

AURORA

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SPECIAL TAX NOTICE REGARDING DISTRIBUTIONS FROM YOUR TAX-SHELTERED ANNUITY OF FORMER PENSION ANNUITY

This notice is required by law and contains important information you will need before you decide how to receive benefits from your Section 403(b) tax-sheltered annuity ("TSA"), or an annuity contract distributed to you by a qualified plan ("Former Pension Annuity").

A distribution from your TSA or Former Pension Annuity that is an "eligible rollover distribution" can be taken in two ways. You can have *all or any portion* of your distribution either 1) PAID IN A "DIRECT ROLLOVER" or 2) PAID TO YOU. This choice will affect the tax you owe.

I. DISTRIBUTIONS THAT ARE "ELIGIBLE ROLLOVER DISTRIBUTIONS"

In general, all distributions from your TSA or Former Pension Annuity are "eligible rollover distributions" except:

Non-taxable Distributions. In general, only the taxable portion of your distribution is an eligible rollover distribution. If you have made "after-tax" employee contributions to the plan or contract, these contributions are not eligible for rollover. (After-tax employee contributions generally are contributions you made from your own pay that were already taxed to you as wages or income.)

Distributions Spread Over Long Periods. A distribution is not an eligible rollover distribution if it is part of a series of equal (or almost equal) distributions that are made at least once a year and that will last for (a) your lifetime (or your life expectancy), (b) your lifetime and your beneficiary's lifetime (or life expectancies), or (c) a period of ten years or more.

Required Minimum Distributions. Beginning in the year you reach age 73, your payment is not an eligible rollover distribution because it is a "required minimum distribution" that must be paid to you. (*NOTE: If you are still working at age 73 and you do not own 5% or more of the employer/plan sponsor, you are not required to begin taking minimum distributions and, therefore, any distributions will qualify as eligible rollover distributions until you retire. However, unless notified to the contrary, Aurora will assume that you are retired at that age.*)

Loans. Loans from your contract are not eligible rollover distributions.

II. DIRECT ROLLOVER

If all or any portion of an eligible rollover distribution is paid directly from the TSA to an IRA or another TSA that accepts rollovers or from a Former Pension Annuity to an IRA or a qualified plan (including another Former Pension Annuity) that accepts rollovers (i.e., a direct rollover), you are not taxed on the distribution until you later take it out of the IRA or the TSA or Former Pension Annuity.

Direct Rollover to an IRA. If you choose to have your distribution made directly to an IRA, contact an IRA sponsor (usually a life insurance company or a financial institution) to find out how to have your distribution made in a direct rollover to an IRA at that company or institution. See IRS Publication 590, Individual Retirement Arrangements, for more information.

Direct Rollover to a TSA or Former Pension Annuity. If you are employed by a new employer that has a TSA or qualified plan and you want a direct rollover to that TSA or qualified plan, or you want a direct rollover to another TSA or qualified plan (including a Former Pension Annuity), ask your employer or the issuer of that TSA or Former Pension Annuity whether it will accept your rollover. A TSA or qualified plan (including Former Pension Annuity) is not legally required to accept a rollover.

Direct Rollover of a Series of Distributions. If you receive eligible rollover distributions that are paid in a series for less than ten years, your choice to make or not make a direct rollover of a distribution will apply to all later distributions in the series until you change your election. You are free to change your election for any later distribution in the series.

Direct Rollover of Minimis Amounts. Distributions aggregating less than \$200 for any taxable year will not be directly rolled over.

III. DISTRIBUTION PAID TO YOU

Mandatory Withholding. If all or any portion of an eligible rollover distribution is paid to you, we are required by law to withhold 20% of that amount and to send it to the IRS as income tax withholding. You will report the full amount as a distribution from the TSA or Former Pension Annuity and the tax withheld as a credit against any income tax you owe on your federal income tax return for the year. Some states also require mandatory withholding if federal income tax is withheld. Distributions aggregating less than \$200 for taxable year are not subject to mandatory withholding.

Sixty-Day Rollover Option. If you have an eligible rollover distribution paid to you, you can roll over all or part of it to an IRA or to another TSA (when rolling over from a TSA) or to a qualified plan (including a Former Pension Annuity) that accepts rollovers. The portion of your distribution that is rolled over will not be taxed until you take it out of the contract or plan that received the rollover. If you decide to roll over, *you must make the rollover within 60 days after you receive the distribution.*

You can roll over up to 100% of the eligible rollover distribution, including an amount equal to the 20% that was withheld. If you choose to roll over 100%, you must find other money within the 60-day period to contribute to the contract or plan receiving the rollover to replace the 20% that was withheld. If you roll over only the 80% that you received, you will be taxed on the 20% that was withheld.

Limitation on Receipt of Distributions (TSA only). You will not be permitted to receive a distribution from a TSA or roll a distribution from a TSA over to a TSA or an IRA if the distribution is made from cash surrender value that has accrued after December 31, 1988 and is attributable to contributions made as a result of a salary reduction agreement unless you have attained age 59 1/2, separated from your employment, died or become disabled or the distribution is made on account of hardship and is limited to contributions.

Spousal Consent Requirements. With certain exceptions, you must obtain the consent of your spouse to receive an eligible rollover distribution from a TSA or Former Pension Annuity in a form other than a "qualified joint and survivor annuity". See "Notice of Spousal Consent".

Additional 10% Tax if You Are Under Age 59 1/2. If you receive a distribution before you reach age 59 1/2 and you do not roll it over, in addition to the regular income tax, you may have to pay an extra tax equal to 10% of the taxable portion of the distribution unless you qualify for an exception. See IRS Form 5329 for more information.

IV. SURVIVING SPOUSE, ALTERNATE PAYEES, AND OTHER BENEFICIARIES

In general, the rules summarized above (e.g., direct rollover and mandatory withholding) also apply to distributions to surviving spouses of employees and to spouses or former spouses who are "alternate payees." You are an alternate payee if your interest in the TSA or Former Pension Annuity results from a "qualified domestic relations order" issued by a court in connection with a divorce or legal separation.

If you are a surviving spouse, you may choose to have an eligible rollover distribution paid in a direct rollover to an IRA or paid to you. If you have the distribution paid to you, you can keep it or roll it over yourself to an IRA, but you cannot roll it over to another TSA or qualified plan (including a Former Pension Annuity). If you are an alternate payee, you have the same choices as the employee. If you are a beneficiary other than the surviving spouse, you cannot choose a direct rollover, and you cannot roll over the distribution yourself. If you are a surviving spouse, an alternate payee, or another beneficiary, your distribution is not subject to the additional 10% tax described above.

V. NOTICE PERIOD This notice must be provided not less than 30 days and not more than 90 days before you received your distribution. You have the right to consider whether to elect a direct rollover for at least 30 days after receipt of this notice.

HOW TO OBTAIN ADDITIONAL INFORMATION

This notice summarizes only the federal (not state or local) tax rules that might apply to your distribution. The rules described above are complex and contain many conditions and exceptions that are not included in this notice. Therefore, you may want to consult with a professional tax advisor before you take a distribution from the TSA or Former Pension Annuity. Also, you can find more specific information on the tax treatment of distributions from TSA or Former Pension Annuity in the IRS Publication 571, *Tax-Sheltered Annuity Programs for Employees of Public Schools and Certain Tax Exempt Organizations*, IRS Publication 575, *Pension and Annuity Income*, and IRS Publication 590, *Individual Retirement Arrangements*. These publications are available from your local IRS office or by calling 1 (800) TAX-FORMS.