



The Variable Annuity Life Insurance Company
P.O. Box 15648
Amarillo, TX 79105

**SECTION 457(b) DEFERRED COMPENSATION PLAN
(For Governmental Employers)
EXPLANATION OF
ADOPTION AGREEMENT**

Item 1 - Plan Effective Date

This section indicates whether the Plan is a new plan (in which case Employer should check the first box and indicate the effective date of the plan) or a restated plan (in which case the Employer should check the second box and indicate both the effective date of the restatement and the original effective date of the plan). Any amendment and restatement should generally be effective as of a date that is not earlier than the first day of the calendar year in which the Adoption Agreement is executed nor later than the last day of the plan year in which the legislative change is required. Note that certain plan provisions are retroactively effective to dates as early as January 1, 2007 (in order to comply with recent statutory changes to Section 457(b)).

Item 2 - Eligible Employees

This section allows the Employer to indicate which Employees shall be allowed to participate in the Plan. However, the Employer may also elect to determine each year which Employees will be allowed to participate in the Plan.

Item 3 - Roth Contributions

Under recent legislation, governmental 457(b) plans may now allow participants to designate all or a portion of their elective contributions to the Plan as after-tax "Roth" contributions. However, plans are not *required* to allow Roth contributions. The Employer must check the appropriate box if it wishes to allow Participants to make designated Roth contributions under the Plan.

Item 4 - Employer Contributions

The Employer should indicate whether it will make Employer Contributions to the Plan. If the Employer simply wishes to retain the discretion to make Employer Contributions, it should check the second box under this item. If the Employer intends for the plan to be a "FICA opt-out" or "FICA replacement" plan for some or all of its Employees, it should check the third box and indicate whether the required contribution (7.5% of Compensation) will be achieved or made through Employer Contributions or through "Mandatory Employee Contributions" (or some combination of both).

Item 5 - Loans

This section allows the Employer to indicate whether Participants will be allowed to borrow from their account under the Plan.

Item 6 - Unforeseeable Emergency Withdrawals

The Employer may elect whether in-service withdrawals on account of unforeseeable emergency will be allowed under the Plan. If unforeseeable emergency withdrawals are allowed, then the Employer may also elect whether to allow unforeseeable emergency withdrawals on account of illness, accident or need to pay for funeral expenses of a Participant's primary Beneficiary. If unforeseeable emergency withdrawals on account of illness, accident or need to pay for funeral expenses of a Participant's primary Beneficiary have been allowed only since a date later than August 17, 2006 (or the original effective date of the Plan, if later), then the Employer should insert that date in the space provided. See Section 6.08 of the Basic Plan Document for the requirements for an unforeseeable emergency withdrawal.

Item 7 - Participant's Election to Receive In-Service Distribution

The Employer may elect whether Participants with small (\$5,000 or less) account balances (who have not made any deferrals under the Plan for at least two years) will be allowed to elect an in-service distribution of their account balance under the Plan.

Item 8 - Distribution Without Participant's Consent

The Employer may elect whether Participants with account balances that do not exceed \$1,000 (and who have not made any deferrals under the Plan for at least two years) may be cashed out (by the Employer) without the Participant's consent.

Item 9 - Distributions to Individuals in Uniformed Services

The Employer may elect whether Participants on military leave will be permitted to take a distribution of their account balance under the Plan (as permitted, but not required, under the HEART Act).

Item 10 - In-plan Roth Conversions

Under the 2010 Small Business Jobs Act, 457(b) plans that allow participants to make designated Roth contributions may also allow in-plan Roth conversions. If (and only if) the Employer has elected (in Item 3) to allow Roth contributions, the Employer may elect to allow in-plan Roth conversions of amounts that are otherwise distributable under the terms of the Plan.



The Variable Annuity Life Insurance Company

P.O. Box 15648
Amarillo, TX 79105

Item 11 - Deductions from Distributions to Eligible Retired Public Safety Officers

Under the Pension Protection Act, Participants who qualify as “eligible retired public safety officers” may elect to have a portion of an otherwise taxable distribution paid directly to the provider of an accident or health insurance or qualified long-term care insurance contract and such amount will be excluded from the Participant’s gross income. If the Employer wishes to allow such deductions, the Employer should check the first box.

Item 12 - Non-spousal Beneficiary Rollovers

The Pension Protection Act also changed the distribution rules to permit non-taxable rollovers by non-spouse Beneficiaries after 2006. However, plans were not *required* to allow such distributions before 2010. The Employer should indicate whether rollovers by non-spouse Beneficiaries were permitted prior to 2010 and, if so, whether those distributions were first allowed as of January 1, 2007, or as of a later date (that is not later than January 1, 2010).

Item 13 - Required Minimum Distributions for 2009

Under the Worker, Retiree and Employer Recovery Act of 2008, governmental 457(b) plans were not *required* to make “minimum distributions” for the 2009 calendar year. VALIC’s standard procedure for 2009 was as follows: Participants who were receiving installment payments (where all or a portion of the payment was a “2009 required minimum distribution”) continued to receive those payments unless they specifically elected otherwise, but no other Participants received minimum distributions for that year. If the plan followed VALIC standard procedure, the Employer should check the first box. If the plan did not follow VALIC’s standard procedure with respect to 2009 minimum distributions, the Employer should check one of the other boxes, as appropriate.

Item 14 - Optional Benefit Accruals under HEART Act

Under the HEART Act, governmental 457(b) plans may, but are not required to, treat certain Participants who die or become disabled while on active duty in the uniformed services as if they had returned to work on the day before their date of death or disability (such that they would be entitled, under USERRA, to any additional benefit accruals attributable to their period of military service). If the Employer wishes to provide for this “optional” benefit accrual, the Employer should check the appropriate box.

Item 15 - Governing Law

The Employer should indicate what State or Commonwealth's laws shall govern the operation of the Plan and the interpretation of the Plan document.