



The Variable Annuity Life Insurance Company
2929 Allen Parkway
Houston, TX 77019

Dear Plan Administrator:

At AIG Retirement we are pleased to continue to assist you and your 403(b) plan participants in preparing for retirement. As we have communicated in the past, we remain committed to assisting plan sponsors in working to implement the new requirements of the final 403(b) regulations and subsequent IRS guidance on the subject. We at AIG Retirement believe this is an important part of a provider's commitment to your 403(b) plan. Therefore, as plan sponsors continue to prepare for the January 1, 2009, general effective date for implementing the final regulations, we would like to share with you the procedures and expectations that we are putting into place to further support plan sponsors.

For all public 403(b) plan sponsors:

According to our records AIG Retirement continues to be a provider (whether active, as in most cases, or frozen, in some plans) in your 403(b) plan(s). Absent contrary information from you, we want to assure you that we will continue to administer these contracts and accounts as part of your plan in light of the requirements of the final 403(b) regulations. It is important, of course, that we be made aware of plan restrictions and requirements, and as a general matter their scope will be limited to plan compliance requirements and will not include modifications to the rights and obligations under the contracts.

Regular reporting of plan activity, available at your fingertips, when you need it:

In an effort to support plan sponsor compliance and further demonstrate AIG Retirement's commitment to information sharing, which is integral to satisfying the new compliance coordination requirements of the final 403(b) regulations, we are making available reports of key types of transaction activity, including reports identifying hardship and other distributions, loans, and loan defaults. These reports are available on AIG Retirement's Plan Sponsor Online Web site.

Verification of severance of employment:

In addition, AIG Retirement will require third-party verification for employee severance from service prior to or concurrent with processing of distributions relating to such severance. Plan sponsors are encouraged to provide employee severance information electronically in their payroll remittance file via our e-Remit electronic remittance system. For information on e-Remit, please contact the AIG Retirement e-Remit team at 1-800-853-6399. This information can be supplied one time for a participant to support all future qualifying distributions. For distribution requests not supported by an electronic data file, AIG Retirement procedures will require verification by either a plan administrator's signature on the distribution form or an attached letter on employer letterhead.

If AIG Retirement is an approved provider under your plan on January 1, 2009:

Be assured that we have the flexibility to work with many employers as they coordinate compliance in accordance with their plans' procedures. In addition, to the extent that your plan's procedures require specific support or coordination from AIG Retirement, it will be important that both parties – the plan and AIG Retirement – have confirmed their agreement to provide such support.

- ✓ If you have notified AIG Retirement of your plan compliance procedures by providing a copy of your plan, or through alternate directions, and if we have confirmed our coordination under those procedures, you should find the relevant portions of such plan rules incorporated into AIG Retirement's administrative procedures. In that case – for example, if a plan requires employer approval or approval from a third party for a loan or a hardship withdrawal – such requirement would then be reflected in AIG Retirement's loan or hardship withdrawal procedures. If you find that any such restrictions are not in place but should be, please make AIG Retirement aware as soon as you recognize the discrepancy. Similarly, if the plan requires that we coordinate with other providers associated with the plan (including those providers outside the plan that are eligible to receive exchanges, as well as those providers that have been deselected from the plan after 2004 and before 2009), such updated messages should reflect this type of coordination as well.
- If you have not provided AIG Retirement with a copy of your executed written plan by January 1, 2009, or otherwise notified us of your specific administrative procedures, then until we hear from you to the contrary we will presume that:
 - You have adopted a written plan, either as a single document, or using the paper clip approach, or a combination of these two options;
 - The provisions of the written plan are consistent with the Code and with the terms of the investment products previously selected by you to fund the plan;
 - ✓ If loans have been available to participants under the terms of the 403(b) program and applicable products, loans will remain available to participants under the plan in accordance with the terms of the products and applicable law; and
 - ✓ If hardship withdrawals have been available to participants under the terms of the 403(b) program and applicable products, hardship withdrawals will continue to remain available under the plan in accordance with the terms of the products and applicable law.

In such cases, unless you provide contrary direction, we will require that participants seeking to obtain a loan or an in-service distribution identify

- any other accounts they have under the plan, or outside the plan that are required to be aggregated with the plan, and
- the providers of those accounts, and the loans or in-service distributions from those accounts.

Only participants who do not have accounts with other providers, based on information available to us including information from the employee, will be permitted to request loans from their accounts using AIG Retirement's paperless loan system (for loan requests made online or by phone). All other requests will require loan paperwork completed and signed by the participant. Reports of new loans or hardship distributions taken will be made available to you through AIG Retirement's Plan Sponsor Online Web site to permit review of all new loans or hardship distributions issued. If we have been notified that the participant has another 403(b) account under the plan, we will seek confirmation of the information provided by the participant about loans or distributions under accounts with those other providers, prior to processing any new loan.

Transfers and exchanges out of these accounts will only be permitted to other plans or other providers under (or connected with, under an information sharing agreement) the plan to the extent that you have identified their eligibility to receive such a transfer. Transfers and exchanges into these accounts from other plans and from other 403(b) accounts, either under the plan or otherwise, will be permitted, subject to any plan limitations of which we are made aware.

If AIG Retirement is notified that we are not an approved provider under your plan on January 1, 2009, and if we have not received any

- contributions under the plan after 2004, or
- transfers or exchanges under the plan after September 24, 2007,
- then all accounts for employees of your organization will be administered separately from your plan based upon AIG Retirement's understanding of applicable 403(b) requirements.

Transfers from these accounts will only be permitted with confirmation that a receiving provider's account qualifies in relationship to a plan. No new transfers or rollovers will be permitted into these accounts unless they become part of (or connected to, through an information sharing agreement) a plan.

If we have not received any contributions to contracts under the plan after December 31, 2004, and if we have not received any recent notification of our continued status as an approved provider under the plan, then in order to accept a new transfer or exchange our procedures will require one of the following: (1) confirmation that we are still an approved provider in the plan; or, (2) an information sharing agreement authorizing us to receive future exchanges and transfers.

If AIG Retirement is not an approved provider under your plan on January 1, 2009, and if AIG Retirement has received contributions under your plan at any time after 2004,

then we will coordinate compliance with respect to frozen plan accounts in much the same way as we would if we had continued to be an approved provider on January 1, 2009. This is based upon our understanding of applicable IRS guidance, which considers these contracts and accounts part of the plan, but also recognizes an employer's good faith effort to incorporate the accounts into the plan if the provider refuses to agree to such coordination.

Transfers from these accounts will only be permitted with confirmation that a receiving provider's account qualifies in relationship to a plan. No new transfers will be permitted into these accounts unless they become part of (or connected to, through an information sharing agreement) a plan.

As January 1, 2009, continues to draw closer, AIG Retirement will continue to provide you with updates, as part of our commitment to assisting you with the implementation of requirements established by the final 403(b) regulations. You may also contact us, with questions or for assistance, at 1-877-403bREG or 403bREG@AIGRetirement.com.