?*

No. You cannot make additional contributions, including rollover contributions, to your Inherited IRA.

15. *Can I rollover distributions from my Inherited IRA?*

No. You cannot rollover distributions from your Inherited IRA.

16. *Are there additional special rules that apply if this policy is issued as an Inherited Roth IRA?*

Yes. If your policy is issued as an Inherited Roth IRA, then the policy will only accept, as a single contribution, death proceeds from the Roth IRA of the specified Deceased Owner for the benefit of the specified designated beneficiary. The Deceased Owner must have made his/her initial contribution to the Roth IRA in a year which is at least five years before the year in which Annuity Income Payments commence under this policy. In addition, for EDBs only, Annuity Income Payments under this policy must commence by December 31 of the year following the year of the Deceased Owner's death.

17. *Will I have to pay tax on Annuity Income Payments and any other withdrawals I receive from my Inherited Roth IRA policy?*

No. Annuity Income Payments and any other withdrawals you receive from your Inherited Roth IRA policy are qualified distributions, which are not subject to tax.