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Horace Mann®
Founded by Educators for Educators

Horace Mann Life Insurance Company **SUR**

P.O. Box 4657
Springfield, IL 62708-4657
Fax 877-832-3785

Annuity surrender/withdrawal request (not for hardship withdrawal or direct rollover transactions - see attached tax notice).

A. Your instructions

Please read this form carefully. If you have any questions about completing this form accurately or with regard to your supporting documentation, please call a Customer Care Center Representative at 800-999-1030. If you do not completely and accurately complete this form or if the required documentation is insufficient, your funds may be delayed and you may need to start the process over. Requests for transactions that are ambiguous or in conflict with other requests will be held until clarification is received.

The Internal Revenue Service (IRS) has placed restrictions on when funds can be withdrawn from annuity contracts. If the contract owner is under age 59 ½ (or 70 ½ if 457(b) contract) when the request is signed, the distribution may be subject to an additional IRS 10% early withdrawal penalty tax. Please consult with your local IRS agency or personal tax advisor to determine if the transaction will be subject to taxes or penalties. **Please read the attached related special tax notices.**

B. About your surrender/withdrawal

I understand that any applicable Horace Mann contract charges or penalties and/or withholding taxes will apply and withholding taxes may reduce the requested distributed amount.

A net withdrawal allows you to receive a specific amount after taxes are withheld which will result in a larger amount withdrawn than you originally requested. A gross withdrawal will reduce the amount you requested by the taxes withheld. If no method is selected or if the selected method will not fulfill your request, we will pro-rate against the current holdings. If the request would allow the contract's value to fall below $100, a maximum withdrawal will be processed.

If there is a defaulted loan against your contract and the qualifying event in Section E allows, we will foreclose on the loan prior to distribution. If there is an active loan and you are requesting a full surrender and the qualifying event in Section E allows, we will pay off the loan balance using value from your contract/certificate and forward the remaining funds effective as of the next business day. If the annuity has a current loan that must remain in place, only the available amount will be withdrawn, and we will send you the reduced amount.

C. Your information

Name_______________________________________ Contract/Certificate # ____________________

Address ______________________________ City _______________ State ________ ZIP __________

Home phone # ________________ Work phone # _______________ SSN/TIN # ____________________

D. Your requested amount (a reduced amount will be sent if your request exceeds the amount eligible for withdrawal)

1. ☐ **surrender** and terminate my contract, **or**
2. ☐ make a **net withdrawal** of $________________ using the following method:
   a. ☐ equally from each investment option, or
   b. ☐ pro-rated against the current holdings, or
   c. ☐ from the investment options indicated below**, **or**
3. ☐ make a **gross withdrawal** of $________________ using the following method:
   a. ☐ equally from each investment option, or
   b. ☐ pro-rated against the current holdings, or
   c. ☐ from the investment options indicated below**, **or**
4. ☐ withdraw only the **free out** amount (defined within my contract) pro-rated against the current holdings, **or**
5. ☐ withdraw the amount indicated on the attached employer form to **buy back years of service**; employer acceptance included, using the following method:
   a. ☐ equally from each investment option, or
   b. ☐ pro-rated against the current holdings, or
   c. ☐ from the investment options indicated below**, **or**

Contract/Certificate # ______________________

6. ☐ withdraw my **over-contribution** for tax year ________________, in the amount of $ ______________, which is in excess of the IRS allowable contribution, plus any earnings or minus any losses on this amount.

****For 2c, 3c or 5c, please indicate amount ($), percentage (%), maximum amount allowed ("max") or "all". (investment option table attached)**

_________ from ________ _________ from ________ _________ from ________
_________ from ________ _________ from ________ _________ from ________
_________ from ________ _________ from ________ _________ from ________
_________ from ________ _________ from ________ _________ from ________

E. Your contract is a 403(b), 457(b) or 401(a) qualified plan and the reason for this request is:

☐ 1. Cash value on account as of 12/23/88 (applies to withdrawal only)

☐ 2. Disability — Horace Mann requires the attached Disability declaration from you and your doctor verifying that you are currently disabled and have been for at least three months (can not apply to loan foreclosures).

☐ 3. Age—I certify that I am at least 59 ½ years of age for my 403(b) contract or 70 ½ for my 457(b) contract, and therefore qualify to withdraw tax-deferred funds without IRS restriction, however, I understand that my plan document may require additional authorization.

☐ 4. Severance from employment-I have severed my employment with the employer sponsoring this plan and have attached documentation to support this statement. I understand that my employer or their third party administrator's authorization may also be required.

Date of severance ______________________________

F. Your tax withholding elections:

Federal income tax elections

Payments you receive from your annuity will be subject to federal income tax withholding as indicated below.

If your contract is a **401(a), 457(b) or 403(b)** (includes Roth 403(b)), any portion of your distribution that is includable in income is subject to federal income tax withholding at a rate of 20 % and you may not elect out of this withholding requirement.

If your contract is a **Non-qualified** annuity, any portion of your distribution that is includable in income is subject to federal income tax withholding at a rate 10%. You may elect withholding not to apply.

If your contract is an **IRA, Simple or SEP**, the entire distribution, other than a return of excess contributions, is subject to federal income tax withholding at a rate 10%. You may elect withholding not to apply.

If your contract is a **Roth**, no federal income tax withholding is required.

If you elect not to have federal withholding apply to your annuity payments, or if you do not have enough federal income tax withheld, you may be responsible for payment of estimated tax and you may incur penalties under the estimated tax rules. Please consult your tax advisor for further information.

☐ I do not want to have federal income tax withheld from my payment, if allowed.
☐ I want federal income tax withheld from my payment as follows:
$ ___________________________ or __________%.

State income tax election:

Some states require that we withhold state income tax when we withhold federal income tax and in these instances, we will calculate the amount of withholding for you. In some of these states, you may ask for no state income tax withholding (even though federal income tax was withheld) or you may specify the amount or percentage you want withheld. When you request an amount which is less than required by your state, we will withhold the required amount. In other states, no state income tax will apply unless you indicate the amount you want withheld.

State income tax withholding is not allowed in **Alaska, Florida, Nevada, New Hampshire, South Dakota, Tennessee, Texas, Washington and Wyoming.**

☐ I do not want to have state income tax withheld from my payment, if allowed in my state.
☐ I want state income tax withheld from my payment as follows:
$____________________________ or __________ %.

Contract/Certificate # ______________________

G. Your surrender/withdrawal proceeds delivery method

☐ Send a check to my address.
☐ Deposit funds by Direct Deposit (electronically deposit funds directly into my bank account).

Bank name ____________________

Bank address ____________________

Name on the account ____________________

ABA routing ____________________ Bank account # ____________________

☐ Checking (provide a copy of a voided check) OR ☐ Savings (provide a savings deposit slip). When submitting a deposit slip, please contact your bank before submitting, as the routing numbers on deposit slips are not always accurate for use in EFT transactions.

H. Your signature(s) (must be completed)

By signing this request, I certify that I have read the attached special tax notices regarding my payment from this tax sheltered annuity and waive the 30 day notice period, if applicable. I acknowledge full responsibility for any and all federal and state income taxes and penalties. Furthermore, by signing this Annuity surrender/withdrawal request, I certify to the validity of the representations made to Horace Mann Life Insurance Company (HMLIC). I hold HMLIC and any or all of its affiliates, agents/insurance producers, and employees harmless from any and all liability past, present, and future that may arise as a result of this transaction. I authorize Horace Mann to provide data regarding this request to my Employer or Plan Administrator or their designee, when requested.

Client signature____________________ Date ____________________

Address ____________________
Street City State ZIP

☐ The address above is a permanent address change. If the address above is an address change or if you have made us aware of your address change within the past 15 days, we will send you a letter to confirm the new address change to both the previous and the new address. We will not release your distribution to you until the full 15 days following the address change has passed.

Spouse's signature ____________________ Date ________________

If contract was issued in Arizona, California, Idaho, Louisiana, Nevada, New Mexico, Texas, Washington or Wisconsin and the owner was married at the time of issue, the spouse's signature is required.

Agent/insurance producer assisting in this transaction ____________________

Agent/insurance producer # ________________

Your plan administrator's authorization

A plan administrator's signature/authorization is required for all 401(a) or 457(b) contracts. If this contract is a 403(b), and your plan requires it, your plan administrator must authorize this request.

I authorize this surrender/withdrawal, as requested. I certify that I am authorized to act on behalf of the employer listed below. I have reviewed all records and have obtained all documentation required by the plan and certify that this transaction is authorized under the plan document. If severance was chosen as the reason for the distribution, the date of severance is ____________________.

Name of employer or Third Party Administrator ____________________

Signature____________________Title ____________________

Date ____________________

Disability declaration

Please have your physician read, sign and return this form with your request.

Client name ______________________________ Contract/Certificate number ____________

Residents of all states except Massachusetts:

Certification of disability as defined by the Internal Revenue Code Section 72(m)(7).

As the physician of the above named owner, I certify that he/she is disabled as defined by the following definition of disability of IRC Section 72(m)(7):

"For purposes of this section, an individual shall be considered to be disabled if he is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or to be long-continued and indefinite duration."

______________________________ ______________________________

Client signature/date Physician signature/date

Residents of Massachusetts:

Certification of disability as defined by Massachusetts law:

As the physician of the above named owner, I certify that he/she is disabled as defined as any of the following conditions: (check one of the following)

☐ Chronic Illness defined as a condition because of which an individual is (a) unable to perform at least two activities of daily living for a period of 90 days due to a loss of functional capacity, (b) having a level of disability similar to the level of disability described above, or (c) requiring substantial supervision to protect such individuals from threats to health and safety due to severe cognitive impairment.

☐ Terminal Illness is defined as a condition that will reasonably be expected to result in death in 24 months or less.

☐ Any medical condition including but not limited to acquired immune deficiency syndrome, coronary artery disease, major organ transplant, medical condition requiring continuous life support, permanent neurological deficit resulting from cerebral vascular accident, or other qualifying condition.

______________________________ ______________________________

Client name signature/date Physician signature/date

In cases that the individual qualifies for benefits because of Chronic Illness only, the benefit amount shall be payable only for expenses incurred for Qualified Long-Term Care Services defined as the necessary diagnostic, preventive, therapeutic curing, treating, mitigating and rehabilitative services, and maintenance or personal care services that are required by a chronically ill individual and are provided pursuant to a plan of care prescribed by a licensed health care practitioner.

I the owner, certify that any benefits paid solely due to Chronic Illness would be used to fund Qualified Long-Term Care Services.

____

Client signature/date

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Annuity contract investment options; certain group annuities may be further limited by their plan

Investment style category	Investment option	Investment option name
Life Cycle	063	Wilshire VIT 2015 ETF Fund
	064	Wilshire VIT 2025 ETF Fund
	065	Wilshire VIT 2035 ETF Fund
Asset Allocation**	076	Ibbotson Conservative ETF Asset Allocation Portfolio Class II
****available on GPA, MS2**	077	Ibbotson Income & Growth ETF Asset Allocation Portfolio Class II
& group variable products only	078	Ibbotson Balanced ETF Asset Allocation Portfolio Class II
	079	Ibbotson Growth ETF Asset Allocation Portfolio Class II
	080	Ibbotson Aggressive Growth ETF Asset Allocation Portfolio Class II
Large Company Value	027	Davis Value Portfolio
	055	T. Rowe Price Equity Income Portfolio VIP II
	014*	Wilshire Large Company Value Portfolio*
Large Company Core	012*(010*)	Wilshire 5000 Index Portfolio* - (prior to 9/5/00)
	020	Fidelity VIP Growth and Income Portfolio (SC2)
	021	Fidelity VIP Index 500 Portfolio (SC2)
	069	**JP Morgan Insurance Trust U.S. Equity Portfolio**
	001	Wilshire VIT Equity Fund
Large Company Growth	033	AllianceBernstein VPS Large Cap Growth Portfolio
	023	Fidelity VIP Growth Portfolio (SC2)
	013*(011*)	Wilshire Large Company Growth Portfolio (prior to 9/5/00)
Mid-size Company Value	056	AllianceBernstein VPS Small/Mid Cap Value
	037*	**Ariel Appreciation Fund***
	036*	Ariel Fund*
	070	Goldman Sachs VIT Mid Cap Value
	028	**Wells Fargo Advantage VT Opportunity Fund**
Mid-size Company Core	071	Calvert S & P Mid Cap 400 Index
	051	**Dreyfus Inv Portfolio: Mid Cap Stock Portfolio (SC)**
	022	Fidelity VIP Mid Cap Portfolio (SC2)
	031*	Rainier Small/Mid Cap Equity Portfolio*
Mid-size Company Growth	048	Delaware VIP Smid Cap Growth Series SC
	049	**Lord Abbett Series Fund Growth Opportunities**
	075	Putnam VT Multi-Cap Growth Fund
	054	Wells Fargo Advantage VT Discovery Fund
Small Company Value	053	Royce Capital Fund Small Cap Portfolio
	017*	**T Rowe Price Small Cap Value Fund***
	015*	Wilshire Small Company Value Portfolio*
Small Company Core	068	Dreyfus: Small Cap Stock Index Portfolio SC
	050	**Goldman Sachs VIT Structured Small Cap Equity Fund**
	072	Lazard Ret US Small-Mid Cap Equity Portfolio
	032*	Neuberger Berman Genesis Fund (Advisor Class)*
	018*	**T Rowe Price Small Cap Stock Fund***
Small Company Growth	057	AllianceBernstein VPS Small Cap Growth Portfolio
	016*	**Wilshire Small Company Growth Portfolio***
	009	Wilshire VIT Small Cap Growth Fund
International	073	Fidelity VIP Emerging Markets SC2
	024	Fidelity VIP Overseas Portfolio (SC2)
	008	Wilshire VIT International Equity Fund
Real Estate	067	Delaware VIP REIT Series (Service Class)
Bond Options	025	Fidelity VIP High Income Portfolio (SC2)
	026	Fidelity VIP Investment Grade Bond Portfolio (SC2)
	074	Templeton Global Bond Securities Fund
	003	Wilshire VIT Income Fund
Specialty	007	Wilshire VIT Socially Responsible Fund
Balanced	002	Wilshire VIT Balance Fund
Money Market	059	T Rowe Price Prime Reserve Portfolio
Fixed	000	Fixed Account
	805	5 year Guarantee Period Acct (variable group products only)
	807	7 year Guarantee Period Acct (variable group products only)
	810	10 year Guarantee Period Acct (variable group products only)
	815	5 year Guarantee Period Acct (fixed group products only)
	817	7 year Guarantee Period Acct (fixed group products only)
	820	10 year Guarantee Period Acct (fixed group products only)
Special DCA available on lump sum deposits rollover of $10,000 or greater.	900	Special DCA Holding Account (unavailable to contracts issued in Oregon)
	901	Special 3-month DCA Account (unavailable to contracts issued in Oregon)
	902	Special 6-month DCA Account (unavailable to contracts issued in Oregon)
	903	Special 12-month DCA Account (unavailable to contracts issued in Oregon)
	998	**Loan Account**

*These investment options are not available for non-qualified products.

These funds are closed to new investors and contracts may not increase allocations to these options.

Horace Mann's variable annuities are underwritten by Horace Mann Life Insurance Company and distributed by Horace Mann Investors, Inc. a FINRA registered broker/dealer located at 1 Horace Mann Plaza, Springfield, IL 62715.

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Special tax notice for payments NOT from a Designated Roth account

This notice is based, in part, on an Internal Revenue Service model notice and as a result, certain sections of the notice may not be applicable to your Plan.

Your rollover options

You are receiving this notice because all or a portion of a payment you are receiving from a Horace Mann Life Insurance Company annuity issued under a tax qualified plan, section 403(b) plan or governmental section 457(b) plan (the "Plan") is eligible to be rolled over to an IRA or an employer plan. This notice is intended to help you decide whether to do such a rollover.

This section of the notice describes the rollover rules that apply to payments from the Plan that are not from a designated Roth account (a type of account with special tax rules in some employer plans). If you also receive a payment from a designated Roth account in the Plan, you should read the "Special tax notice for payments from a Designated Roth account" latter in this document, and the Plan administrator or the payor will tell you the amount that is being paid from each account.

Rules that apply to most payments from a plan are described in the "General Information About Rollovers" section. Special rules that only apply in certain circumstances are described in the "Special Rules and Options" section.

General information about rollovers

How can a rollover affect my taxes?

You will be taxed on a payment from the Plan if you do not roll it over. If you are under age 59 1/2 and do not do a rollover, you will also have to pay a 10% additional income tax on early distributions (unless an exception applies). However, if you do a rollover, you will not have to pay tax until you receive payments later and the 10% additional income tax will not apply if those payments are made after you are age 59 1/2 (or if an exception applies).

Where may I roll over the payment?

You may roll over the payment to either an IRA (an individual retirement account or individual retirement annuity) or an employer plan (a tax-qualified plan, section 403(b) plan, or governmental section 457(b) plan) that will accept the rollover. The rules of the IRA or employer plan that holds the rollover will determine your investment options, fees, and rights to payment from the IRA or employer plan (for example, no spousal consent rules apply to IRAs and IRAs may not provide loans). Further, the amount rolled over will become subject to the tax rules that apply to the IRA or employer plan.

How do I do a rollover?

There are two ways to do a rollover. You can do either a direct rollover or a 60-day rollover.

If you do a direct rollover, the Plan will make the payment directly to your IRA or an employer plan. You should contact the IRS sponsor or the administrator of the employer plan for information on how to do a direct rollover.

If you do not do a direct rollover, you may still do a rollover by making a deposit into an IRA or eligible employer plan that will accept it. You will have 60 days after you receive the payment to make the deposit. If you do not do a direct rollover, the Plan is required to withhold 20% of the payment for federal income taxes (up to the amount of cash and property received other than employer stock). This means that, in order to roll over the entire payment in a 60-day rollover, you must use other funds to make up for the 20% withheld. If you do not roll over the entire amount of the payment, the portion not rolled over will be taxed and will be subject to the 10% additional income tax on early distributions if you are under age 59 1/2 (unless an exception applies).

How much may I roll over?

If you wish to do a rollover, you may roll over all or part of the amount eligible for rollover. Any payment from the Plan is eligible for rollover, except:

- Certain payments spread over a period of at least 10 years or over your life or life expectancy (or the lives or joint life expectancy of you and your beneficiary)
- Required minimum distributions after age 70 1/2 (or after death)
- Hardship distributions
- Corrective distributions of contributions that exceed tax law limitations
- Loans treated as deemed distributions (for example, loans in default due to missed payments before your employment ends)
- Cost of life insurance paid by the Plan
- Contributions made under special automatic enrollment rules that are withdrawn pursuant to your request within 90 days of enrollment.

The Plan administrator or the payor can tell you what portion of a payment is eligible for rollover.

If I don't do a rollover, will I have to pay the 10% additional income tax on early distributions?

If you are under age 59 1/2, you will have to pay the 10% additional income tax on early distributions for any payment from the Plan (including amounts withheld for income tax) that you do not roll over, unless one of the exceptions listed below applies. This tax is in addition to the regular income tax on the payment not rolled over. The 10% additional income tax does not apply to the following payments from the Plan:

- Payments made after you separate from service if you will be at least age 55 in the year of the separation.
- Payments that start after you separate from service if paid at least annually in equal or close to equal amounts over your life or life expectancy (or the lives or joint life expectancy of you and your beneficiary)
- Payments made due to disability
- Payments after your death
- Corrective distributions of contributions that exceed tax law limitations
- Cost of life insurance paid by the Plan.
- Contributions made under special automatic enrollment rules that are withdrawn pursuant to your request within 90 days of enrollment
- Payments made directly to the government to satisfy a federal tax levy
- Payments made under a qualified domestic relations order (QDRO).
- Payments up to the amount of your deductible medical expenses
- Certain payments made while you are on active duty if you were a member of a reserve component called to duty after September 11, 2001 for more than 179 days.

If I do a rollover to an IRA, will the 10% additional income tax apply to early distributions from the IRA?

If you receive a payment from an IRA when you are under age 59 1/2, you will have to pay the 10% additional income tax on early distributions from the IRA, unless an exception applies. In general, the exceptions to the 10% additional income tax for early distributions from an IRA are the same as the exceptions listed above for early distributions from a plan. However, there are a few differences for payments from an IRA, including:

- There is no exception for payments after separation from service that are made after age 55.
- The exception for payments made at least annually in equal or close to equal amounts over a specified period applies without regard to whether you have had a separation from service.
- The exception for qualified domestic relations orders (QDROs) does not apply (although a special rule applies under which, as part of a divorce or separation agreement, a tax-free transfer may be made directly to an IRA of a spouse or former spouse).
- There are additional exceptions for (1) payments for qualified higher education expenses, (2) payments up to $10,000 used in a qualified first-time home purchase, and eligible to receive unemployment compensation but for self-employed status).

Will I owe State income taxes?

This notice does not describe any State or local income tax rules (including withholding rules).

Special rules and options

If your payment includes after-tax contributions

After-tax contributions included in a payment are not taxed. If a payment is only part of your benefit, an allocable portion of your after-tax contributions is generally included in the payment. If you have pre-1987 after-tax contributions maintained in a separate account, a special rule may apply to determine whether the after-tax contributions are included in a payment.

You may roll over to an IRA a payment that includes after-tax contributions through either a direct rollover or a 60-day rollover. You must keep track of the aggregate amount of the after-tax contributions in all of your IRAs (in order to determine your taxable income for later payments from the IRAs). If you do a direct rollover of only a portion of the amount paid from the Plan and a portion is paid to you, each of the payments will include an allocable portion of the after-tax contributions. If you do a 60-day rollover to an IRA of only a portion of the payment made to you, the after-tax contributions are treated as rolled over last. For example, assume you are receiving a complete distribution of your benefit which totals $12,000, of which $2,000 is after-tax contributions. In this case, if you roll over $10,000 to an IRA in a 60-day rollover, no amount is taxable because the $2,000 amount not rolled over is treated as being after-tax contributions.

You may roll over to an employer plan all of a payment that includes after-tax contributions, but only through a direct rollover (and only if the receiving plan separately accounts for after-tax contributions and is not a governmental section 457(b) plan). You can do a 60-day rollover to an employer plan of part of a payment that includes after-tax contributions, but only up to the amount of the payment that would be taxable if not rolled over.

If you miss the 60-day rollover deadline

Generally, the 60-day rollover deadline cannot be extended. However, the IRS has the limited authority to waive the deadline under certain extraordinary circumstances, such as when external events prevented you from completing the rollover by the 60-day rollover deadline. To apply for a waiver, you must file a private letter ruling request with the IRS. Private letter ruling requests require the payment of a nonrefundable user fee. For more information, see IRS Publication 590, Individual Retirement Arrangements (IRAs).

If you have an outstanding loan that is being offset

If you have an outstanding loan from the Plan, your Plan benefit may be offset by the amount of the loan, typically when your employment ends. The loan offset amount is treated as a distribution to you at the time of the offset and will be taxed (including the 10% additional income tax on early distributions, unless an exception applies) unless you do a 60-day rollover in the amount of the loan offset to an IRA or employer plan.

If you were born on or before January 1, 1936

If you were born on or before January 1, 1936 and receive a lump sum distribution that you do not roll over, special rules for calculating the amount of the tax on the payment might apply to you. For more information, see IRS Publication 575, Pension and Annuity Income.

If your payment is from a governmental section 457(b) plan

If the Plan is a governmental section 457(b) plan, the same rules described elsewhere in this notice generally apply, allowing you to roll over the payment to an IRA or an employer plan that accepts rollovers. One difference is that, if you do not do a rollover, you will not have to pay the 10% additional income tax on early distributions from the Plan even if you are under age 59 1/2 (unless the payment is from a separate account holding rollover contributions that were made to the Plan from a tax-qualified plan, a section 403(b) plan, or an IRA). However, if you do a rollover to an IRA or to an employer plan that is not a governmental section 457(b) plan, a later distribution made before age 59 1/2 will be subject to the 10% additional income tax on early distributions (unless an exception applies). Other differences are that you cannot do a rollover if the payment is due to an "unforeseeable emergency" and the special rules under "if you were born on or before January 1, 1936", do not apply.

If you roll over your payment to a Roth IRA

You can roll over a payment from the Plan made before January 1, 2010 to a Roth IRA only if your modified adjusted gross income is not more than $100,000 for the year the payment is made to you and, if married, you file a joint return. These limitations do not apply to payments made to you from the Plan after 2009. If you wish to roll over the payment to a Roth IRA, but you are not eligible to do a rollover to a Roth IRA until after 2009, you can do a rollover to a traditional IRA and then, after 2009, elect to convert the traditional IRA into a Roth IRA.

If you roll over the payment to a Roth IRA, a special rule applies under which the amount of the payment rolled over (reduced by any after-tax amounts) will be taxed. However, the 10% additional income tax on early distributions will not apply (unless you take the amount rolled over out of the Roth IRA within 5 years, counting from January 1 of the year of the rollover). For payments from the Plan during 2010 that are rolled over to a Roth IRA, the taxable amount can be spread over a 2-year period starting in 2011.

If you roll over the payment to a Roth IRA, later payments from the Roth IRA that are qualified distributions will not be taxed (including earnings after the rollover). A qualified distribution from a Roth IRA is a payment made after you are age 59 1/2 (or after your death or disability, or as a qualified first-time homebuyer distribution of up to $10,000) and after you have had a Roth IRA for at least 5 years. In applying this 5-year rule, you count from January 1 of the year for which your first contribution was made to a Roth IRA. Payments from the Roth IRA that are not qualified distributions will be taxed to the extent of earnings after the rollover, including the 10% additional income tax on early distributions (unless an exception applies). You do not have to take required minimum distributions from a Roth IRA during your lifetime. For more information, see IRS Publication 590, Individual Retirement Arrangements (IRAs).

You cannot roll over a payment from the Plan to a designated Roth account in an employer plan.

If you are not a plan participant

Payments after death of the participant. If you receive a distribution after the participant's death that you do not roll over, the distribution will generally be taxed in the same manner described elsewhere in this notice. However, the 10% additional income tax on early distributions do not apply and the special rule described under the section "If you were born on or before January 1, 1936" applies only if the participant was born on or before January 1, 1936.

If you are a surviving spouse.

If you receive a payment from the Plan as the surviving spouse of a deceased participant, you have the same rollover options that the participant would have had, as described elsewhere in this notice. In addition, if you choose to do a rollover to an IRA, you may treat the IRA as your own or as an inherited IRA.

An IRA you treat as your own is treated like any other IRA of yours, so that payments made to you before you are age 59 1/2 will be subject to the 10% additional income tax on early distributions (unless an exception applies) and required minimum distributions from your IRA do not have to start until after you are age 70 1/2.

If you treat the IRA as an inherited IRA, payments from the IRA will not be subject to the 10% additional income tax on early distributions. However, if the participant had started taking required minimum distributions, you will have to receive required minimum distributions from the inherited IRA. If the participant had not started taking required minimum distributions from the Plan, you will not have to start receiving required minimum distributions from the inherited IRA until the year the participant would have been age 70 1/2.

If you are a surviving beneficiary other than a spouse. If you receive a payment from the Plan because of the participant's death and you are a designated beneficiary other than a surviving spouse, the only rollover option you have is to do a direct rollover to an inherited IRA. Payments from the inherited IRA will not be subject to the 10% additional income tax on early distributions. You will have to receive required minimum distributions from the inherited IRA.

Payments under a qualified domestic relations order. If you are the spouse or former spouse of the participant who receives a payment from the Plan under a qualified domestic relations order (QDRO), you generally have the same options the participant would have (for example, you may roll over the payment to your own IRA or an eligible employer plan that will accept it). Payments under the QDRO will not be subject to the 10% additional income tax on early distributions.

If you are a nonresident alien

If you are a nonresident alien and you do not do a direct rollover to a U.S. IRA or U.S. employer plan, instead of withholding 20%, the Plan is generally required to withhold 30% of the payment for federal income taxes. If the amount withheld exceeds the amount of tax you owe (as may happen if you do a 60-day rollover), you may request an income tax refund by filing Form 1040NR and attaching your Form 1042-S. See Form W-8BEN for claiming that you are entitled to a reduced rate of withholding under an income tax treaty. For more information, see also IRS Publication 519, U.S. Tax Guide for Aliens, and IRS Publication 515, Withholding of Tax on Nonresident Aliens and Foreign Entities.

Other special rules

If a payment is one in a series of payments for less than 10 years, your choice whether to make a direct rollover will apply to all later payments in the series (unless you make a different choice for later payments).

If your payments for the year are less than $200 (not including payments from a designated Roth account in the Plan), the Plan is not required to allow you to do a direct rollover and is not required to withhold for federal income taxes. However, you may do a 60-day rollover.

Unless you elect otherwise, a mandatory cashout of more than $1,000 (not including payments from a designated Roth account in the Plan) will be directly rolled over to an IRA chosen by the Plan administrator or the payor. A mandatory cashout is a payment from a plan to a participant made before age 62 (or normal retirement age, if later) and without consent, where the participant's benefit does not exceed $5,000 (not including any amounts held under the plan as a result of a prior rollover made to the plan).

You may have special rollover rights if you recently served in the U.S. Armed Forces. For more information, see IRS Publication 3, Armed Forces' Tax Guide.

For more information

You may wish to consult with the Plan administrator or payor, or a professional tax advisor, before taking a payment from the Plan. Also, you can find more detailed information on the federal tax treatment of payments from employer plans in: IRS Publication 575, Pension and Annuity Income; IRS Publication 590, Individual Retirement Arrangements (IRAs); and IRS Publication 571, Tax-Sheltered Annuity Plans (403(b) Plans). These publications are available from a local IRS office, on the web at www.irs.gov, or by calling 800-TAX-FORM.

Special tax notice for payments from a Designated Roth account

This notice is based, in part, on an Internal Revenue Service model notice and as a result, certain sections of the notice may not be applicable to your Plan.

General information

A designated Roth contribution is an elective contribution under a cash or deferred arrangement that is (i) designated by the employee at the time of the cash or deferred election as a designated Roth contribution that is being made in lieu of all or a portion of the pre-tax elective contribution the employee is eligible to make under the plan, (ii) treated by the employer as includible in the employee's gross income at the time the employee would have received the amount in cash if the employee had not made the cash or deferred election, and (iii) maintained by the plan in a separate account.

Your rollover options

You are receiving this notice because all or a portion of a payment you are receiving from a Horace Mann Life Insurance Company annuity issued under a section 403(b) plan or governmental section 457(b) plan (the "Plan") is eligible to be rolled over to a Roth IRA or designated Roth account in an employer plan. This notice is intended to help you decide whether to do a rollover.

This section of the notice describes the rollover rules that apply to payments from the Plan that are from a designated Roth account. If you also receive a payment from the Plan that is not from a designated Roth account, you should read the separate notice "Special tax notice for payments not from a Designated Roth account" provided earlier in this document, and the Plan administrator or the payor will tell you the amount that is being paid from each account.

Rules that apply to most payments from a designated Roth account are described in the "General Information About Rollovers" section. Special rules that only apply in certain circumstances are described in the "Special Rules and Options" section.

General information about rollovers

How can a rollover affect my taxes?

After-tax contributions included in a payment from a designated Roth account are not taxed, but earnings might be taxed. The tax treatment of earnings included in the payment depends on whether the payment is a qualified distribution. If a payment is only part of your designated Roth account, the payment will include an allocable portion of the earnings in your designated Roth account.

If the payment from the Plan is not a qualified distribution and you do not do a rollover to a Roth IRA or a designated Roth account in an employer plan, you will be taxed on the earnings in the payment. If you are under age 59 1/2, a 10% additional income tax on early distributions will also apply to the earnings (unless an exception applies).

If the payment from the Plan is a qualified distribution, you will not be taxed on any part of the payment even if you do not do a rollover. If you do a rollover, you will not be taxed on the amount you roll over and any earnings on the amount you roll over will not be taxed if paid later in a qualified distribution.

A qualified distribution from a designated Roth account in the Plan is a payment made after you are age 59 1/2 (or after your death or disability) and after you have had a designated Roth account in the Plan for at least 5 years. In applying the 5-year rule, you count from January 1 of the year your first contribution was made to the designated Roth account. However, if you did a direct rollover to a designated Roth account in the plan from a designated Roth account in another employer plan, your participation will count from January 1 of the year your first contribution was made to the designated Roth account in the Plan or, if earlier, to the designated Roth account in the other employer plan.

However, if you do a rollover, you will not have to pay taxes currently on the earnings and you will not have to pay taxes later on payments that are qualified distributions.

Where may I roll over the payment?

You may roll over the payment to either a Roth IRA (a Roth individual retirement account or Roth individual retirement annuity) or a designated Roth account in an employer plan (a tax-qualified plan or section 403(b) plan) that will accept the rollover. The rules of the Roth IRA or employer plan that holds the rollover will determine your investment options, fees, and rights to payment from the Roth IRA or employer plan (for example, no spousal consent rules apply to Roth IRAs and Roth IRAs may not provide loans). Further, the amount rolled over will become subject to the tax rules that apply to the Roth IRA or the designated Roth account in the employer plan. In general, these tax rules are similar to those described elsewhere in this notice, but differences include:

- If you do a rollover to a Roth IRA, all of your Roth IRAs will be considered for purposes of determining whether you have satisfied the 5-year rule (counting from January 1 of the year for which your first contribution was made to any of your Roth IRAs).

- If you do a rollover to a Roth IRA, you will not be required to take a distribution from the Roth IRA during your lifetime and you must keep track of the aggregate amount of the after-tax contributions in all of your Roth IRAs (in order to determine your taxable income for later Roth IRA payments that are not qualified distributions).

- Eligible rollover distributions from a Roth IRA can only be rolled over to another Roth IRA.

How do I do a rollover?

There are two ways to do a rollover. You can either do a direct rollover or a 60-day rollover.

If you do a direct rollover, the Plan will make the payment directly to your Roth IRA or designated Roth account in an employer plan. You should contact the Roth IRA sponsor or the administrator of the employer plan for information on how to do a direct rollover. *If you do not do a direct rollover*, you may still do a rollover by making a deposit within 60 days into a Roth IRA, whether the payment is a qualified or non-qualified distribution. In addition, you can do a rollover by making a deposit within 60 days into a designated Roth account in an employer plan if the payment is a non-qualified distribution and the rollover does not exceed the amount of the earnings in the payment. You cannot do a 60-day rollover to an employer plan of any part of a qualified distribution. If you receive a distribution that is a non-qualified distribution and you do not roll over an amount at least equal to the earnings allocable to the distribution, you will be taxed on the amount of those earnings not rolled over, including the 10% additional income tax on early distributions if you are under age 59 1/2 (unless an exception applies).

If you do a direct rollover of only a portion of the amount paid from the Plan and a portion is paid to you, each of the payments will include an allocable portion of the earnings in your designated Roth account.

If you do not do a direct rollover and the payment is not a qualified distribution, the Plan is required to withhold 20% of the earnings for federal income taxes (up to the amount of cash and property received). This means that, in order to roll over the entire payment in a 60-day rollover to a Roth IRA, you must use other funds to make up for the 20% withheld.

How much may I roll over?

If you wish to do a rollover, you may roll over all or part of the amount eligible for rollover. Any payment from the Plan is eligible for rollover, except:

- Certain payments spread over a period of at least 10 years or over your life or life expectancy (or the lives or joint life expectancy of you and your beneficiary)
- Required minimum distributions after age 70 1/2 (or after death)
- Hardship distributions
- Loans treated as deemed distributions (for example, loans in default due to missed payments before your employment ends)
- Cost of life insurance paid by the Plan
- Contributions made under special automatic enrollment rules that are withdrawn pursuant to your request within 90 days of enrollment.

The Plan administrator or the payor can tell you what portion of a payment is eligible for rollover.

If I don't do a rollover, will I have to pay the 10% additional income tax on early distributions?

If a payment is not a qualified distribution and you are under age 59 1/2, you will have to pay the 10% additional income tax on early distributions with respect to the earnings allocated to the payment that you do not roll over (including amounts withheld for income tax), unless one of the exceptions listed below applies. This tax is in addition to the regular income tax on the earnings not rolled over. The 10% additional income tax does not apply to the following payments from the Plan:

- Payments made after you separate from service if you will be at least age 55 in the year of the separation
- Payments that start after you separate from service if paid at least annually in equal or close to equal amounts over your life or life expectancy (or the lives or joint life expectancy of you and your beneficiary)
- Payments made due to disability
- Payments after your death
- Corrective distributions of contributions that exceed tax law limitations
- Cost of life insurance paid by the Plan
- Contributions made under special automatic enrollment rules that are withdrawn pursuant to your request within 90 days of enrollment
- Payments made directly to the government to satisfy a federal tax levy
- Payments made under a qualified domestic relations order (QDRO)
- Payments up to the amount of your deductible medical expenses
- Certain payments made while you are on active duty if you were a member of a reserve component called to duty after September 11, 2001 for more than 179 days.

If I do a rollover to a Roth IRA, will the 10% additional income tax apply to early distributions from the IRA?

If you receive a payment from a Roth IRA when you are under age 59 1/2, you will have to pay the 10% additional income tax on early distributions on the earnings paid from the Roth IRA, unless an exception applies or the payment is a qualified distribution. In general, the exceptions to the 10% additional income tax for early distributions from a Roth IRA listed above are the same as the exceptions for early distributions from a plan. However, there are a few differences for payments from a Roth IRA, including:

- There is no special exception for payments after separation from service.

- The exception for qualified domestic relations orders (QDROs) does not apply (although a special rule applies under which, as part of a divorce or separation agreement, a tax-free transfer may be made directly to a Roth IRA of a spouse or former spouse).

- The exception for payments made at least annually in equal or close to equal amounts over a specified period applies without regard to whether you have had a separation from service.

- There are additional exceptions for (1) payments for qualified higher education expenses, (2) payments up to $10,000 used in a qualified first-time home purchase, and (3) payments after you have received unemployment compensation for 12 consecutive weeks (or would have been eligible to receive unemployment compensation but for self-employed status).

Will I owe State income taxes?

This notice does not describe any State or local income tax rules (including withholding rules).

Special rules and options

If you miss the 60-day rollover deadline

Generally, the 60-day rollover deadline cannot be extended. However, the IRS has the limited authority to waive the deadline under certain extraordinary circumstances, such as when external events prevented you from completing the rollover by the 60-day rollover deadline. To apply for a waiver, you must file a private letter ruling request with the IRS. Private letter ruling requests require the payment of a nonrefundable user fee. For more information, see IRS Publication 590, Individual Retirement Arrangements (IRAs).

If you have an outstanding loan that is being offset

If you have an outstanding loan from the Plan, your Plan benefit may be offset by the amount of the loan, typically when your employment ends. The loan offset amount is treated as a distribution to you at the time of the offset and, if the distribution is a non-qualified distribution, the earnings in the loan offset will be taxed (including the 10% additional income tax on early distributions, unless an exception applies) unless you do a 60-day rollover in the amount of the earnings in the loan offset to a Roth IRA or designated Roth account in an employer plan.

If you receive a non-qualified distribution and you were born on or before January 1, 1936

If you were born on or before January 1, 1936, and receive a lump sum distribution that is not a qualified distribution and that you do not roll over, special rules for calculating the amount of the tax on the earnings in the payment might apply to you. For more information, see IRS Publication 575, Pension and Annuity Income.

If you are not a plan participant

Payments after death of the participant. If you receive a distribution after the participant's death that you do not roll over, the distribution will generally be taxed in the same manner described elsewhere in this notice. However, whether the payment is a qualified distribution generally depends on when the participant first made a contribution to the designated Roth account in the Plan. Also, the 10% additional income tax on early distributions does not apply, and the special rule described under the section "If you receive a non-qualified distribution and you were born on or before January 1, 1936" applies only if the participant was born on or before January 1, 1936.

If you are a surviving spouse.

If you receive a payment from the Plan as the surviving spouse of a deceased participant, you have the same rollover options that the participant would have had, as described elsewhere in this notice. In addition, if you choose to do a rollover to a Roth IRA, you may treat the Roth IRA as your own or as an inherited Roth IRA.

A Roth IRA you treat as your own is treated like any other Roth IRA of yours, so that you will not have to receive any required minimum distributions during your lifetime and earnings paid to you in a non-qualified distribution before you are age 59 1/2 will be subject to the 10% additional income tax on early distributions (unless an exception applies).

If you treat the Roth IRA as an inherited Roth IRA, payments from the Roth IRA will not be subject to the 10% additional income tax on early distributions. An inherited Roth IRA is subject to required minimum distributions. If the participant had started taking required minimum distributions from the Plan, you will have to receive required minimum distributions from the inherited Roth IRA. If the participant had not started taking required minimum distributions, you will not have to start receiving required minimum distributions from the inherited Roth IRA until the year the participant would have been age 70 1/2.

If you are a surviving beneficiary other than a spouse. If you receive a payment from the Plan because of the participant's death and you are a designated beneficiary other than a surviving spouse, the only rollover option you have is to do a direct rollover to an inherited Roth IRA. Payments from the inherited Roth IRA, even if made in a non-qualified distribution, will not 2 be subject to the 10% additional income tax on early distributions. You will have to receive required minimum distributions from the inherited Roth IRA.

Payments under a qualified domestic relations order. If you are the spouse or a former spouse of the participant who receives a payment from the Plan under a qualified domestic relations order (QDRO), you generally have the same options the participant would have (for example, you may roll over the payment as described in this notice).

If you are a nonresident alien

If you are a nonresident alien and you do not do a direct rollover to a U.S. IRA or U.S. employer plan, instead of withholding 20%, the Plan is generally required to withhold 30% of the payment for federal income taxes. If the amount withheld exceeds the amount of tax you owe (as may happen if you do a 60-day rollover), you may request an income tax refund by filing Form 1040NR and attaching your Form 1042-S. See Form W-8BEN for claiming that you are entitled to a reduced rate of withholding under an income tax treaty. For more information, see also IRS Publication 519, U.S. Tax Guide for Aliens, and IRS Publication 515, Withholding of Tax on Nonresident Aliens and Foreign Entities.

Other special rules

If a payment is one in a series of payments for less than 10 years, your choice whether to make a direct rollover will apply to all later payments in the series (unless you make a different choice for later payments).

If your payments for the year (only including payments from the designated Roth account in the Plan) are less than $200, the Plan is not required to allow you to do a direct rollover and is not required to withhold for federal income taxes. However, you can do a 60-day rollover.

Unless you elect otherwise, a mandatory cashout from the designated Roth account in the Plan of more than $1,000 will be directly rolled over to a Roth IRA chosen by the Plan administrator or the payor. A mandatory cashout is a payment from a plan to a participant made before age 62 (or normal retirement age, if later) and without consent, where the participant's benefit does not exceed $5,000 (not including any amounts held under the plan as a result of a prior rollover made to the plan).

You may have special rollover rights if you recently served in the U.S. Armed Forces. For more information, see IRS Publication 3, Armed Forces' Tax Guide.

For more information

You may wish to consult with the Plan administrator or payor, or a professional tax advisor, before taking a payment from the Plan. Also, you can find more detailed information on the federal tax treatment of payments from employer plans in: IRS Publication 575, Pension and Annuity Income.