

# CUSTODIAL ACCOUNT AGREEMENT & DISCLOSURE STATEMENT

## VANTAGEPOINT ROTH AND TRADITIONAL IRA

(Effective: March 2011)

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Distributed by ICMA-RC Services, LLC





## **PLEASE READ IMPORTANT NOTICE**

ICMA-RC has changed custodians for its Vantagepoint IRAs and Vantagepoint Coverdell Education Savings Accounts ("Vantagepoint ESA"). Effective April 1, 2011, Wilmington Trust Retirement and Institutional Services Company (WTRISC) became the new custodian. Moving forward, all references to Investors Bank and Trust Company in any of your account documents should be read to mean the Wilmington Trust Retirement and Institutional Services Company. We will be updating all Vantagepoint IRA and Vantagepoint ESA documents to reflect the change in custodian.

Effective March 25, 2011, a new money market fund, Dreyfus Cash Management, was added as an investment option to for a Vantagepoint IRA Account or Coverdell Education Savings Account. Dreyfus Cash Management will serve as the default fund in your Vantagepoint IRA or ESA Account. We will continue to allocate contributions according to the allocation instructions you've provided, but investors who do not provide us with a standing contribution investment allocation or specific instructions on how to invest future contributions will have their contributions invested in Dreyfus Cash Management. In addition, if your allocation total does not equal 100 percent or if an unavailable fund is selected, the amount that cannot be properly allocated will be invested in Dreyfus Cash Management.

If you have any questions related to the change in custodians or default investment option, please contact Investor Services at 800-669-7400.

Sincerely,

A handwritten signature in cursive script that reads "Sheila Bell".

Sheila Bell  
Vice President, Investor Services



**INVESTORS BANK & TRUST COMPANY**

**CUSTODIAL ACCOUNT AGREEMENT  
TERMS AND CONDITIONS FOR VANTAGEPOINT  
TRADITIONAL IRAS**

The Terms and Conditions for Vantagepoint Traditional IRAs apply to Traditional IRAs operating under section 408(a) of the Internal Revenue Code only. Articles I through VII of these Terms and Conditions for Vantagepoint Traditional IRAs are in the form promulgated by the Internal Revenue Service in Form 5305-A (Rev. March 2002) for use in establishing an Individual Retirement Custodial Account. Please see Article VIII for additional provisions applicable to your Vantagepoint Traditional IRA.

The Depositor whose name appears on the Application is establishing an individual retirement account under section 408(a) to provide for his or her retirement and for the support of his or her beneficiaries after death.

The Custodian, Investors Bank & Trust Company, has through its agent given the Depositor the disclosure statement required by Regulations section 1.408-6.

The Depositor has assigned the Custodial Account a cash deposit as indicated on the Application.

The Depositor and the Custodian make the following agreement:

## **ARTICLE I**

Except in the case of a rollover contribution described in section 402(c), 403(a)(4), 403(b)(8), 408(d)(3), or 457(e)(16), an employer contribution to a simplified employee pension plan as described in section 408(k), or a recharacterized contribution described in section 408A(d)(6), the Custodian will accept only cash contributions up to \$3,000 per year for tax years 2002 through 2004. That contribution limit is increased to \$4,000 for tax years 2005 through 2007 and \$5,000 for 2008 and thereafter. For individuals who have reached the age of 50 before the close of the tax year, the contribution limit is increased to \$3,500 per year for tax years 2002 through 2004, \$4,500 for 2005, \$5,000 for 2006 and 2007, and \$6,000 for 2008 and thereafter.

For tax years after 2008, the above limits will be increased to reflect a cost-of-living adjustment, if any.

## **ARTICLE II**

The Depositor's interest in the balance in the Custodial Account is nonforfeitable.

## **ARTICLE III**

1. No part of the custodial funds may be invested in life insurance contracts, nor may the assets of the Custodial Account be commingled with other property except in a common trust fund or common investment fund (within the meaning of section 408(a)(5)).
2. No part of the custodial funds may be invested in collectibles (within the meaning of section 408(m)) except as otherwise permitted by section 408(m)(3), which provides an exception for certain gold, silver, and platinum coins, coins issued under the laws of any state, and certain bullion.

## **ARTICLE IV**

1. Notwithstanding any provision of this agreement to the contrary, the distribution of the Depositor's interest in the Custodial Account shall be made in accordance with the following requirements and shall otherwise comply with section 408(a)(6) and the regulations thereunder, the provisions of which are herein incorporated by reference.
2. The Depositor's entire interest in the Custodial Account must be, or begin to be, distributed not later than the Depositor's required beginning date, April 1 following the calendar year in which the Depositor reaches age 70-1/2. By that date, the Depositor may elect, in a manner acceptable to the Custodian, to have the balance in the Custodial Account distributed in:

- (a) A single sum, or
- (b) Payments over a period not longer than

the life of the Depositor or the joint lives of the Depositor and his or her designated beneficiary.

**3.** If the Depositor dies before his or her entire interest is distributed to him or her, the remaining interest will be distributed as follows:

**(a)** If the Depositor dies on or after the required beginning date and:

**(i)** the designated beneficiary is the Depositor's surviving spouse, the remaining interest will be distributed over the surviving spouse's life expectancy as determined each year until such spouse's death, or over the period in paragraph (a)(iii) below if longer. Any interest remaining after the spouse's death will be distributed over such spouse's remaining life expectancy as determined in the year of the spouse's death and reduced by 1 for each subsequent year, or, if distributions are being made over the period in paragraph (a)(iii) below, over such period.

**(ii)** the designated beneficiary is not the Depositor's surviving spouse, the remaining interest will be distributed over the beneficiary's remaining life expectancy as determined in the year following the death of the Depositor and reduced by 1 for each subsequent year, or over the period in paragraph (a)(iii) below if longer.

**(iii)** there is no designated beneficiary, the remaining interest will be distributed over the remaining life expectancy of the Depositor as determined in the year of the Depositor's death and reduced by 1 for each subsequent year.

**(b)** If the Depositor dies before the required beginning date, the remaining interest will be distributed in accordance with (i) below or, if elected or there is no designated beneficiary, in accordance with (ii) below:

**(i)** The remaining interest will be distributed in accordance with paragraphs (a)(i) and (a)(ii)

above (but not over the period in paragraph (a)(iii), even if longer), starting by the end of the calendar year following the year of the Depositor's death. If, however, the designated beneficiary is the Depositor's surviving spouse, then this distribution is not required to begin before the end of the calendar year in which the Depositor would have reached age 70-1/2. But, in such case, if the Depositor's surviving spouse dies before distributions are required to begin, then the remaining interest will be distributed in accordance with (a)(ii) above (but not over the period in paragraph (a)(iii) above, even if longer), over such spouse's designated beneficiary's life expectancy, or in accordance with (ii) below if there is no such designated beneficiary.

**(ii)** The remaining interest will be distributed by the end of the calendar year containing the fifth anniversary of the Depositor's death.

**4.** If the Depositor dies before his or her entire interest has been distributed and if the designated beneficiary is not the Depositor's surviving spouse, no additional contributions may be accepted in the Account.

**5.** The minimum amount that must be distributed each year, beginning with the year containing the Depositor's required beginning date, is known as the "required minimum distribution" and is determined as follows:

**(a)** The required minimum distribution under paragraph 2(b) for any year, beginning with the year the Depositor reaches age 70-1/2, is the Depositor's Account value at the close of business on December 31 of the preceding year divided by the distribution period in the uniform lifetime table in Regulations section 1.401(a)(9)-9. However, if the Depositor's designated beneficiary is his or her surviving spouse, the required minimum distribution for a year shall not be more than the Depositor's account value at the close of business on December 31 of the preceding year divided by the number in the joint and survivor table in Regulations section 1.401(a)

(9)-9. The required minimum distribution for a year under this paragraph (a) is determined using the Depositor's (or, if applicable, the Depositor and spouse's) attained age (or ages) in the year.

(b) The required minimum distribution under paragraphs 3(a) and 3(b)(i) for a year, beginning with the year following the year of the Depositor's death (or the year the Depositor would have reached age 70-1/2, if applicable under paragraph 3(b)(i)) is the Account value at the close of business on December 31 of the preceding year divided by the life expectancy (in the single life table in Regulations section 1.401(a)(9)-9) of the individual specified in such paragraphs 3(a) and 3(b)(i).

(c) The required minimum distribution for the year the Depositor reaches age 70-1/2 can be made as late as April 1 of the following year. The required minimum distribution for any other year must be made by the end of such year.

6. The owner of two or more Traditional IRAs may satisfy the minimum distribution requirements described above by taking from one Traditional IRA the amount required to satisfy the requirement for another in accordance with the regulations under section 408(a)(6).

## ARTICLE V

1. The Depositor agrees to provide the Custodian with all information necessary to prepare any reports required by section 408(i) and Regulations sections 1.408-5 and 1.408-6.

2. The Custodian agrees to submit to the Internal Revenue Service ("IRS") and the Depositor the reports prescribed by the IRS.

## ARTICLE VI

Notwithstanding any other articles which may be added or incorporated, the provisions of Articles I through III and this sentence will be controlling. Any additional articles inconsistent

with section 408(a) and the related regulations will be invalid.

## ARTICLE VII

This agreement will be amended as necessary to comply with the provisions of the Code and the related regulations. Other amendments may be made with the consent of the persons whose signatures appear on the Application.

## ARTICLE VIII

1. Except as otherwise permitted in paragraph 5(a) below, all contributions made under this Agreement shall be deposited in the form of cash. As permitted in Paragraph 5(a) below, rollover contributions may be made in the form of cash or securities, but only to the extent such securities are approved by the Sponsor. All such contributions shall be credited to a Custodial Account for the account of the Depositor. Any contribution so made with respect to a tax year of the Depositor shall be made prior to the due date of the Depositor's tax return (not including extensions). Unless otherwise indicated in writing by the Depositor, contributions shall be credited to the tax year in which they are received by the Custodian. Subject to the limitations set forth in the Application, all funds in the Custodial Account (including contributions, dividends, interest, proceeds from the sale or other disposition of investments and any other cash receipts) shall be invested and reinvested in:

(a) any marketable securities obtainable through the Sponsor;

(b) any shares of open-end regulated investment companies designated by the Sponsor; and

(c) any other investment, but only if, in the judgment of the Custodian and Sponsor, such investment will not impose upon them an administrative burden greater than that normally incident to investments described in (a) above (such judgment by the Custodian and Sponsor not to be construed in any respect as a judg-



ment concerning the prudence or advisability of such an investment).

Such investments shall be made in such specific securities and other investments, in such proportions and in such amounts as the Depositor may direct by notice to the Sponsor (in such form as may be acceptable to the Sponsor). However, the Custodian or the Sponsor may establish minimum amounts for any type of investment.

The Sponsor shall be responsible for the execution of such orders. The Custodian shall maintain or cause to be maintained adequate records thereof (provided that the Custodian may retain the Sponsor as its agent or recordkeeper to maintain adequate records of transactions on behalf of the Custodian). However, if any such orders are not received as required or, if received, are unclear or incomplete in the opinion of the Sponsor, all or a portion of the assets of the Custodial Account may be returned to the Depositor or held uninvested without liability for loss of income or appreciation, and without liability for interest, pending receipt of complete orders or clarification; or such assets may be invested in an interest-bearing account or in a money-market type open-end investment company designated by the Sponsor.

The Depositor (or after his or her death, the beneficiary) shall be permitted at all times to direct the Sponsor as to the investment or reinvestment of the Custodial Account. All such investment directions shall be made in a manner acceptable to the Sponsor. By giving investment directions to the Sponsor, the Depositor (or beneficiary) acknowledges receipt of the current prospectus for the investments chosen.

2. Any Account maintained in connection herewith shall be in the name of the Custodian for the benefit of the Depositor. All assets of the Custodial Account shall be registered in the name of the Custodian or of a suitable nominee (and the same nominee may be used with respect to assets of other investors

whether or not held under agreements similar to this one or in any capacity whatsoever); provided, however, that the Custodian may hold any security in bearer form or by or through the Sponsor, or by or through a central clearing corporation maintained by institutions active in the national securities markets; provided further, however, that (a) the books and records of the Custodian (or the Sponsor acting as the agent or recordkeeper for the Custodian) shall show that all such investments are part of the Custodial Account; (b) each Custodial Account shall be separate and distinct; (c) a separate account thereof shall be maintained by the party having actual custody of such assets; and (d) the assets thereof shall be held in individual or bulk segregation in such party's vaults or in depositories approved by the Securities and Exchange Commission under the Securities Exchange Act of 1934.

3. Neither the Custodian, the Sponsor nor any other party providing services to the Custodial Account assumes any responsibility for rendering advice with respect to the investment or reinvestment of the Depositor's Custodial Account and shall not be liable for any loss which results from Depositor's (or beneficiary's) exercise of control over his or her Custodial Account. Depositor (or beneficiary) shall have and exercise exclusive responsibility for and control over the investment of the assets of his or her Custodial Account in accordance with the terms of this Agreement, and neither the Custodian, the Sponsor nor any other such party shall have any duty to question his or her directions in that regard or to advise him or her regarding purchase, retention, or sale of such assets.

4. The Depositor shall have the right by written notice to the Sponsor (as agent of the Custodian) to designate (or to change) one or more primary and contingent beneficiaries to receive any amount remaining in the Custodial Account in the event of his or her death prior to the complete distribution of all assets in the Custodial Account. Any such designation (or change of designation) of beneficiary may be on a form provided by the Custodian or the

Sponsor or on a written instrument acceptable to the Custodian and Sponsor, signed by the Depositor and filed with the Sponsor. Any designation or change of designation shall be effective upon receipt by the Sponsor. Any change of designation received by the Sponsor will revoke all prior designations previously filed with the Sponsor. If no such designation is in effect on a Depositor's death, or if all primary and contingent designated beneficiaries have predeceased the Depositor, the Depositor's spouse shall be deemed to be the beneficiary. If there is no living spouse, the Depositor's estate shall be deemed to be the beneficiary.

(a) The Custodian shall have the right to receive rollover contributions as described in Article I of this Agreement and amounts transferred from another individual retirement account or individual retirement annuity. Any property so transferred to it in a form other than cash or securities (which are approved by the Sponsor) shall be sold by the Custodian and reinvested as provided in paragraph 1 of this Article VIII. The Custodian reserves the right to refuse to accept any property which is not in the form of cash or approved securities.

(b) The Custodian, upon written direction of the Depositor, shall transfer the assets held under this Agreement (reduced by (i) any amounts referred to in paragraph 7 of this Article VIII and (ii) any amounts required to be distributed during the calendar year of transfer to the Depositor under section 408(a)(6) or 408(b)(3) of the Code) to a successor individual retirement account or individual retirement annuity for the Depositor's benefit.

5. (c) Any amounts received or transferred by the Custodian under this paragraph 5 shall be accompanied by such instructions, records and other documents as the Custodian and Sponsor deem necessary.

6. The Depositor hereby delegates to the Custodian the power to amend at any time the terms and provisions of this Agreement and hereby consents to all such amendments,

provided that an amendment is not contrary to any applicable provision of the Code, the regulations thereunder, or any other applicable law, regulation or ruling. Any such amendments shall be effective when the notice of such amendments is mailed to the address of the Depositor indicated by the Custodian's records.

7. Any income taxes or other taxes of any kind whatsoever which may be levied or assessed upon or in respect of the assets of the Custodial Account, or the income arising therefrom, any transfer taxes incurred, any expenses incurred by the Custodian in the performance of its duties including fees for legal services rendered to the Custodian, and the Custodian's and the Sponsor's compensation as set forth in the Disclosure Statement may be paid by the Depositor and, unless and until so paid, within such time period as the Custodian and Sponsor may establish, may be paid from the assets of the Custodial Account. The Custodian and the Sponsor shall be empowered to take any action necessary to effectuate the provisions of this paragraph and shall have no liability to the Depositor therefor. The Custodian and the Sponsor shall each have the right to change or adjust its fees and compensation upon thirty (30) days' notice to the Depositor, and may reduce or waive fees with respect to any class or group of Depositors.

8. Amounts in the Custodial Account and the benefits provided hereunder shall not be subject to alienation, assignment, garnishment, attachment, execution or levy of any kind, and any attempt to cause such benefits to be so subjected shall not be recognized, except to such extent as may be required by law.

9. Any pledging of assets in the Custodial Account by the Depositor as security for a loan, or any loan or other extension of credit from the Custodial Account to the Depositor, shall be prohibited.

10. In taking or refraining from any action or determining any fact or question which may arise under this Custodial Agreement, the

Custodian may rely upon any statement by the Depositor or the Sponsor with respect thereto. The Depositor hereby agrees that the Custodian will not be liable for any loss or expense resulting from taking or not taking such action or determination taken in reliance on any such statement.

Likewise, the Sponsor may rely upon any statement by the Depositor in taking or refraining from any action or determining any fact or question which may arise under this Custodial Agreement. The Depositor hereby agrees that the Sponsor will not be liable for any loss or expense resulting from taking or not taking such action or determination taken in reliance on any such statement.

**11.** The Custodian may resign at any time upon ninety (90) days' written notice to the Depositor and may be removed by the Depositor at any time upon ninety (90) days' written notice to the Custodian. Upon the resignation or removal of the Custodian, a successor Custodian shall be appointed by the Depositor within ninety (90) days of such resignation or removal and in the absence of such appointment, the Custodian may designate a successor unless this Agreement is sooner terminated. Any successor custodian shall be a bank (as defined in section 408(n) of the Code) or another person found qualified to act as a custodian under an individual retirement account plan by the Secretary of the Treasury, or his delegate, pursuant to section 408(a)(2) of the Code. The appointment of a successor custodian shall be effective upon receipt by Custodian of such successor's written acceptance which shall be submitted to the Custodian and to the Depositor. As soon as reasonably practicable after the effective date of a successor custodian's appointment, the Custodian shall transfer and deliver to the successor custodian applicable account records and assets of the Custodial Account (reduced by any unpaid amounts referred to in paragraph 7 of this Article VIII). The successor custodian shall be subject to the provisions of this Agreement (or any successor thereto) on the effective date of its appointment.

**12.** The Custodian (or Sponsor, acting as the Custodian's agent) shall, in accordance with instructions in writing from the Depositor (or beneficiary), make distributions out of the Custodial Account to the Depositor (or beneficiary) in the manner and amounts as may be specified in such instructions. Such instructions shall be submitted to the Sponsor on a form provided by the Sponsor, or on a written instrument acceptable to the Custodian and the Sponsor, signed by the Depositor (or beneficiary) and filed with the Sponsor. Notwithstanding the provisions of Article IV above, the Custodian (or Sponsor) assumes (and shall have) no responsibility to make any distribution to the Depositor (or the Depositor's beneficiary if the Depositor is deceased) unless and until such written instructions specify the occasion for such distribution, the elected manner of distribution, and any other information that may be required. If the Depositor (or, following the Depositor's death, the beneficiary) does not direct the Custodian to make distributions from the Custodial Account by the time that such distributions are required to begin in accordance with the preceding Articles, the Custodian and the Sponsor may assume that the Depositor (or the beneficiary) is meeting the minimum distribution requirements from another individual retirement arrangement maintained by the Depositor and the Custodian and the Sponsor shall be fully protected in so doing.

Prior to making any such distribution from the Custodial Account, the Custodian shall be furnished with any and all applications, certificates, tax waivers, signature guarantees, and other guarantees, and other documents (including proof of any legal representative's authority) deemed necessary or advisable by the Custodian and Sponsor, but neither the Custodian nor the Sponsor shall be liable for complying with written instructions which appear on their face to be genuine, or for refusing to comply if not satisfied such instructions are genuine, and assumes no duty of further inquiry. Upon receipt of proper written instructions as required above, the Custodian shall cause the assets of the Custodial Account

to be distributed in cash and/or in kind, as specified in such written order.

Distributions made under Article IV may be made in a single sum, periodic payments, or a combination of both. The distribution option chosen should be reviewed in the year the Depositor reaches age 70-1/2 to make sure the requirements of Code section 408(a)(6) have been met.

**13.** Distribution of the assets of the Custodial Account shall (subject to the first paragraph of paragraph 12 of this Article VIII) be made in accordance with the provisions of Article IV as the Depositor (or the Depositor's beneficiary if the Depositor is deceased) shall elect by written instructions to the Custodian; subject, however, to the provisions of sections 401(a)(9), 408(a)(6) and 408(b)(3) of the Code, the regulations promulgated thereunder, and the following:

**(i)** A distribution may be made in the form of an immediate annuity as long as the contract is purchased in a direct transfer of funds from the Custodial Account to the annuity provider, and provided the contract is issued in the form of an individual retirement annuity, meeting the requirements of section 408(b) of the Code.

**(ii)** If the Depositor dies before his/her entire interest in the Custodial Account has been distributed, and if the designated beneficiary of the Depositor is the Depositor's surviving spouse, the spouse may treat the Custodial Account as the spouse's own individual retirement arrangement. This election will be deemed to have been made if the surviving spouse makes an additional IRA contribution to the Custodial Account, makes a rollover to or from such Custodial Account, or fails to receive a payment from the Custodial Account within the appropriate time period applicable to the deceased Depositor under section 401(a)(9)(B) of the Code.

The spouse's election with respect to the Account shall be provided to the Sponsor in a written instrument signed by the surviv-

ing spouse and filed with the Sponsor. If the surviving spouse does not elect to treat the Custodial Account as his or her own individual retirement arrangement, the spouse may roll the Account balance to his or her own IRA as allowed under the law and related regulations.

**(iii)** Distributions to the Depositor and his/her beneficiary, commencing with the Depositor's required beginning date, shall comply with the minimum distribution incidental benefit requirement. If the Depositor's sole beneficiary is his or her spouse, and if the spouse is more than ten years younger than the Depositor, the Depositor may request that payments be made over the joint life expectancy of the Depositor and the spouse.

**(iv)** For purposes of Article IV.3(a)(i), any interest remaining after a spousal beneficiary's death will be distributed to the spousal beneficiary's estate in a lump sum as soon as administratively practical. For purposes of Article IV.3(a)(iii), if the Depositor's estate is deemed to be the beneficiary of the Account pursuant to paragraph 4 of this Article VIII, the remaining interest shall be paid to such estate in a lump sum as soon as administratively practical.

**(v)** For purposes of Article IV.3(b), if all designated beneficiaries die prior to the time distributions are required to begin, or if there is no designated beneficiary, the remaining interest will be distributed to the Depositor's estate as soon as administratively practical.

**14.** If the Depositor is disabled, as that term is defined in section 72(m)(7) of the Code, he or she may give notice to the Sponsor of such disability and request that up to the balance of the Custodial Account be distributed. The Custodian, within a reasonable time after submission of satisfactory proof of such disability, shall order the distribution of the balance of the Custodial Account to the Depositor or such portion as the Depositor requested.

**15.** This Agreement shall terminate and be of no further force or effect (except for para-

graphs 11 and 16 of this Article VIII which shall survive such termination of the Custodial Account and this Agreement) coincident with the complete distribution of the assets of the Custodial Account, and the Custodian and Sponsor shall have no further duties or responsibilities with respect to the Custodial Account after its termination.

**16.** The Depositor hereby agrees to indemnify and hold harmless the Custodian from and against any and all claims, loss, damages, costs or expenses (including reasonable attorney's fees) which the Custodian may incur or pay out by reason of any alleged or actual act, or failure to act, on the part of the Depositor, the Sponsor, or any other person. Likewise, the Depositor hereby agrees to indemnify and hold harmless the Sponsor from and against any and all claims, loss, damages, costs or expenses (including reasonable attorney's fees) which the Sponsor may incur or pay out by reason of any alleged or actual act, or failure to act, on the part of the Depositor, Custodian, or any other person. The preceding sentences will survive the termination of the Agreement.

**17.** Any notice herein required or permitted to be given to the Custodian shall be sufficiently given if mailed to the Custodian by first class mail, care of Vantagepoint Transfer Agents, P.O. Box 17010, Baltimore, MD, 21297-1010 or to such other address as the Custodian shall provide the Depositor from time to time in writing, stating that such other address shall be used for purposes of this Agreement. Any notice herein required or permitted to be given to the Sponsor shall be sufficiently given if mailed to the Sponsor by first class mail, care of Vantagepoint Transfer Agents, P.O. Box 17010, Baltimore, MD, 21297-1010, or to such other address as the Sponsor shall provide the Depositor from time to time in writing, stating that such other address shall be used for purposes of this Agreement.

Any notice herein required or permitted to be given to the Depositor shall be sufficiently given if provided to the Depositor at the

Depositor's address appearing on the Application, or at such other address (including an electronic address) as the Depositor shall have provided the Sponsor from time to time, which shall state that such other address is to be used for purposes of this Agreement. Such notice shall be considered effective when actually received by the Sponsor.

**18.** The Custodian and the Sponsor shall keep or cause to be kept adequate records of the transactions they are required to perform hereunder. In addition to any reports required by the Code or the regulations thereunder, the Custodian shall cause to be mailed to the Depositor in respect of each tax year an account of all transactions affecting the Custodial Account during such year and a statement showing the Custodial Account as of the end of such year. If, within ninety (90) days after such mailing, the Depositor has not given the Custodian or the Sponsor written notice of any exception or objection thereto, the annual accounting shall be deemed to have been approved, and in such case, or upon the written approval of the Depositor, the Custodian and the Sponsor shall be released, relieved and discharged with respect to all matters and statements set forth in such accounting as though the account had been settled by judgment or decree of a court of competent jurisdiction.

The Sponsor shall deliver, or cause to be executed and delivered, to the Depositor all notices, prospectuses, financial statements, proxies and proxy soliciting materials relating to securities or other investments credited to the Custodial Account. No shares of securities shall be voted, and no other action shall be taken pursuant to such documents except upon receipt of adequate written instructions from the Depositor, in a manner prescribed by the Sponsor.

The Sponsor shall deliver, or cause to be delivered, to the Depositor, the required confirmations of transactions executed in the Custodial Account. If, within thirty (30) days after such mailing, the Depositor has not given the Custodian or the Sponsor written notice of any ex-

ception or objection thereto, the confirmation shall be deemed to have been approved, and in such case, or upon the written approval of the Depositor, the Custodian and the Sponsor shall be released, relieved and discharged with respect to all matters and statements set forth in such confirmation as though the Account had been settled by judgment or decree of a court of competent jurisdiction.

**19.** The Custodian and the Sponsor shall be agents for the Depositor to perform the duties conferred on them, respectively, hereunder, as directed by the Depositor. The parties do not intend to confer any fiduciary duties on the Custodian and the Sponsor and none shall be implied. Neither shall either be liable (nor assumes any responsibility for) the collection of contributions, the deductibility of any contribution or the propriety of or the amount or timing or tax treatment of any contributions under this Agreement, the selection of any investments for the Custodial Account, or the purpose or propriety or tax treatment of any distribution ordered in accordance with Article IV or paragraph 12, 13 or 14 of Article VIII, which matters are the sole responsibility of the Depositor or the Depositor's beneficiary, as the case may be. Nor shall either incur any liability with respect to any tax imposed due to any distribution or failure to make such distribution.

The Custodian and the Sponsor shall be entitled to rely conclusively upon, and shall be protected from liability for action or non-action taken upon written instructions, notices, communications, or instruments provided by the Depositor (or beneficiary). Any such notification may be proved by original or photocopy, facsimile, electronically, or by electronic imaging. The Custodian and Sponsor may give the same effect to a telephonic, electronic, or facsimile instruction as to an original written instruction. Any telephonic or electronic instruction may be proved by audio recorded tape or other means acceptable to the Custodian and Sponsor.

**20.** The Custodian and Sponsor shall each be responsible solely for performance of those duties expressly assigned to it in this Agreement, and neither assumes any responsibility as to duties assigned to anyone else hereunder or by operation of law.

**21.** When accepted by the Custodian, this Agreement is accepted in and shall be construed and administered in accordance with the laws of the state where the principal offices of the Custodian are located. Any action involving the Custodian brought by any other party must be brought in a state or federal court in such state.

This Agreement is intended to qualify under Code section 408(a) as an Individual Retirement Custodial Account and to entitle Depositor to the retirement savings deduction under Code section 219 if available.

If any provision hereof is subject to more than one interpretation or any term used herein is subject to more than one construction, such ambiguity shall be resolved in favor of that interpretation or construction which is consistent with the intent expressed in the preceding sentence.

However, the Custodian and Sponsor shall not be responsible for whether or not such intentions are achieved through use of this Agreement, and Depositor is referred to Depositor's attorney for any such assurances.

**22.** Depositor should seek advice from Depositor's attorney regarding the legal consequences (including but not limited to federal and state tax matters) of entering into this Agreement, contributing to the Custodial Account, and ordering the Custodian to make distributions from the Account. Depositor acknowledges that all such matters are the sole responsibility of the Depositor and that Custodian is prohibited by law from rendering such advice.

**23.** Notwithstanding anything in the foregoing to the contrary, any provision which is

inconsistent with sections 219, and 408 of the Code shall be disregarded and the regulations promulgated under said sections of the Code shall be incorporated by reference and this Agreement shall be administered in accordance with said Code and regulations.

**24.** Unless otherwise waived on the Application, the Depositor has the right to revoke the Custodial Account established under this Agreement by written notice to the Custodian received by the Sponsor within 7 calendar days after the Depositor establishes the Custodial Account. Upon revocation, the amount of the Depositor's initial deposit or contribution will be returned to him, without adjustment for interest, earnings, investment fluctuations or fees or expenses.

**25.** Subject to the approval of the Custodian, the Sponsor, and the Depositor's employer (for payroll deduction or for a Sidecar IRA), the Depositor may elect to have contributions made through payroll deduction or automatic investment plan. Such election shall be made on a form provided by the Sponsor. Contributions may be made in such manner to the Custodial Account of the Depositor's spouse. If by payroll deduction or for a Sidecar IRA, however, the Depositor's employer must authorize such contribution to the account of the Depositor's spouse. The payroll deduction or automatic investment plan election shall remain in force until amendment or revocation is received by the Sponsor and the Depositor's employer (in the case of payroll deduction or for a Sidecar IRA) with reasonable advance notice.

**26.** Articles I through VII of The Terms and Conditions for Vantagepoint Traditional IRAs of this Agreement are in the form promulgated by the Internal Revenue Service as Form 5305-A. It is anticipated that, if and when the Internal Revenue Service promulgates changes to Form 5305-A, the Custodian will amend this Agreement correspondingly.

**27.** Contributions to a Traditional IRA Custodial Account for a non-working spouse

must be made to a separate Traditional IRA Custodial Account established by the non-working spouse.

This Agreement may be used to establish the Traditional IRA Custodial Account for the non-working spouse.

**28.** If the Depositor is a participant in an eligible employer retirement plan under Code sections 401(a), 403 or 457(b), Depositor may roll or transfer his or her account balance to an IRA under Code section 408 using the terms of this Agreement and the Application by completing and executing the Application and giving suitable directions to the Custodian and the custodian or trustee of such other eligible employer retirement plan. Depositor may roll or transfer all or a portion of his or her pre-tax IRA account balance to an eligible employer retirement plan, by giving suitable directions to the Custodian and the custodian or trustee of the eligible employer retirement plan.

**29.** A Depositor's social security number will serve as the identification number of his or her individual retirement account. Due to security concerns, the Sponsor will use a unique reference code in place of the social security number on outgoing correspondence when possible.

An employer identification number is only required for each individual retirement account that needs to file an unrelated business income tax return. An employer identification number is also required for a common fund created for individual retirement accounts.

For more information, review the required Disclosure Statement or obtain Publication 590, Individual Retirement Arrangements (IRAs).

**30.** This Article VIII and any that follow it may incorporate additional provisions that are agreed upon by the Depositor, the Sponsor and Custodian to complete the agreement. These may include, for example: definitions, investment powers, voting rights, exculpa-

tory provisions, amendment and termination, removal of custodian, custodian's fees, state law requirements, beginning date of distributions, accepting only cash, treatment of excess contributions, prohibited transactions with the Depositor, etc.

**31.** The Depositor acknowledges that he or she has received and read the Disclosure Statement relating to the Custodial Account. The Depositor further acknowledges that he or she has received and read the current prospectus for each Fund in which his or her Account is invested. The Depositor represents under penalties of perjury that his or her Social Security number (or other Taxpayer Identification Number) as stated in the Application is correct.

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## DEFINITIONS

**Agreement.** This Investors Bank & Trust Company Custodial Account Agreement for the Vantagepoint Traditional IRAs and the Application.

**Application.** The Vantagepoint Traditional and Roth IRA Account Application, or such other forms, including in electronic form, as may be made available by the Custodian or Sponsor, which must be used by the Depositor to establish a Vantagepoint IRA account with ICMA-RC Services, LLC. The Custodial Account shall not be established until the Application is completed to the satisfaction of the Sponsor, as outlined in the Vantagepoint Traditional IRA Disclosure Statement.

**Code.** The Internal Revenue Code of 1986, as amended.

**Custodial Account or Account.** The Custodial Account established hereunder for the benefit of the Depositor to receive contributions under a Traditional IRA as described in section 408 of the Code.

**Custodian.** The Custodian must be a bank or savings and loan association, as defined in

section 408(n), or other person who has the approval of the Internal Revenue Service to act as custodian. The Custodian in this Agreement is Investors Bank & Trust Company, or any successor who is appointed in accordance with paragraph 11 of this Article VIII.

**Depositor.** The Depositor is the person who establishes the Custodial Account. Depositors who are eligible to establish a Vantagepoint IRA account include the following:

- (a) Participants in ICMA Retirement Corporation (or affiliated organization) plans (e.g. Code section 401 or 457 plans), regardless of current employment status.
- (b) Employees of ICMA Retirement Corporation (or affiliated organization) clients.
- (c) Employees and members of organizations which are sponsors of the ICMA Retirement Corporation (or affiliated organization).
- (d) Employees, officers, directors and trustees of the ICMA Retirement Corporation (or affiliated organizations).
- (e) Employees of state and local governmental entities that are not clients of the ICMA Retirement Corporation (or affiliated organizations).
- (f) Members of state and local public sector unions.
- (g) Spouses, domestic partners, children, parents, and brothers and sisters of Depositors in categories (a), (b), (c), and (d) are also eligible Depositors. However, family members and individuals related to Depositors in categories (e) and (f) are not eligible Depositors.

**Fund.** The investments made available through the Sponsor in which the Custodial Account may be invested.

**Sidecar IRA.** A Traditional Individual Retirement Custodial Account established pursuant to Code section 408(q).



**Sponsor.** The Sponsor is the party that makes the IRA available to Depositors. The Sponsor in this Agreement is ICMA-RC Services, LLC.

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## **PURPOSE**

This model custodial account may be used by an eligible Depositor who wishes to adopt a Traditional Individual Retirement Account under Code section 408(a). When fully executed by the Depositor, the Sponsor and the Custodian not later than the time prescribed by law for filing the federal income tax return for the Depositor's tax year (not including any extensions thereof), an individual will have a Traditional Individual Retirement Account (Traditional IRA) custodial account which meets the requirements of Code section 408(a). This account must be created in the United States for the exclusive benefit of the Depositor or his/her beneficiaries.



**INVESTORS BANK & TRUST COMPANY**

**CUSTODIAL ACCOUNT AGREEMENT  
TERMS AND CONDITIONS FOR  
VANTAGEPOINT ROTH IRAS**

The Terms and Conditions for Vantagepoint Roth IRAs apply to Roth IRAs operating under section 408A of the Internal Revenue Code only. Articles I through VIII of these Terms and Conditions for Vantagepoint Roth IRAs are in the form promulgated by the Internal Revenue Service in Form 5305-RA (Rev. March 2002) for use in establishing a Roth Individual Retirement Custodial Account. Please see Article IX for additional provisions applicable to your Vantagepoint Roth IRA.

The Depositor whose name appears on the Application is establishing a Roth individual retirement account (Roth IRA) under section 408A to provide for his or her retirement and for the support of his or her beneficiaries after death.

The Custodian, Investors Bank & Trust Company, has through its agent, given the Depositor the disclosure statement required by Regulations section 1.408-6.

The Depositor assigned the Custodial Account a cash deposit as indicated on the Application.

The Depositor and the Custodian make the following agreement:

## **ARTICLE I**

Except in the case of a rollover contribution described in section 408A(e), a recharacterized contribution described in section 408A(d)(6), or an IRA Conversion Contribution, the Custodian will accept only cash contributions up to \$3,000 per year for tax years 2002 through 2004. That contribution limit is increased to \$4,000 for tax years 2005 through 2007 and \$5,000 for 2008 and thereafter. For individuals who have reached the age of 50 before the close of the tax year, the contribution limit is increased to \$3,500 per year for tax years 2002 through 2004, \$4,500 for 2005, \$5,000 for 2006 and 2007, and \$6,000 for 2008 and thereafter. For tax years after 2008, the above limits will be increased to reflect a cost-of-living adjustment, if any.

## **ARTICLE II**

1. The annual contribution limit described in Article I is gradually reduced to \$0 for higher income levels. For a single Depositor, the annual contribution is phased out between adjusted gross income (AGI) of \$95,000 and \$110,000; for a married Depositor filing jointly, between AGI of \$150,000 and \$160,000; and for a married Depositor filing separately, between \$0 and \$10,000. In case of a conversion, the Custodian will not accept IRA Conversion Contributions in a tax year if the Depositor's AGI for the tax year the funds were distributed from the other IRA exceeds \$100,000 or if the Depositor is married and files a separate return. Adjusted gross income is defined in section 408A(c)(3) and does not include IRA Conversion Contributions.

2. In the case of a joint return, the AGI limits in the preceding paragraph apply to the combined AGI of the depositor and his or her spouse.

## **ARTICLE III**

The Depositor's interest in the balance in the Custodial Account is nonforfeitable.

## **ARTICLE IV**

1. No part of the Custodial Account funds may be invested in life insurance contracts, nor may the assets of the Custodial Account be commingled with other property except in a common trust fund or common investment fund (within the meaning of section 408(a)(5)).

2. No part of the Custodial Account funds may be invested in collectibles (within the meaning of section 408(m)) except as otherwise permitted by section 408(m)(3), which provides an exception for certain gold, silver, and platinum coins, coins issued under the laws of any state, and certain bullion.

## ARTICLE V

1. If the Depositor dies before his or her entire interest is distributed to him or her and the Depositor's surviving spouse is not the designated beneficiary, the remaining interest will be distributed in accordance with (a) below or, if elected or there is no designated beneficiary, in accordance with (b) below:

(a) The remaining interest will be distributed, starting by the end of the calendar year following the year of the Depositor's death, over the designated beneficiary's remaining life expectancy as determined in the year following the death of the Depositor.

(b) The remaining interest will be distributed by the end of the calendar year containing the fifth anniversary of the depositor's death.

2. The minimum amount that must be distributed each year under paragraph 1(a) above is the account value at the close of business on December 31 of the preceding year divided by the life expectancy (in the single life table in Regulations section 1.401(a)(9)-9) of the designated beneficiary using the attained age of the beneficiary in the year following the year of the Depositor's death and subtracting 1 from the divisor for each subsequent year.

3. If the Depositor's spouse is the designated beneficiary, such spouse will then be treated as the Depositor.

## ARTICLE VI

1. The Depositor agrees to provide the Custodian with all information necessary to prepare any reports required under sections 408(i) and 408A(d)(3)(E), Regulations sections 1.408-5 and 1.408-6 or other guidance published by the Internal Revenue Service ("IRS").

2. The Custodian agrees to submit to the IRS and the Depositor the reports prescribed by the IRS.

## ARTICLE VII

Notwithstanding any other articles which may be added or incorporated, the provisions of Articles I through IV and this sentence will be controlling. Any additional articles that are not consistent with section 408A, the related regulations, and other published guidance will be invalid.

## ARTICLE VIII

This agreement will be amended as necessary to comply with the provisions of the Code, the related regulations, and other published guidance. Other amendments may be made with the consent of the persons whose signatures appear on the Application.

## ARTICLE IX

1. Except as otherwise permitted in paragraph 5(a) below, all contributions made under this Agreement shall be deposited in the form of cash. As permitted in Paragraph 5(a) below, rollover contributions may be made in the form of cash or securities, but only to the extent such securities are approved by the Sponsor. All such contributions shall be credited to a Custodial Account for the account of the Depositor. Any contribution so made with respect to a tax year of the Depositor shall be made prior to the due date of the Depositor's tax return (not including extensions). Unless otherwise indicated in writing by the Depositor, contributions shall be credited to the tax year in which they are received by the Custodian. Subject to the limitations set forth in the Application, all funds in the Custodial Account (including contributions, dividends, interest, proceeds from the sale or other disposition of investments and any other cash receipts) shall be invested and reinvested in:

(a) any marketable securities obtainable through the Sponsor;

(b) any shares of open-end regulated investment companies designated by the Sponsor; and

(c) any other investment, but only if, in the judgment of the Custodian and Sponsor, such investment will not impose upon them an administrative burden greater than that normally incident to investments described in (a) above (such judgment by the Custodian and Sponsor not to be construed in any respect as a judgment concerning the prudence or advisability of such an investment).

Such investments shall be made in such specific securities and other investments, in such proportions and in such amounts as the Depositor may direct by notice to the Sponsor (in such form as may be acceptable to the Sponsor). However, the Custodian or the Sponsor may establish minimum amounts for any type of investment.

The Sponsor shall be responsible for the execution of such orders. The Custodian shall maintain or cause to be maintained adequate records thereof (provided that the Custodian may retain the Sponsor as its agent or recordkeeper to maintain adequate records of transactions on behalf of the Custodian). However, if any such orders are not received as required or, if received, are unclear or incomplete in the opinion of the Sponsor, all or a portion of the assets of the Custodial Account may be returned to the Depositor or held uninvested without liability for loss of income or appreciation, and without liability for interest, pending receipt of complete orders or clarification; or such assets may be invested in an interest-bearing account or in a money-market type open-end investment company designated by the Sponsor.

The Depositor (or after his or her death, the beneficiary) shall be permitted at all times to direct the Sponsor as to the investment or reinvestment of the Custodial Account. All such investment directions shall be made in a manner acceptable to the Sponsor. By giving investment directions to the Sponsor, the Depositor (or beneficiary) acknowledges receipt of the current prospectus for the investments chosen.

2. Any Account maintained in connection herewith shall be in the name of the Custodian for the benefit of the Depositor. All assets of the Custodial Account shall be registered in the name of the Custodian or of a suitable nominee (and the same nominee may be used with respect to assets of other investors whether or not held under agreements similar to this one or in any capacity whatsoever); provided, however, that the Custodian may hold any security in bearer form or by or through the Sponsor, or by or through a central clearing corporation maintained by institutions active in the national securities markets; provided further, however, that (a) the books and records of the Custodian (or the Sponsor acting as the agent or recordkeeper for the Custodian) shall show that all such investments are part of the Custodial Account; (b) each Custodial Account shall be separate and distinct; (c) a separate account thereof shall be maintained by the party having actual custody of such assets; and (d) the assets thereof shall be held in individual or bulk segregation in such party's vaults or in depositories approved by the Securities and Exchange Commission under the Securities Exchange Act of 1934.

3. Neither the Custodian, the Sponsor nor any other party providing services to the Custodial Account assumes any responsibility for rendering advice with respect to the investment or reinvestment of the Depositor's Custodial Account and shall not be liable for any loss which results from Depositor's (or beneficiary's) exercise of control over his or her Custodial Account. Depositor (or beneficiary) shall have and exercise exclusive responsibility for and control over the investment of the assets of his or her Custodial Account in accordance with the terms of this Agreement, and neither the Custodian, the Sponsor nor any other such party shall have any duty to question his or her directions in that regard or to advise him or her regarding purchase, retention, or sale of such assets.

4. The Depositor shall have the right by written notice to the Sponsor (as agent of the Custodian) to designate (or to change) one or

more primary and contingent beneficiaries to receive any amount remaining in the Custodial Account in the event of his or her death prior to the complete distribution of all assets in the Custodial Account. Any such designation (or change of designation) of beneficiary may be on a form provided by the Custodian or the Sponsor or on a written instrument acceptable to the Custodian and Sponsor, signed by the Depositor and filed with the Sponsor. Any designation or change of designation shall be effective upon receipt by the Sponsor. Any change of designation received by the Sponsor will revoke all prior designations previously filed with the Sponsor. If no such designation is in effect on a Depositor's death, or if all designated primary and contingent beneficiaries have predeceased the Depositor, the Depositor's spouse shall be deemed to be the beneficiary. If there is no living spouse, the Depositor's estate shall be deemed to be the beneficiary.

**5. (a)** The Custodian shall have the right to receive rollover contributions as described in Article I of this Agreement and amounts transferred from another Roth individual retirement account or Roth individual retirement annuity. Any property so transferred to it in a form other than cash or securities (which are approved by the Sponsor) shall be sold by the Custodian and reinvested as provided in paragraph 1 of this Article IX. The Custodian reserves the right to refuse to accept any property which is not in the form of cash or approved securities.

**(b)** The Custodian, upon written direction of the Depositor, shall transfer the assets held under this Agreement (reduced by (i) any amounts referred to in paragraph 7 of this Article IX and (ii) any amounts required to be distributed during the calendar year of transfer to the Depositor under section 408(a)(6) or 408(b)(3) of the Code) to a successor Roth individual retirement account or Roth individual retirement annuity for the Depositor's benefit.

**(c)** Any amounts received or transferred by the Custodian under this paragraph 5 shall be accompanied by such instructions, records and

other documents as the Custodian and Sponsor deem necessary.

**6.** The Depositor hereby delegates to the Custodian the power to amend at any time the terms and provisions of this Agreement and hereby consents to all such amendments, provided that an amendment is not contrary to any applicable provision of the Code, the regulations thereunder, or any other applicable law, regulation or ruling. Any such amendments shall be effective when the notice of such amendments is mailed to the address of the Depositor indicated by the Custodian's records.

**7.** Any income taxes or other taxes of any kind whatsoever which may be levied or assessed upon or in respect of the assets of the Custodial Account, or the income arising therefrom, any transfer taxes incurred, any expenses incurred by the Custodian in the performance of its duties including fees for legal services rendered to the Custodian, and the Custodian's and the Sponsor's compensation as set forth in the Disclosure Statement may be paid by the Depositor and, unless and until so paid, within such time period as the Custodian and Sponsor may establish, may be paid from the assets of the Custodial Account. The Custodian and the Sponsor shall be empowered to take any action necessary to effectuate the provisions of this paragraph and shall have no liability to the Depositor therefor. The Custodian and the Sponsor shall each have the right to change or adjust its fees and compensation upon thirty (30) days' notice to the Depositor, and may reduce or waive fees with respect to any class or group of Depositors.

**8.** Amounts in the Custodial Account and the benefits provided hereunder shall not be subject to alienation, assignment, garnishment, attachment, execution or levy of any kind, and any attempt to cause such benefits to be so subjected shall not be recognized, except to such extent as may be required by law.

**9.** Any pledging of assets in the Custodial Account by the Depositor as security for a loan,

or any loan or other extension of credit from the Custodial Account to the Depositor, shall be prohibited.

**10.** In taking or refraining from any action or determining any fact or question which may arise under this Custodial Agreement, the Custodian may rely upon any statement by the Depositor or the Sponsor with respect thereto. The Depositor hereby agrees that the Custodian will not be liable for any loss or expense resulting from taking or not taking such action or determination taken in reliance on any such statement.

Likewise, the Sponsor may rely upon any statement by the Depositor in taking or refraining from any action or determining any fact or question which may arise under this Custodial Agreement. The Depositor hereby agrees that the Sponsor will not be liable for any loss or expense resulting from taking or not taking such action or determination taken in reliance on any such statement.

**11.** The Custodian may resign at any time upon ninety (90) days' written notice to the Depositor and may be removed by the Depositor at any time upon ninety (90) days' written notice to the Custodian. Upon the resignation or removal of the Custodian, a successor Custodian shall be appointed by the Depositor within ninety (90) days of such resignation or removal and in the absence of such appointment, the Custodian may designate a successor unless this Agreement is sooner terminated. Any successor custodian shall be a bank (as defined in section 408(n) of the Code) or another person found qualified to act as a custodian under an individual retirement account plan by the Secretary of the Treasury, or his delegate, pursuant to section 408(a)(2) of the Code. The appointment of a successor custodian shall be effective upon receipt by Custodian of such successor's written acceptance which shall be submitted to the Custodian and to the Depositor. As soon as reasonably practicable after the effective date of a successor custodian's appointment, the Custodian shall transfer and deliver to

the successor custodian applicable account records and assets of the Custodial Account (reduced by any unpaid amounts referred to in paragraph 7 of this Article IX). The successor custodian shall be subject to the provisions of this Agreement (or any successor thereto) on the effective date of its appointment.

**12.** The Custodian (or Sponsor, acting as the Custodian's agent) shall, in accordance with instructions in writing from the Depositor (or beneficiary), make distributions out of the Custodial Account to the Depositor (or beneficiary) in the manner and amounts as may be specified in such instructions. Such instructions shall be submitted to the Sponsor on a form provided by the Sponsor, or on a written instrument acceptable to the Custodian and the Sponsor, signed by the Depositor (or beneficiary) and filed with the Sponsor. Notwithstanding the provisions of Article V above, the Custodian (or Sponsor) assumes (and shall have) no responsibility to make any distribution to the Depositor (or beneficiary) unless and until such written instructions specify the occasion for such distribution, the elected manner of distribution, and any other information that may be required.

Prior to making any such distribution from the Custodial Account, the Custodian shall be furnished with any and all applications, certificates, tax waivers, signature guarantees, and other guarantees, and other documents (including proof of any legal representative's authority) deemed necessary or advisable by the Custodian and Sponsor, but neither the Custodian nor the Sponsor shall be liable for complying with written instructions which appear on their face to be genuine, or for refusing to comply if not satisfied such instructions are genuine, and assumes no duty of further inquiry. Upon receipt of proper written instructions as required above, the Custodian shall cause the assets of the Custodial Account to be distributed in cash and/or in kind, as specified in such written order.



Distributions made to the Depositor (or beneficiary) may be made in a single sum, periodic payments, or a combination of both.

**13.** Distribution of the assets of the Custodial Account shall (subject to the first paragraph of section 12 of this Article IX) be made in accordance with the provisions of Article V as the Depositor (or the Depositor's beneficiary if the Depositor is deceased) shall elect by written instructions to the Custodian; subject, however, to the provisions of section 408A(c) (5) of the Code, the regulations promulgated thereunder, and the following:

(i) A distribution may be made in the form of an immediate annuity as long as the contract is purchased in a direct transfer of funds from the Custodial Account to the annuity provider, and provided the contract is issued in the form of a Roth individual retirement annuity, meeting the requirements of section 408A of the Code.

(ii) If the Depositor dies before his/her entire interest in the Custodial Account has been distributed, and if the designated beneficiary of the Depositor is the Depositor's surviving spouse, the spouse may treat the Custodial Account as the spouse's own Roth individual retirement arrangement. This election will be deemed to have been made if the surviving spouse makes an additional IRA contribution to the Custodial Account, makes a rollover to or from such Custodial Account, or fails to receive a payment from the Custodial Account within the appropriate time period applicable to the deceased Depositor under section 401(a)(9)(B) of the Code.

The spouse's election with respect to the Account shall be provided to the Sponsor in a written instrument signed by the surviving spouse and filed with the Sponsor. If the surviving spouse does not elect to treat the Custodial Account as his or her own individual retirement arrangement, the spouse may roll the Account balance to his or her own IRA as allowed under the law and related regulations.

(iii) For purposes of Article V, if the Depositor's estate is deemed to be the beneficiary of the Account pursuant to paragraph 4 of this Article IX, the remaining interest shall be paid the such estate in a lump sum as soon as administratively practical.

**14.** If the Depositor is disabled, as that term is defined in section 72(m)(7) of the Code, he or she may give notice to the Sponsor of such disability and request that up to the balance of the Custodial Account be distributed. The Custodian, within a reasonable time after submission of satisfactory proof of such disability, shall order the distribution of the balance of the Custodial Account to the Depositor or such portion as the Depositor requested.

**15.** This Agreement shall terminate and be of no further force or effect (except for paragraphs 11 and 16 of this Article IX which shall survive such termination of the Custodial Account and this Agreement) coincident with the complete distribution of the assets of the Custodial Account, and the Custodian and Sponsor shall have no further duties or responsibilities with respect to the Custodial Account after its termination.

**16.** The Depositor hereby agrees to indemnify and hold harmless the Custodian from and against any and all claims, loss, damages, costs or expenses (including reasonable attorney's fees) which the Custodian may incur or pay out by reason of any alleged or actual act, or failure to act, on the part of the Depositor, the Sponsor, or any other person. Likewise, the Depositor hereby agrees to indemnify and hold harmless the Sponsor from and against any and all claims, loss, damages, costs or expenses (including reasonable attorney's fees) which the Sponsor may incur or pay out by reason of any alleged or actual act, or failure to act, on the part of the Depositor, Custodian, or any other person. The preceding sentences will survive the termination of the Agreement.

**17.** Any notice herein required or permitted to be given to the Custodian shall be sufficiently given if mailed to the Custodian by

first class mail, care of Vantagepoint Transfer Agents, P.O. Box 17010, Baltimore, MD, 21297-1010 or to such other address as the Custodian shall provide the Depositor in writing, stating that such other address shall be used for purposes of this Agreement. Any notice herein required or permitted to be given to the Sponsor shall be sufficiently given if mailed to the Sponsor by first class mail, care of Vantagepoint Transfer Agents, P.O. Box 17010, Baltimore, MD, 21297-1010, or to such other address as the Sponsor shall provide the Depositor in writing, stating that such other address shall be used for purposes of this Agreement.

Any notice herein required or permitted to be given to the Depositor shall be sufficiently given if provided to the Depositor at the Depositor's address appearing on the Application, or at such other address (including an electronic address) as the Depositor shall have provided the Sponsor, which shall state that such other address is to be used for purposes of this Agreement. Such notice shall be considered effective when actually received by the Sponsor.

**18.** The Custodian and the Sponsor shall keep or cause to be kept adequate records of the transactions they are required to perform hereunder. In addition to any reports required by the Code or the regulations thereunder, the Custodian shall cause to be mailed to the Depositor in respect of each tax year an account of all transactions affecting the Custodial Account during such year and a statement showing the Custodial Account as of the end of such year. If, within ninety (90) days after such mailing, the Depositor has not given the Custodian or the Sponsor written notice of any exception or objection thereto, the annual accounting shall be deemed to have been approved, and in such case, or upon the written approval of the Depositor, the Custodian and the Sponsor shall be released, relieved and discharged with respect to all matters and statements set forth in such accounting as though the account had been settled by judgment or decree of a court of competent jurisdiction.

The Sponsor shall deliver, or cause to be executed and delivered, to the Depositor all notices, prospectuses, financial statements, proxies and proxy soliciting materials relating to securities or other investments credited to the Custodial Account. No shares of securities shall be voted, and no other action shall be taken pursuant to such documents except upon receipt of adequate written instructions from the Depositor, in a manner prescribed by the Sponsor.

The Sponsor shall deliver, or cause to be delivered, to the Depositor, the required confirmations of transactions executed in the Custodial Account. If, within thirty (30) days after such mailing, the Depositor has not given the Custodian or the Sponsor written notice of any exception or objection thereto, the confirmation shall be deemed to have been approved, and in such case, or upon the written approval of the Depositor, the Custodian and the Sponsor shall be released, relieved and discharged with respect to all matters and statements set forth in such confirmation as though the Account had been settled by judgment or decree of a court of competent jurisdiction.

**19.** The Custodian and the Sponsor shall be agents for the Depositor to perform the duties conferred on them, respectively, hereunder, as directed by the Depositor. The parties do not intend to confer any fiduciary duties on the Custodian and the Sponsor and none shall be implied. Neither shall either be liable (nor assumes any responsibility for) the collection of contributions, or the propriety of or the amount or timing or tax treatment of any contributions under this Agreement, the selection of any investments for the Custodial Account, or the purpose or propriety or tax treatment of any distribution ordered in accordance with Article V or paragraph 12, 13 or 14 of Article IX, which matters are the sole responsibility of the Depositor or the Depositor's beneficiary, as the case may be. Nor shall either incur any liability with respect to any tax imposed due to any distribution or failure to make such distribution.

The Custodian and the Sponsor shall be entitled to rely conclusively upon, and shall be protected from liability for action or non-action taken upon written instructions, notices, communications, or instruments provided by the Depositor (or beneficiary). Any such notification may be proved by original or photocopy, facsimile, electronically or by electronic imaging. The Custodian and Sponsor may give the same effect to a telephonic, electronic, or facsimile instruction as to an original written instruction. Any telephonic or electronic instruction may be proved by audio recorded tape or other means acceptable to the Custodian and Sponsor.

**20.** The Custodian and Sponsor shall each be responsible solely for performance of those duties expressly assigned to it in this Agreement, and neither assumes any responsibility as to duties assigned to anyone else hereunder or by operation of law.

**21.** When accepted by the Custodian, this Agreement is accepted in and shall be construed and administered in accordance with the laws of the state where the principal offices of the Custodian are located. Any action involving the Custodian brought by any other party must be brought in a state or federal court in such state.

This Agreement is intended to qualify under Code section 408A as a Roth Individual Retirement Custodial Account and to entitle Depositor to the tax-free withdrawal of amounts from the Custodial Account to the extent permitted in such Code section.

If any provision hereof is subject to more than one interpretation or any term used herein is subject to more than one construction, such ambiguity shall be resolved in favor of that interpretation or construction which is consistent with the intent expressed in the preceding sentence.

However, the Custodian and Sponsor shall not be responsible for whether or not such intentions are achieved through use of this Agree-

ment, and Depositor is referred to Depositor's attorney for any such assurances.

**22.** Depositor should seek advice from Depositor's attorney regarding the legal consequences (including but not limited to federal and state tax matters) of entering into this Agreement, contributing to the Custodial Account, and ordering Custodian to make distributions from the Account. Depositor acknowledges that all such matters are the sole responsibility of the Depositor and that Custodian is prohibited by law from rendering such advice.

**23.** Notwithstanding anything in the foregoing to the contrary, any provision which is inconsistent with section 408A of the Code shall be disregarded and the regulations promulgated under said section of the Code shall be incorporated by reference and this Agreement shall be administered in accordance with said Code and regulations.

**24.** Unless otherwise waived on the Application, the Depositor has the right to revoke the Custodial Account established under this Agreement by written notice to the Custodian received by the Sponsor within 7 calendar days after the Depositor establishes the Custodial Account. Upon revocation, the amount of the Depositor's initial deposit or contribution will be returned to him, without adjustment for interest, earnings, investment fluctuations or fees or expenses.

**25.** Subject to the approval of the Custodian, the Sponsor, and the Depositor's employer (for payroll deduction or for a Sidecar IRA only), the Depositor may elect to have contributions made through payroll deduction or automatic investment plan. Such election shall be made on a form provided by the Sponsor. Contributions may be made in such manner to the Custodial Account of the Depositor's spouse. If by payroll deduction or for a Sidecar IRA, however, the Depositor's employer must authorize such contribution to the account of the Depositor's spouse. The payroll deduction

or automatic investment plan election shall remain in force until amendment or revocation is received by the Sponsor and the Depositor's employer (in the case of payroll deduction or for a Sidecar IRA) with reasonable advance notice.

**26.** Articles I through VIII of The Terms and Conditions for Vantagepoint Roth IRAs of this Agreement are in the form promulgated by the Internal Revenue Service as Form 5305-RA. It is anticipated that, if and when the Internal Revenue Service promulgates changes to Form 5305-RA, the Custodian will amend this Agreement correspondingly.

**27.** If the Depositor maintains an Individual Retirement Account under Code section 408(a), or an Individual Retirement Annuity under Code section 408(b), Depositor may convert or transfer such other IRA to a Roth IRA under Code section 408A using the terms of this Agreement and the Application by completing and executing the Application and giving suitable directions to the Custodian and the custodian or trustee of such other IRA, provided that Code section 408A(c)(3)(B) and the regulations thereunder are satisfied.

**28.** Contributions to a Roth IRA Custodial Account for a non-working spouse must be made to a separate Roth IRA Custodial Account established by the non-working spouse.

This Agreement may be used to establish the Roth IRA Custodial Account for the non-working spouse.

**29.** A Depositor's social security number will serve as the identification number of his or her individual retirement account. Due to security concerns, the Sponsor will use a unique reference code in place of the social security number on outgoing correspondence when possible.

An employer identification number is required for each individual retirement account that needs to file an unrelated business income tax return. An employer identification number is

also required for a common fund created for individual retirement accounts.

For more information, review the required Disclosure Statement or obtain Publication 590, Individual Retirement Arrangements (IRAs).

**30.** This Article IX and any that follow it may incorporate additional provisions that are agreed upon by the Depositor, the Sponsor and Custodian to complete the agreement. These may include, for example: definitions, investment powers, voting rights, exculpatory provisions, amendment and termination, removal of custodian, custodian's fees, state law requirements, beginning date of distributions, accepting only cash, treatment of excess contributions, prohibited transactions with the Depositor, etc.

**31.** The Depositor acknowledges that he or she has received and read the Disclosure Statement relating to the Custodial Account. The Depositor further acknowledges that he or she has received and read the current prospectus for each Fund in which his or her Account is invested. The Depositor represents under penalties of perjury that his or her Social Security number (or other Taxpayer Identification Number) as stated in the Application is correct.

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## DEFINITIONS

**Agreement.** This Investors Bank & Trust Company Custodial Account Agreement for the Vantagepoint Roth IRA and Application.

**Application.** The Vantagepoint Traditional and Roth IRA Account Application, or such other form as may be made available by the Custodian or Sponsor, including in electronic form, which must be used by the Depositor to establish a Vantagepoint Roth IRA account with ICMA-RC Services, LLC. The Custodial Account shall not be established until the Application is completed to the satisfaction of the Sponsor, as outlined in the Vantagepoint Roth IRA Disclosure Statement.

**Code.** The Internal Revenue Code of 1986, as amended.

**Custodial Account or Account.** The Custodial Account established hereunder for the benefit of the Depositor to receive contributions under a Roth IRA as described in section 408A of the Code.

**Custodian.** The Custodian must be a bank or savings and loan association, as defined in section 408(n), or other person who has the approval of the Internal Revenue Service to act as custodian. The Custodian in this Agreement is Investors Bank & Trust Company, or any successor who is appointed in accordance with paragraph 11 of this Article VIII.

**Depositor.** The Depositor is the person who establishes the Custodial Account. Depositors who are eligible to establish a Vantagepoint IRA account include the following:

- (a) Participants in ICMA Retirement Corporation (or affiliated organization) plans (e.g., Code section 401 or 457 plans), regardless of current employment status.
- (b) Employees of ICMA Retirement Corporation (or affiliated organization) clients.
- (c) Employees and members of organizations which are sponsors of the ICMA Retirement Corporation (or affiliated organizations).
- (d) Employees, officers, directors and trustees of the ICMA Retirement Corporation (or affiliated organizations).
- (e) Employees of state and local governmental entities that are not clients of the ICMA Retirement Corporation (or affiliated organizations).
- (f) Members of state and local public sector unions.
- (g) Spouses, domestic partners, children, parents, and brothers and sisters of Depositors in categories (a), (b), (c), and (d) are also eligible

Depositors. However, family members and individuals related to Depositors in categories (e) and (f) are not eligible Depositors.

**Fund.** The investments made available through the Sponsor in which the Custodial Account may be invested.

**IRA Conversion Contributions.** Amounts rolled over, transferred, or considered transferred from a non-Roth IRA to a Roth IRA. A non-Roth IRA is an individual retirement account or annuity described in section 408(a) or 408(b) of the Code, other than a Roth IRA.

**Sidecar IRA.** A Roth Individual Retirement Custodial Account established pursuant to Code section 408(q).

**Sponsor.** The Sponsor is the party that makes the IRA available to Depositors. The Sponsor in this Agreement is ICMA-RC Services, LLC.

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## PURPOSE

This model custodial account may be used by an eligible Depositor who wishes to adopt a Roth Individual Retirement Account under Code section 408A. When fully executed by the Depositor, the Sponsor and the Custodian not later than the time prescribed by law for filing the federal income tax return for the Depositor's tax year (not including any extensions thereof), an individual will have a Roth Individual Retirement Account (Roth IRA) custodial account which meet the requirements of Code section 408A. This account must be created in the United States for the exclusive benefit of the Depositor or his/her beneficiaries.



**INVESTORS BANK & TRUST COMPANY**

**VANTAGEPOINT  
ROTH AND TRADITIONAL IRA  
DISCLOSURE STATEMENT**

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**INTRODUCTION**

This Disclosure Statement (“Statement”) provides information about Roth Individual Retirement Accounts (“IRA”) and Traditional IRAs. You should review the following information along with the Vantagepoint Roth and Traditional IRA Custodial Account Agreements (the “Custodial Account Agreements”), the Vantagepoint Traditional and Roth IRA Account Application or the Vantagepoint Payroll Deduction Roth IRA Account Application (the “Application”) and the current prospectuses and other pertinent information for any Funds in which you are investing your Vantagepoint IRA. Where the requirements for a Roth and a Traditional IRA are the same, the Statement refers to both types of accounts as an “IRA”.

This Statement explains in detail how Roth and Traditional IRAs work, who is eligible to contribute to them, and other basic rules and features of Vantagepoint IRAs, including tax and other matters.

**IMPORTANT - REVOCATION OF YOUR IRA**

If you do not receive this statement at least seven days before you establish your Vantagepoint IRA, you have the right to revoke your account within seven days after it is established and to receive a return of the entire amount of your investment in the account (without adjustment for any earnings.) If this right to revoke applies to you and if you should desire to exercise your right to revoke your Vantagepoint IRA, you should mail or deliver a written notice of revocation to the Sponsor, the name and address of which appear on the Application. Mailed notice will be deemed given on the date it is postmarked (or, if sent by certified or registered mail, on the date of certification or registration by the post office).

You may waive this right to revoke your Vantagepoint IRA by signing the Application. Your signature on the Application certifies that you received this Statement and the Custodial Account Agreement at least seven days prior to establishing your Account, and that you wish to waive your right to revoke the Account.

**DISCLOSURE STATEMENT FOR VANTAGEPOINT ROTH AND TRADITIONAL IRAS**

**INTRODUCTION**

An IRA is a trust or custodial account established for you (and your beneficiaries) in which earnings accumulate tax deferred. Contributions to a Traditional IRA may be deductible on your Federal income tax return. Contributions to a Roth IRA are not deductible on your Federal income tax return, but, if certain conditions are satisfied, withdrawals made from a Roth IRA may be made tax-free. (Note: State tax treatment of your IRA withdrawals may differ from Federal treatment. You should consult your tax advisor for information regarding tax laws applicable in your state.)



In addition to the requirements found later in this Statement, current law requires that your IRA agreement be in writing and be designated as a Roth or a Traditional IRA.

All IRAs must meet certain requirements. Contributions generally must be made in cash (rollover contributions may be made in the form of securities that are approved by both the Custodian and the Sponsor). The IRA trustee or custodian must be a bank or other person who has been approved by the Secretary of the Treasury. Your contributions may not be invested in life insurance or collectibles or be commingled with other property except in a common trust or investment fund. Your interest in the account must be nonforfeitable at all times. You may obtain further information on IRAs in Internal Revenue Service (“IRS”) Publication 590, Individual Retirement Arrangements (IRAs).

## 1. ELIGIBILITY

### General Rules

You are eligible to make annual contributions to an IRA if you receive compensation from employment, earnings from self-employment, or alimony. In order to make contributions to a Traditional IRA, you must be younger than 70-1/2 years old. There is no age limitation for a Roth IRA.

You may contribute to an IRA established by your spouse, which is called a “spousal IRA,” out of your compensation or earned income. (Your spouse must be younger than age 70-1/2 years old for contributions to a Traditional spousal IRA.) To contribute to a spousal IRA, you and your spouse must file a joint tax return for the taxable year. Your spouse must establish a separate spousal IRA to receive the contributions.

You may be eligible to make rollover contributions to your Vantagepoint IRA. See below and paragraph 8 for more information.

### Traditional IRA

You may be eligible to make a rollover contribution to your Vantagepoint Traditional IRA of cash or other assets you receive from another Traditional IRA or eligible employer retirement plan under Code sections 401(a), 403 or 457(b). In addition, you may be eligible to roll over a distribution from your Traditional IRA to another Traditional IRA, or to an eligible employer retirement plan under Code sections 401(a), 403 or 457(b). In the case of a rollover from your Traditional IRA to an eligible employer retirement plan, only the amount you withdraw from your Traditional IRA that would otherwise be taxable may be rolled over to the eligible employer plan. You must inform the Sponsor of any nondeductible contributions included in your Vantagepoint IRA prior to the rollover; otherwise, the Sponsor will assume that your entire Vantagepoint IRA balance may be rolled over and that your nondeductible basis in your IRA is zero.

### Roth IRA

You may be eligible to make a rollover contribution to your Vantagepoint Roth IRA of cash or other assets you receive from another Roth IRA. In addition, you may be able to roll over the amount you withdraw from your Vantagepoint Roth IRA to another Roth IRA. You may also be eligible to convert an existing Traditional IRA to a Vantagepoint Roth IRA.

### Eligibility for Vantagepoint IRAs

In order to establish a Vantagepoint IRA, you (or your spouse for a spousal IRA) must fall within one of the following classifications of eligible investors, and must certify on the Application that such eligibility exists:

- (a) Participants in ICMA Retirement Corporation (or affiliated organizations’) plans (e.g., section 401 or section 457 plans), regardless of current employment status;
- (b) Employees of ICMA Retirement Corporation (or affiliated organizations’) clients;

(c) Employees and members of organizations that are sponsors of the ICMA Retirement Corporation (or affiliated organizations);

(d) Employees, officers, directors and trustees of the ICMA Retirement Corporation (or affiliated organizations);

(e) Employees of state and local governmental entities that are not clients of the ICMA Retirement Corporation (or affiliated organizations);

(f) Members of state and local public sector unions;

(g) Spouses, domestic partners, children, parents, and brothers and sisters of investors in categories (a), (b), (c), and (d). However, family members and other individuals related to investors in categories (e) and (f) are not eligible investors.

## 2. LIMITS ON ANNUAL CONTRIBUTIONS

### General Rules

(a) You can make annual contributions to your Vantagepoint IRA of up to an annual dollar limit or 100% of your compensation or earned income, whichever is less. Roth IRAs have additional limitations discussed later.

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The annual dollar limits are:

Year	Contribution Limit
2002-2004	\$3,000
2005-2007	\$4,000
2008*	\$5,000

\* The annual dollar limit will be indexed to inflation in \$500 increments for years after 2008.

If you are age 50 or older, you may make annual “catch-up” contributions to your Vantagepoint IRA each year. The dollar limits for IRA catch-up contributions are as follows:

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Year	Catch-up Limit
2002-2005	\$500
2006 and after	\$1,000

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Your total contribution, including any catch-up contributions if you are age 50 or older, may not exceed 100% of your compensation or earned income.

**(b) The maximum amount that can be contributed to all IRAs (Roth and Traditional) in a year is the annual dollar limit for an individual.** The amount that may be contributed to your Roth IRA is always reduced by any amount that you have contributed to your Traditional IRA(s) for the year.

(c) For purposes of the IRA contribution limits, your compensation or earned income includes all wages, salaries, tips, professional fees, bonuses, other amounts you receive for providing personal services, and earned income from self-employment. It does not include earnings from investments (such as dividends, interest, and capital gains) or income received as a pension, annuity, or deferred compensation. Your compensation includes any taxable alimony or separate maintenance payments you may receive under a decree of divorce or separate maintenance. (State law may impact this; consult your tax or financial advisor.)

**(d) Spousal IRA:** If each spouse has earned income equal to or greater than the annual dollar limit, each may make the maximum contribution to his or her own IRA.

If you and your spouse have earned income on a combined basis that is equal to or greater than the combined annual dollar limit, either spouse’s IRA may receive the maximum contribution. If one spouse has no earned income, but the other spouse has sufficient earned income, both spouse’s IRAs may receive the maximum contribution.

**(e) Timing of Contributions:** You may make annual contributions to your IRA (or establish a new IRA) and/or spousal IRA anytime during a year, up to and including the

due date (not including extensions) for filing your Federal income tax return for that year.

If you intend to report contributions made to your Vantagepoint IRA between January 1 and April 15 as contributions for your prior tax year, you must clearly indicate “prior tax year” on the Application or on your contribution coupon. Otherwise, the Sponsor must treat the contribution as a contribution for the current tax year.

(f) Neither the Custodian nor the Sponsor are responsible for determining whether you exceed your maximum contribution for any year. You must determine your maximum contribution. However, if more than the annual dollar limit is contributed in a single check to a Vantagepoint IRA, the excess will

be returned to you. In addition, on an annual basis, we will make a best-efforts attempt to notify you if more than the annual dollar limit has been contributed to your Vantagepoint IRA. However, neither the Custodian nor the Sponsor can be held liable for determining whether the proper amount has been contributed to the Account. This determination is your sole responsibility.

**Roth IRA: Limits on Annual Contributions**

(a) The amount you or your spouse may contribute to a Roth IRA may be limited, based on your tax filing status and your (and your spouse’s) modified adjusted gross income (“MAGI”). Your MAGI is determined on your Form 1040. MAGI levels for limitations on contributions to Roth IRAs are listed below.

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**ROTH IRA CONTRIBUTION LIMITS**

<b>Filing Status</b>	<b>Full Contribution</b>	<b>Partial Contribution</b>	<b>No Contribution</b>
Single	Up to \$95,000	\$95,000 but less than \$110,000	\$110,000 or more
Married*	Up to \$150,000	\$150,000 but less than \$160,000	\$160,000 or more

\* **NOTE: Figures are for married filing jointly only. If you are married filing separately, your ability to contribute to a Roth IRA phases out at MAGI levels between \$0 and \$10,000, and is lost entirely with MAGI above \$10,000. (Note that a husband and wife who file separate returns for a tax year who live apart at all times during that tax year are not treated as married for purposes of these limits and the applicable dollar limit is that of a single taxpayer.)**

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These limits will not be indexed to inflation in the future.

For example, if you are under age 50, between 2002 through 2004, your ability to contribute to your Roth IRA is phased out at a rate of \$200 per \$1,000 of MAGI for single individuals, and \$300 per \$1,000 of MAGI for married joint filers (and married filing separately), in excess of the phase out threshold (the MAGI level at which the contribution limit goes from Full Contribution to Partial Contribution in the table above). For single investors under

age 50, from 2005 to 2007, the phase out will be \$267 per \$1,000 of MAGI in excess of the phase-out threshold, and \$333 per \$1,000 of “excess MAGI” beginning in 2008. Married investors will use a phase-out rate of \$400 per \$1,000 or excess MAGI in 2005 through 2007, and \$500 in 2008 and future years.

When calculating your reduced Roth IRA contribution limit, you always round up to the next highest \$10. Therefore, your contribution limit is always a multiple of \$10. In addi-

tion, if your modified adjusted gross income is within the Partial Contribution range and your reduced contribution limit is more than \$0 but less than \$200, you are permitted to contribute up to \$200.

When calculating your reduced Roth IRA contribution limit, you are allowed to contribute the full catch-up contribution, as long as you are age 50 or older and your income is below the No Contribution range. For example, if you are a single taxpayer with MAGI of \$100,000 in 2003 (with earned income of more than \$3,000), your “regular” Roth IRA contribution is limited to \$2,000. However, you may still make the full \$500 catch-up contribution, for a total of \$2,500.

(b) If MAGI exceeds the No Contribution levels specified above (\$110,000 for single filers, \$160,000 for married joint filers, and \$10,000 for married separate filers) for a year, then you may not contribute to a Roth IRA for that year.

(c) Your Roth IRA contribution limit is reduced by any contributions for the same year to a Traditional IRA. If you fall in the Partial Contribution Range, the reduction formula applies to the Roth IRA contribution limit before subtracting your contribution for the year to a Traditional IRA.

For example, assume you, a single taxpayer under age 50, have MAGI for 2003 of \$102,500 including earned income of more than \$3,000. In 2003, you made a contribution of \$1,000 to a Traditional IRA. Thus, the maximum amount that you can contribute to a Roth IRA before applying the MAGI limitation is \$2,000 (\$3,000 maximum contribution less the \$1,000 contributed to the Traditional IRA). The maximum amount that you may contribute to a Roth IRA after taking the MAGI limitation into account is \$1,500, i.e., the amount of the contribution may not exceed \$3,000 less \$1,500 ( $\$3,000 \times ((\$102,500 - \$95,000) \div \$15,000)$ ).

(d) Unlike a Traditional IRA, contributions to your Vantagepoint Roth IRA are not deductible. However, see paragraph 6 for a discussion of favorable treatment of Roth IRA withdrawals.

### **Traditional IRA: Limits on Deduction of Contributions**

(a) You may deduct the full amount of your Traditional IRA contribution up to the annual maximum limit if neither you nor your spouse is an “active participant” in an employer-sponsored retirement plan (including qualified 401(k), profit sharing or retirement plans maintained by your employer, Simplified Employee Pension (SEP) plans, SIMPLE IRA or SIMPLE 401(k) plans, tax-sheltered annuity plans, and certain governmental plans, but excluding 457 deferred compensation plans) for the full year.

If you are married, you will not be treated as an active participant in an employer-sponsored retirement plan solely because your spouse is an active participant in such a plan if you are not an active participant yourself. However, the deductibility of contributions for the non-active spouse phases out for married couples with modified adjusted gross income (“MAGI”) between \$150,000 and \$160,000, and is lost entirely after MAGI reaches \$160,000. Your MAGI is determined on your Form 1040.

Individuals are considered to be “active participants” for a year if at any time during the year they are covered by any employer-sponsored retirement plan as defined above, under which contributions are made to their account (including a required or voluntary employee contribution by the individual) or under which they are eligible to earn pension benefit credits. Individuals are considered to be active participants even if they are not vested under the plan. Your Form W-2 for the year should indicate your participation status. Consult your employer or your own tax or financial advisor if you should have any further questions concerning active participant status.

If you are an active participant in such a plan, your contributions will be fully deductible, partly deductible or not deductible, depending on your tax filing status and your MAGI. Deductibility phase out levels increase each year, until they top-out in 2005 for single filers and in 2007 for married joint filers. The following table shows the phase out levels for each year. MAGI shown is for single and married filing jointly investors.

If you are married filing separately, your contribution deductibility is phased out for MAGI from \$0 - \$10,000, and is lost entirely with MAGI above \$10,000. (Note that a husband and wife who file separate returns for a tax year and who live apart at all times during that tax year are not treated as married for purposes of these limits and the applicable dollar limit is that of a single taxpayer.)

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**ACTIVE PARTICIPANTS  
DEDUCTIBILITY PHASE OUT LEVELS**

<b>Year</b>	<b>Filing Status</b>	<b>Fully Deductible</b>	<b>Partly Deductible</b>	<b>Not Deductible</b>
2002	Single	\$34,000	\$34,000 - \$44,000	\$44,000
	Married	\$54,000	\$54,000 - \$64,000	\$64,000
2003	Single	\$40,000	\$40,000 - \$50,000	\$50,000
	Married	\$60,000	\$60,000 - \$70,000	\$70,000
2004	Single	\$45,000	\$45,000 - \$55,000	\$55,000
	Married	\$65,000	\$65,000 - \$75,000	\$75,000
2005	Single	\$50,000	\$50,000 - \$60,000	\$60,000
	Married	\$70,000	\$70,000 - \$80,000	\$80,000
2006	Single	\$50,000	\$50,000 - \$60,000	\$60,000
	Married	\$75,000	\$75,000 - \$85,000	\$85,000
2007 and after	Single	\$50,000	\$50,000 - \$60,000	\$60,000
	Married	\$80,000	\$80,000 - \$100,000	\$100,000

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For example, for 2002 through 2004 the Traditional IRA deduction is phased out at a rate of \$300 per \$1,000 of modified adjusted gross income in excess of the phase out threshold (the MAGI level at which contributions by active participants go from fully deductible to partly deductible) for an investor who has not yet reached age 50. For single investors under age 50, from 2005 to 2007, the phase out will be \$400 per \$1,000 of MAGI in excess of the phase-out threshold, and \$500 per \$1,000 of “excess MAGI” beginning in 2008. Married filing jointly investors will use a phase-out rate of \$400 per \$1,000 of excess MAGI in 2005 and 2006, \$200 in 2007, and \$250 in 2008 and future years.

When calculating your reduced Traditional IRA deduction limit, you always round up to

the next highest \$10. Therefore, your deduction limit is always a multiple of \$10. In addition, if your modified adjusted gross income is within the phase-out range and your reduced deduction limit is more than \$0 but less than \$200, you are permitted to deduct up to \$200 of your Traditional IRA contributions.

**(b)** If modified adjusted gross income exceeds the Not Deductible levels specified above (\$44,000 in 2002 for single filers, \$64,000 in 2002 for married joint filers) and you are an active participant in an employer-sponsored retirement plan, then you may not deduct any portion of your Traditional IRA contribution.

*Even if you will not be able to deduct the full amount of your Traditional IRA contribution under the rules described above, you can still*

contribute up to your annual maximum amount with all or part of the contribution being a non tax-deductible contribution. Of course, the combined total of deductible and nondeductible contributions must not exceed your annual maximum contribution limit amount. You must report the amount of nondeductible contribution to the IRS each year on IRS Form 8606, filed with your individual income tax return. Any earnings on all your Traditional IRA contributions (deductible and nondeductible) accumulate tax-deferred until you withdraw them.

(c) You may not make any contribution (other than a rollover contribution) to your Traditional IRA with respect to the tax year in which you reach age 70-1/2 or any subsequent year. However, you may continue to make contributions to a spousal Traditional IRA and deduct the deductible portion of such contributions until the year in which your spouse reaches age 70-1/2.

You may not deduct any portion of Traditional IRA contributions allocable to the cost of life insurance.

Rollover contributions cannot be deducted (see paragraph 8).

### 3. DEADLINE FOR ANNUAL CONTRIBUTIONS

Contributions to your IRA for a tax year must be made in cash on or before the due date (not including extensions) for your Federal income tax return for that tax year (April 15 for most individuals). If you intend to report contributions made between January 1 and April 15 as contributions for your prior tax year, you must indicate the prior tax year on the Application or contribution coupon. Otherwise, the Sponsor must treat the contribution as a contribution for the current tax year.

### 4. TAX CREDIT FOR CONTRIBUTIONS TO RETIREMENT ACCOUNTS

Between the years of 2002 and 2006, a non-refundable tax credit is available to eligible taxpayers who contribute to certain types of retirement accounts, including IRAs. The maximum annual contribution amount eligible for the credit is \$2,000. Whether or not you are eligible for the credit will depend on your adjusted gross income ("AGI"). The credit is a percentage of your contribution, as shown in the following chart, and will range from 50% of contributions to 10%. For example, a joint filer with AGI of up to \$30,000 could take a 50% credit on his/her contribution. (If he/she contributes \$2,000 to a Roth IRA, the credit would be \$1,000.)

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Credit %	Head of Household Filer AGI	Joint Filer AGI	All Other Filer AGI
50%	\$0-\$22,500	\$0-\$30,000	\$0-\$15,000
20%	\$22,501-\$24,375	\$30,001-\$32,500	\$15,001-\$16,250
10%	\$24,376-\$37,500	\$32,501-\$50,000	\$16,251-\$25,000

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The amount of the contribution eligible for the credit is reduced by any taxable distributions you or your spouse receive from other retirement plans (401(k), 403(b), governmental 457, SIMPLE, SEP, Traditional IRA, Roth IRA, or qualified retirement plan) during the year for which the credit is claimed, the two years prior to that year, and during the period between the end of the year and the time when

you file your tax return. (If the distribution is from a Roth IRA, the entire distribution must reduce the contribution amount, even though it is not taxable.)

The credit cannot lower your tax liability (regular plus alternative minimum tax) below zero.

Eligible taxpayers are those that are age 18 or over by the end of the year, who are not full-time students and are not claimed as dependents on another taxpayer's return.

## 5. EXCESS CONTRIBUTIONS

(a) If you contribute to your IRA more than the maximum contribution limit allowed in any year, the excess contribution could be subject to a 6% excise tax. The excess is taxed in the year the excess contribution is made and each year that the excess remains in your account at the end of the year. See IRS Publication 590 and IRS Form 5329 for more information. Permissible rollovers and conversions into your account are not counted as contributions for this purpose.

For a Traditional IRA, the excess contribution excise tax is based on contributions above the maximum contribution limit (i.e. the lesser of the annual dollar limit or 100% of earned income), not the maximum deduction limit discussed above. Impermissible rollovers are also counted as excess contributions.

For a Roth IRA, the maximum contribution you can make is generally the annual dollar limit or 100% of earned income, whichever is less, reduced by the amount of any contribution to a Traditional IRA for the same year. (This may be further reduced if you have MAGI above certain thresholds, as discussed above.) Any amount, excluding conversion and rollover amounts, contributed to the Roth IRA above the maximum is an "excess contribution." Impermissible rollovers and conversion contributions made in a year in which your AGI exceeds \$100,000 are also considered excess contributions. See paragraph 8 for further discussion of conversion contributions.

(b) If you contribute more than the maximum amount allowed, you can eliminate the excess contribution as follows (please read (i) through (iv) fully for all available options):

(i) **Return of contribution by due date of tax return.** You can avoid the 6% excise tax by withdrawing the excess contribution and the net earnings attributable to it before the due date (including any extensions) for filing your Federal income tax return for the year for which the excess contribution was made. (Note that there is an automatic 6-month extension for timely tax return filers.) Upon removing an excess contribution in this manner, the net earnings attributable to it are includible in your income for the tax year in which the excess contribution was made, and you may also have to pay an additional 10% premature distribution tax on the amount of such net earnings. However, the excess contribution itself will not be included in your taxable income and will not be subject to the 10% premature distribution tax.

Note that a distribution of excess contributions plus earnings from a Roth IRA is not considered a "qualified distribution" under the general rules for withdrawals from Roth IRAs. (See paragraph 6.) Thus, the earnings cannot be withdrawn on a tax-free basis even after the five-year holding period requirement has been met. The earnings portions of an excess contribution distribution will always be taxable to you. The Sponsor will calculate and include in your distribution any earnings on an excess. If earnings were negative, the excess distribution will be reduced.

(ii) **Return of contribution after due date of tax return.** Any excess contribution not withdrawn by the Federal income tax return due date (including any extensions) for the year for which the contribution was made will be subject to the 6% excise tax. (Note that there is an automatic 6-month extension for timely tax return filers.) There will be an additional 6% excise tax for each subsequent year the excess remains in your account. In subsequent years, you may reduce the excess contributions in your account by simply making a withdrawal equal to the excess. Earnings are not withdrawn.

**Roth IRA:** To the extent that no earnings are withdrawn, the withdrawal will not be subject to income taxes or possible penalties for premature withdrawals before age 59-1/2. However, the 6% excise tax will apply to the year in which you make the excess contribution and each subsequent year, until the year of withdrawal.

**Traditional IRA:** If you withdraw an excess contribution after the due date for filing your Federal income tax return (including any available extensions) and your contribution did not exceed the annual dollar limit (e.g., \$3,000 for 2002), the amount of the excess that you withdraw from a Traditional IRA will be included in your gross income in the year the contribution was made, and will be subject to regular Federal income tax for that year. For example, you might be in this situation if your earned income was less than the annual dollar limit. The 6% excise tax will be imposed for the year in which you make the excess contribution and each subsequent year, until the year of withdrawal.

If your contribution exceeded the annual dollar limit (e.g., \$3,000 for 2002), and you do withdraw an excess contribution after the due date for filing your Federal income tax return (including any available extensions), you must include in your gross income any excess amount you withdraw from a Traditional IRA even if you have not deducted it on your Federal income tax return. (In this case, you will pay tax twice on this amount - once in the year of the contribution, and again in the year you withdraw the excess.) You may also have to pay a 10% premature distribution tax on the amount you withdraw. Additionally, the 6% excise tax will be imposed for the year in which you make the excess contribution and each subsequent year, until the year of withdrawal.

**(iii) Apply Excess to Subsequent Year's Contribution.** If you elect not to withdraw an excess contribution, you can eliminate the excess by contributing less than the maximum amount allowed to your Roth or Traditional

IRA in a later year. This is known as a "re-designated" contribution and is allowed only to the extent that you "under-contribute" in the later year.

**Roth IRA:** In calculating the amount of your redesignated contribution to a Roth IRA for the current year, the amount of excess contribution for the prior tax year is reduced by distributions from the Roth IRA, and by the excess of: (1) the maximum that can be contributed to the Roth IRA for the current tax year, over (2) the amount you contributed to all individual retirement plans (including Traditional IRAs). Consult your tax or financial advisor for assistance.

**Traditional IRA:** To the extent that you have not contributed your full deductible amount to a Traditional IRA for that later year, the amount of the excess may be deductible as a "re-designated" deduction, depending on your active participant status and modified adjusted gross income for the year. The 6% excise tax will, however, be imposed in the year you make the excess contribution and each subsequent year until eliminated as a redesignated contribution in a subsequent year.

In calculating the amount of your redesignated contribution to a Traditional IRA for the current year, the amount of the excess for the prior tax year is reduced by the amount of the current tax year's unused limitation on the maximum contributions, but this reduction has to be offset by contributions made to a Roth IRA for the tax year.

For example, assume you are under age 50 and have \$500 in excess contributions to a Traditional IRA for 2003. You receive no distributions from the IRA in 2004. In 2004, you make \$2,000 of contributions to the Traditional IRA, and \$750 of contributions to a Roth IRA. In determining the amount of your excess contributions to the Traditional IRA for Year 2004, the excess contributions for 2003



(\$500) are reduced by \$250, as follows:

- \$3,000, your maximum allowable contribution for 2004, minus
- \$2,750, the amounts you contributed to the Traditional IRA and the Roth IRA in 2004.

**(iv) Recharacterize Excess as Contribution to Another IRA Type.** You can also correct an excess contribution by “recharacterizing” the excess plus earnings to an IRA of the other type (i.e. Roth to Traditional or Traditional to Roth). The recharacterization must be made by the due date for your income tax return for the year of the contribution (including extensions of time to file). (Note that there is an automatic 6-month extension for timely tax return filers.) The recharacterized contribution is deemed to have been made to the second IRA. See paragraph 9 for further discussion of recharacterizations.

**(c) Note:** The Custodian and Sponsor cannot and will not be responsible for checking to determine whether a contribution will result in an excess contribution. You must always check to determine whether any of the limits discussed above will be exceeded.

## 6. WITHDRAWALS FROM YOUR IRA DURING YOUR LIFETIME

### General Rules

You may make a withdrawal from your Vantagepoint Roth or Traditional IRA at any time, by using the *Vantagepoint IRA Withdrawal Form*. After your death, your beneficiary(ies) can request a withdrawal on the *Vantagepoint IRA Beneficiary Withdrawal Form*.

Payments from your Traditional IRA must generally begin no later than April 1 of the year following the year you reach age 70-1/2. See below for additional information. Unlike Traditional IRAs, the minimum distribution rules do not apply to Roth IRAs, so you

are not required to begin receiving distributions from your Roth IRA account when you reach age 70-1/2.

### Roth IRA Withdrawals

**(a) Qualified (Tax-Free) Withdrawals.** You can make withdrawals from your Roth IRA at any time. The principal amounts that you contribute are always available to be withdrawn by you tax-free. Withdrawals of amounts considered earnings or growth will also be tax-free if the following requirements are met: (1) The “five-year period” has been met (see below), **AND** (2) either you must be 59-1/2 or older or one of the following must be true:

- (i)** the withdrawal is made because of your death or permanent disability;
- (ii)** the withdrawal does not exceed qualified first-time homebuyer expenses incurred by you or your spouse, or a child, grandchild, parent or grandparent of you or your spouse. Qualified expenses include cost of acquisition or construction, including normal financing or closing costs. You are considered a “first-time homebuyer” if the individual purchasing the home had no ownership interest in a principal residence during the two years before the withdrawal in question. There is a lifetime limit (\$10,000) on qualified first-time homebuyer expenses for any one individual.

You are considered “disabled” for purposes of clause (i) if you are unable to engage in any substantial gainful activity because of a physical or mental impairment which can be expected to result in death or to be of long-lasting or indefinite duration.

**Timing of Five-Year Period:** The five-year period for all Roth IRAs that you own begins with the first year for which you made either a normal annual contribution or for which you converted assets from a Traditional IRA to a Roth IRA. All of your Roth IRAs will have the same five-year period for purposes of determining whether or not your withdrawals are “qualified”. For example, if you make your

first Roth IRA contribution in 2003 for tax year 2002, your five-year period will end on December 31, 2006 (January 1, 2002 through December 31, 2006). If you make your first Roth IRA contribution in 2003 for tax year 2003, your five-year period will end on December 31, 2007 (January 1, 2003 through December 31, 2007). (Note that converted Roth assets also have a separate five-year penalty period that you must track. See (c) below).

**(b) Non-qualified (Taxable) Withdrawals.**

If the requirements for a tax-free “qualified” withdrawal are not met, a withdrawal consisting of your own prior **contribution amounts** to your Roth IRA will still not be considered taxable income in the year you receive it, nor will the 10% penalty apply, because you have already paid income tax on these amounts. A non-qualified withdrawal that is considered **earnings** on your contributions while in your Roth IRA is includible in your gross income in the taxable year you receive it, and may be subject to the 10% premature withdrawal penalty.

**(c) Ordering of Roth IRA Withdrawals**

**Step 1:** Withdrawals from your Roth IRA are considered withdrawals of your contributions until you have withdrawn the entire amount you have contributed.

**Step 2:** After that, amounts you converted from a Traditional IRA(s) are considered to be withdrawn.

**Step 3:** Last, all amounts withdrawn are considered withdrawals of earnings (taxable in the case of a non-qualified withdrawal).

If you have performed multiple conversions (Step 2), you will withdraw them in “first in, first out” order. That is, your first conversion will be considered to be withdrawn first (after all contributions have been distributed). In addition, within each withdrawal of a conversion, amounts that were taxed at the time of conversion are distributed first, with after-tax conversion amounts coming out second.

(i) Note that a rollover or transfer of assets from an existing Roth account to a Vantagepoint Roth Account will *not* change the character of the assets. For example, if you roll contributions from a Roth IRA with another provider into your Vantagepoint Roth IRA, the assets will still be considered contributions. A rollover or transfer of earnings from another Roth IRA will still be characterized as earnings. Likewise, a rollover or transfer of converted assets will still be considered conversion assets. *It is important that you keep track of your total contributions earnings, and conversions. The Sponsor will not have that information in our records for amounts you roll or transfer into your Vantagepoint IRA.*

(ii) For purposes of determining what portion of any distribution is includible in income, all of your Roth IRA accounts are considered as one single account. Amounts withdrawn from any one Roth IRA account are deemed to be withdrawn from contributions first. Since all your Roth IRAs are considered to be one account for this purpose, withdrawals from Roth IRA accounts are not considered to be from earnings until an amount equal to all contributions and all conversions made to all of an individual’s Roth IRA accounts is withdrawn.

(iii) **Note:** *You are solely responsible for tracking your Roth IRA contribution and conversion bases. IRS Form 8606 includes some helpful worksheets that you may use for this purpose. Neither the Custodian nor the Sponsor can or will be held responsible for determining whether a withdrawal from a Vantagepoint Roth IRA is qualified or not for tax purposes, nor for determining the ordering of your distributions.*

(iv) Taxable withdrawals of earnings from a Roth IRA are taxed as ordinary income. Withdrawals of taxable amounts from a Roth IRA are not eligible for averaging treatment available to certain lump sum distributions from qualified employer-sponsored retirement plans, nor are such withdrawals eligible for capital gains tax treatment.

**(d) Penalty Tax on Premature Withdrawals.** Your receipt of any taxable withdrawal from your Vantagepoint Roth IRA before you attain age 59-1/2 generally will be considered a premature withdrawal and be subject to a 10% penalty tax. The 10% penalty tax will not apply if any of the following exceptions applies:

**(i)** the withdrawal was a result of your death or permanent disability. You are considered “disabled” if you are unable to engage in any substantial gainful activity because of a physical or mental impairment that can be expected to result in death or to be of long-lasting or indefinite duration;

**(ii)** the withdrawal is an exempt withdrawal of an excess contribution;

**(iii)** the withdrawal does not exceed the amount of your deductible medical expenses for the year in which you made the withdrawal; generally, medical expenses paid during a year are deductible if they exceed 7-1/2 % of your adjusted gross income for that year;

**(iv)** the withdrawal is in systematic payments that are substantially equal amounts over your life expectancy or the life expectancy of you and your designated beneficiary. (You should be aware that the 10% premature distribution tax will be applied retroactively (with interest) to all systematic payments if you change to a method of distribution that does not qualify for the exception before the later of (i) when you attain age 59-1/2 or (ii) five years after you started the distributions.);

**(v)** the withdrawal does not exceed the premiums you paid for medical insurance for yourself, your spouse and your dependents during the year; however, you must have been unemployed and received Federal or state unemployment compensation payments for at least 12 weeks, and you must make the withdrawal during the year in which you received the unemployment compensation payments or during the following year, but not after you have been reemployed for at least 60 days;

**(vi)** the withdrawal is rolled over into another IRA of the same type;

**(vii)** the withdrawal does not exceed certain eligible higher education expenses for yourself, your spouse, your child or grandchild. Eligible expenses include tuition, fees, books, supplies and equipment necessary for attending a qualified higher education institution. Room and board expenses may be eligible if the individual is attending at least half time;

**(viii)** the withdrawal does not exceed qualified first-time homebuyer expenses incurred by you or your spouse, or a child, grandchild, parent or grandparent of you or your spouse. Qualified expenses include cost of acquisition or construction, including normal financing or closing costs. You are considered a “first-time homebuyer” if the individual purchasing the home had no ownership interest in a principal residence during the two years before the withdrawal in question. There is a lifetime limit (\$10,000) on qualified first-time homebuyer expenses for any one individual; or

**(ix)** the withdrawal is used to pay an IRS levy placed against your Vantagepoint IRA.

The 10% premature distribution tax discussed above does not apply to the portion of your IRA distribution that is not includible in your gross income (e.g., withdrawal of your non-tax deductible contributions).

The exceptions to the 10% premature withdrawal penalty tax have a number of special rules and definitions; consult your tax advisor or the IRS for further details.

The following table summarizes the “qualified distribution” and 10% premature withdrawal penalty implications of distribu-

tions from your Vantagepoint Roth IRA, both during and after the five-year period.

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**ROTH IRA TAX/PENALTY SUMMARY**

<b>Distribution</b>	<b>Pay Income Tax On Earnings?</b>	<b>Pay 10% Penalty On Earnings and Conversions?</b>
After 5 years, tax exception met <sup>1</sup> , penalty exception met	No	No
After 5 years, tax exception not met, penalty exception met	Yes	No
After 5 years, tax exception not met, penalty exception not met	Yes	Yes
Within 5 years, tax exception not met <sup>2</sup> , penalty exception met	Yes	No
Within 5 years, tax exception not met <sup>2</sup> , penalty exception not met	Yes	Yes

Notes to Table:

<sup>1</sup> If the distribution meets one of the criteria discussed under “Qualified (Tax-Free) Withdrawals,” above, an exception to the 10% early withdrawal penalty will automatically be met as well.

<sup>2</sup> If the distribution is made within the first five years, the tax exception is automatically not met.

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**IMPORTANT:** There is an exception to the general rule for assets that you convert from a Traditional IRA to a Roth IRA. As discussed further in paragraph 8, when you convert all or a portion of a Traditional IRA to a Roth IRA, any assets that were not taxed prior to the time of conversion (i.e., any deductible contributions and earnings in the Traditional IRA) are taxed at the time of the conversion. Thus, they become “after-tax” amounts in the Roth IRA. If you withdraw converted assets within the five-year period following the year of conversion, these amounts that were taxed at the time of conversion may be subject to the 10% premature withdrawal penalty, unless one of the exceptions outlined above applies. It is important to understand that the five-year penalty period in this special penalty rule may not be the same as the five-year period used for determining whether you have a qualified distribution. For purposes of the 10% premature withdrawal penalty on converted assets, a separate five-year period applies (the five-year penalty period) for each year in which you execute a conversion. It is your sole responsibility to determine whether the special 10%

penalty on withdrawals of converted assets applies to you.

For example, assume that you made a \$3,000 contribution to a Vantagepoint Roth IRA on March 1, 2003 for tax year 2003. Then, on April 30, 2004, you convert assets from a Traditional IRA to a Vantagepoint Roth IRA. For income tax purposes (that is, for purposes of determining whether you have a qualified distribution), your five-year period for all of your Roth Accounts begins January 1, 2003 and ends December 31, 2007. However, for the conversion that was executed in 2004, a five-year penalty period begins January 1, 2004, and ends December 31, 2008. This five-year penalty period will be used to determine whether the 10% premature withdrawal penalty applies to any distributions of converted assets. Now assume that you take a distribution of \$3,000 on May 15, 2006. Under the ordering rules discussed above, this distribution is deemed to come first from your contributed principal. You have contributed principal of exactly \$3,000. Thus, the entire 2006 withdrawal is made up of contributions.

Although this is not a “qualified distribution” because the five-year period ending December 31, 2007 has not been reached, you do not owe any income tax on the distribution - your contributions were made on an after-tax basis and are not taxed again upon withdrawal. In addition, although the withdrawal was made within the five-year penalty period, you are not subject to the 10% premature withdrawal penalty because the withdrawn assets are not converted assets. However, if you were to take another distribution prior to December 31, 2008, the premature withdrawal penalty might apply.

These rules are complex, especially if you have performed multiple conversions. We suggest that you consult your tax or financial advisor prior to taking withdrawals from your Vantagepoint Roth IRA(s).

### **Traditional IRA Withdrawals**

**(a) Taxation.** Amounts paid to you from your Traditional IRA are taxable as ordinary income, except that you recover your nondeductible Traditional IRA contributions on a tax-free basis. The special tax rules that permit recipients of certain lump sum distributions from other tax-qualified retirement plans to get certain tax advantages (such as capital gains treatment and five or ten-year averaging) do not apply to distributions from Traditional IRAs.

If you withdraw an amount from a Traditional IRA during a taxable year and you have previously made nondeductible contributions, then part of the amount withdrawn is excludable from ordinary income and not subject to taxation. The amount excludable for the taxable year is determined by multiplying the amount withdrawn by a fraction, the numerator of which is your aggregate nondeductible Traditional IRA contributions remaining in all your Traditional IRAs and the denominator of which is the aggregate balance of all your Traditional IRAs at the end of the year plus the amount withdrawn during the year.

For example, in 2004 an individual withdraws \$1,000 from a Traditional IRA to which both deductible and nondeductible contributions were made. At the end of 2004, the account balance of all his Traditional IRAs is \$4,000 of which \$2,500 is nondeductible contributions. The amount excludable from income is \$500 ( $\$2,500/\$5,000 \times \$1,000$ ). IRS Form 8606 will assist you in determining the amount of your distribution that is taxable income.

Amounts withdrawn from your IRA are subject to withholding of Federal income tax unless you direct no withholding. Federal tax will be withheld at the rate of 10% on your entire withdrawal, unless you elect out of withholding, or request that a greater amount be withheld. Note that we cannot withhold less than 10%. To request a withdrawal from your Account, complete the Vantagepoint IRA Withdrawal Request package.

If tax, or estate or financial planning considerations affect the timing of your IRA withdrawals, be sure to consult a qualified professional.

**(b) Conduit IRA.** A “conduit” IRA is a Traditional IRA that contains assets you have transferred from a qualified retirement plan or a tax-sheltered annuity plan. You may have established a conduit IRA prior to 2002, when the rules regarding rollovers of assets from retirement plans to IRAs were less liberal than the rules described in paragraph 8. The tax treatment of withdrawals from a conduit IRA is the same as that discussed in this Disclosure Statement for Traditional IRAs.

**(c) Penalty Tax on Premature Withdrawals.** You can make withdrawals from your Traditional IRA at any time. However, if any of the funds in your Traditional IRA are withdrawn before age 59-1/2, the amount includible in your gross income is subject to a 10% premature distribution tax unless one of the exceptions described for Roth IRAs in paragraph (d) under Roth IRA Withdrawals applies.

For purposes of exception (vi), the Traditional IRA distribution must be rolled over to another Traditional IRA or to an eligible employer retirement plan. For purposes of exception (ix), the levy must be placed against your Traditional IRA account.

The 10% premature distribution tax discussed above does not apply to the portion of your Traditional IRA distribution that is not includible in your gross income (for example, amounts treated as a return of non-tax deductible contributions you made to your Traditional IRA).

The exceptions to the 10% premature withdrawal penalty tax have a number of special rules and definitions; consult your tax advisor or the IRS for further details.

**(d) Required Payments at Age 70-1/2.**

When you reach age 70-1/2, you must begin receiving payments from your Traditional IRA(s). The law requires that you begin to receive distributions from your Traditional IRA(s) no later than the April 1 following the year in which you reach age 70-1/2 (the "Required Distribution Date"). (Note: The tax law rule allowing some employees who are participants in an employer plan and who continue working for the employer after age 70-1/2 to postpone distributions from their employer-sponsored qualified retirement and deferred compensation plans until after they retire from the employer does not apply to Traditional IRAs.)

Note that you are not required to take a minimum payment from each Traditional IRA you own. You may calculate your minimum payment for each IRA, and then choose one or more of your Traditional IRAs from which to receive the payment.

You may elect to receive distributions in either (i) systematic payments (e.g., monthly, quarterly or annually), or (ii) one lump sum distribution of all the funds held in all your Traditional IRAs. To request a distribution

from your Vantagepoint Traditional IRA, complete the *Vantagepoint IRA Withdrawal Request Form*.

If you elect systematic payments, there is a minimum amount (Required Minimum Distribution) you must withdraw by the Required Distribution Date and by each December 31 thereafter. (This could result in two minimum distributions in the first minimum distribution calendar year.)

Your Required Minimum Distribution is determined by dividing your account balance at the end of the previous year by your joint life expectancy. Life expectancy is determined using IRS tables based on your age and the age of an assumed beneficiary that is 10 years younger than you. If you have designated your spouse as your sole beneficiary, and your spouse is more than 10 years younger than you, you may request the Sponsor to calculate your Required Minimum Distribution using your spouse's actual age. If you and your spouse established spousal Traditional IRAs, the Required Minimum Distribution from each spousal Traditional IRA is determined using the life expectancy of the spouse for whom the IRA was established.

The Sponsor will calculate your Required Minimum Distribution, and notify you of the amount in January of each year. Beginning in 2004, the Sponsor is required to report to the IRS each IRA for which a Required Minimum Distribution is required. The Sponsor will not distribute your Required Minimum Distribution to you unless you instruct the Sponsor to do so. You may wish to consult your own tax or financial advisor regarding your Required Minimum Distribution.

You may receive installment payments larger than the Required Minimum Distribution amount. However, if the amount distributed during a taxable year is less than the minimum amount required to be distributed, the Internal Revenue Service will impose a tax equal to 50% of the deficiency, unless it is satisfied

that the deficiency was due to reasonable error and that responsible steps are being taken to remedy the deficiency. See IRS Form 5329 for more information.

## 7. PAYMENTS FROM YOUR IRA AFTER YOUR DEATH

### General Rules

**(a) Beneficiary(ies).** When you establish your Vantagepoint IRA Account, you can name your beneficiary(ies) on the Application. Be sure to keep your designation of beneficiary up-to-date as your personal or financial circumstances change. You may file a new designation of beneficiary form at any time with the Sponsor by completing the *Vantagepoint IRA Personal Information Change Form*. If no designation of primary or contingent beneficiary is in effect at your death, or if all designated primary and contingent beneficiaries have predeceased you, the balance in your account will be paid to your surviving spouse, if any. If you have no surviving spouse, any remaining balance will be paid to your estate.

Selecting a beneficiary or beneficiaries can have important tax and financial planning implications. Consult a qualified professional for advice if needed.

**(b) Community Property States.** If you live in a community or marital property state, you may wish to consult a qualified professional to be sure that your designation of beneficiary complies with legal requirements in those states. Your spouse must consent in writing on the Application or *Vantagepoint IRA Personal Information Change Form* if you wish to designate a primary beneficiary other than your spouse.

**(c) Estate and Gift Taxes.** The designation of a beneficiary(ies) to receive funds from your Vantagepoint IRA at your death is not considered a transfer subject to Federal gift taxes. However, any funds remaining in your IRA at your death would be includible in your

Federal gross estate. Estate and gift tax rules are complex; you may want to consult your tax or financial advisor.

**(d) No Additional Contributions by Beneficiaries Other than Spouse.** If you die before your entire Account has been withdrawn and if the beneficiary is not your surviving spouse, no additional cash contributions or rollover contributions may be accepted in the Account.

**(e) Election by Spouse to Treat IRA as Own Account or to Rollover.** If your beneficiary is your surviving spouse, he or she may elect to treat the Account as his or her own IRA. This election will be deemed to have been made if the spouse either (a) makes a contribution to the Account, (b) makes a rollover to or from the Account or (c) fails to receive a payment by the date specified above. Your surviving spouse must notify the Sponsor in a letter or on the *Vantagepoint IRA Beneficiary Withdrawal Form*, signed by the surviving spouse, of his or her intent with respect to the IRA balance.

Your surviving spouse also has the option to roll the Account over to his or her own pre-existing IRA.

**(f) Responsibility for Applying Rules.** While the Sponsor will make available worksheets to help your beneficiary(ies) determine the amount of their required payments, they should consult their own tax or financial advisor with regard to the calculation of the required amount. It is your beneficiary's responsibility to make sure that the requirements outlined below are met. The Custodian and Sponsor are not required to advise your beneficiary in this matter and will only make distributions from your IRA in accordance with their specific instructions.

### Roth IRA Withdrawals after Your Death

**(a) Required Payments.** If you die before all the funds held in your Roth IRA have been withdrawn, the entire remaining interest must, at the election of your beneficiary or beneficiaries, either:

(i) Be withdrawn by your designated beneficiary(ies) over a term that will not last longer than the life expectancy of the designated beneficiary(ies). Payments must begin by December 31 of the year following the year of your death. If, however, your sole beneficiary is your surviving spouse, then withdrawals are not required to begin before December 31 of the year in which you would have turned age 70-1/2.

(ii) Be withdrawn by your beneficiary(ies) by December 31 of the year containing the fifth anniversary of your death.

(iii) If you die without designating a beneficiary(ies), your account must be fully withdrawn by the time specified in (ii) above.

Your beneficiary can specify his or her payment election on a completed *Vantagepoint IRA Beneficiary Withdrawal Form*.

**(b) Spousal Beneficiary.** A spousal beneficiary also has the option to elect to treat the Account as his or her own, or to roll over the Account to his or her own IRA. (See paragraph (e) under General Rules above.)

**(c) Notice of Death after Beneficiary's Required Beginning Date.** If the Sponsor is not notified of your death until after the required beginning date outlined above, your beneficiary will receive payments as follows:

- Account balance of less than \$20,000: lump sum payment.
- Account balance of \$20,000 or more: annual payments sufficient to exhaust the account by December of the fifth year following the year of your death. Your beneficiary may request payments to be made more frequently than annually, or over a shorter time frame (i.e., to exhaust the account over a shorter time period), but no longer than by the end of the fifth year.

## Traditional IRA Withdrawals after Your Death

**(a) Required Payments.** If you die before all the funds held in your Traditional IRA have been distributed, the remaining funds in the Account will be distributed to your designated beneficiary(ies) either outright or periodically, as selected by such beneficiary(ies) on the *Vantagepoint IRA Beneficiary Withdrawal Form*. The Custodian will make distributions to your beneficiary(ies) in accordance with his or her specific instructions. Your beneficiary should be aware that he or she is subject to minimum distribution rules and it is his or her responsibility to make sure the rules are met.

**(b) Death Before Required Distribution Date.** If you die prior to your Required Distribution Date, the entire remaining interest must, at the election of your beneficiary or beneficiaries, either:

(i) Be withdrawn by your designated beneficiary(ies) over a term that will not last longer than the life expectancy of the designated beneficiary(ies). Payments must begin by December 31 of the year following the year of your death. If, however, your sole beneficiary is your *surviving spouse*, then withdrawals are not required to begin before December 31 of the year in which you would have turned age 70-1/2.

(ii) Be withdrawn by your beneficiary(ies) by December 31 of the year containing the fifth anniversary of your death.

(iii) If you die without designating a beneficiary(ies), your account must be fully withdrawn by the time specified in (ii) above.

(iv) A spousal beneficiary also has the option to elect to treat the Account as his or her own, or to roll over the Account to his or her own IRA. (See paragraph (e) under General Rules above.)



**c) Death On or After Required Distribution Date.** If you die on or after your Required Distribution Date, the entire remaining interest must, at the election of your beneficiary be withdrawn by your designated beneficiary(ies) over a term that will not last longer than the greater of

- (i) the life expectancy of the designated beneficiary(ies), or
- (ii) your remaining life expectancy, using your age in the year of death, reduced by one for subsequent years.

Payments must begin by December 31 of the year following the year of your death. In the case of payments over the term specified in (i) above, a spousal beneficiary's life expectancy will be recalculated every year. In the case of a non-spousal beneficiary, the beneficiary's life expectancy will be determined in the year of your death, reduced by one for subsequent years.

If you die without designating a beneficiary(ies), your account must be fully withdrawn by the end of your remaining life expectancy, as determined in the year of your death, reduced by one for subsequent years.

A spousal beneficiary also has the option to elect to treat the Account as his or her own, or to roll over the Account to his or her own IRA. (See paragraph (e) under General Rules above.)

**(d) Notice of Death after Beneficiary's Required Beginning Date.** If the Sponsor is not notified of your death until after the required beginning dates outlined above, your beneficiary will receive payments as follows:

- Account balance of less than \$20,000: lump sum payment
- Account balance of \$20,000 or more: annual payments sufficient to exhaust the account by December of the fifth year following the year of your death. Your beneficiary may request payments to be made more

frequently than annually, or over a shorter time frame (i.e., to exhaust the account over a shorter time period), but no longer than by the end of the fifth year.

## 8. ROLLOVERS AND CONVERSIONS

### Rules Applicable to Both Roth and Traditional IRAs

**(a) General Rules.** You may roll over on a tax-free basis any amount from an existing IRA to another IRA of the same type (e.g., Traditional to Traditional or Roth to Roth). Under certain circumstances, you may also convert an existing Traditional IRA to a Roth IRA (see Special Rule for Roth IRAs below). You may also be eligible to roll over a distribution from an eligible employer retirement plan to your Traditional IRA (see Special Rule for Traditional IRAs below). If you have established a conduit IRA, you may roll the conduit IRA into a Traditional IRA, but you may not roll a Traditional IRA into a conduit IRA.

There are complex, specific rules governing rollovers and conversions. You should consult your tax advisor or the IRS if you have questions about the rules.

Rollover and conversion contributions are not subject to the limits on annual contributions to your IRA (see paragraph 2). However, all amounts in your IRA, including rollover amounts, are subject to the rules discussed above concerning withdrawals.

**(b) Rollover vs. Transfer.** As discussed in more detail below, an alternative to rolling over a distribution from one IRA to another is to request a direct transfer of the assets between similar IRA types.

In a tax-free rollover, you receive funds from the IRA account yourself. You have a period of 60 days\* (120 days if the funds were initially withdrawn for a first-time home purchase but you did not use the funds for that purpose) after the date you receive the distribution from your existing IRA to roll the

assets to another IRA of the same type. If you wait more than 60 days, your rollover will not be a valid rollover.

\* The Internal Revenue Service may allow hardship exceptions to the 60-day time period for situations outside the investor's control. Procedures for requesting a waiver of the 60-day time period will be specified by the Internal Revenue Service.

You may withdraw assets out of a single IRA only once every 12 months to process a rollover. You can not make another rollover out of that same IRA during the 12-month period. In addition, you may not request a rollover out of the receiving IRA during the 12-month period. The receiving IRA is "frozen" only to the extent of the assets rolled in from the first IRA. The 12-month period begins on the date of the IRA withdrawal from the first IRA, not the date you make the rollover contribution to the receiving IRA.

In a direct transfer, you request your IRA provider to send all or a portion of your IRA assets to another IRA of the same type. The 60-day and 12-month rules that apply to rollovers do not apply to direct transfers. Note that a direct transfer can be accomplished whether the distribution from the first IRA is sent to you or directly to the receiving IRA custodian, as long as the distribution check is made payable to the receiving IRA custodian for your benefit.

**(c) IRA-to-IRA Rollover.** You can withdraw all or part of the amount in your IRA account and roll over all or part of the amount withdrawn to another IRA of the same type. The amount rolled over will not be subject to Federal income tax (or the 10% premature withdrawal penalty) if you complete the transfer within the rollover time frame discussed above. To roll over an IRA you have established with another provider to a Vantagepoint IRA of the same type, you will need to complete the *Vantagepoint IRA to IRA Rollover Form*.

**(d) Direct Transfer.** As an alternative to a rollover, arrangements may be made for a di-

rect transfer from one IRA custodian or trustee to another. Because the 12-month waiting period does not apply to direct transfers from one Roth IRA custodian or trustee to another, you may want to consider moving your funds via a transfer rather than a rollover. To transfer an IRA you have established with another provider to a Vantagepoint IRA of the same type, you will need to complete the *Vantagepoint IRA Direct Transfer Form*.

### **Special Rule for Roth IRAs - Conversion from Traditional IRA to a Roth IRA**

You may convert an existing Traditional IRA into a Roth IRA if your MAGI on your income tax return for the year of the conversion is \$100,000 or less. (This limit applies to both married and single taxpayers, and the limit is not indexed for cost of living increases.) A married taxpayer is eligible to convert a Traditional IRA to a Roth IRA only if a joint tax return is filed; married taxpayers who file separately are not eligible to convert from a Traditional IRA to a Roth IRA. (Note that a husband and wife who file separate returns for a tax year and who live apart at all times during that tax year are not treated as married for purposes of this rule.) The amount being converted is not included in MAGI for this purpose.

You may convert an existing Traditional IRA to a Vantagepoint Roth IRA by completing the *Vantagepoint Roth IRA Conversion Form*. In order to execute a conversion, you may either withdraw the amount in the other Traditional IRA and roll it over to your Vantagepoint Roth IRA within 60\* (or 120) days or direct your current Traditional IRA custodian or trustee to transfer the desired amount to your Vantagepoint Roth IRA via the *Vantagepoint Roth IRA Conversion Form*. **Alternatively, you may roll over or transfer your Traditional IRA to the Sponsor, and request a conversion immediately after the transfer. This is the preferred method.**

\* The Internal Revenue Service may allow hardship exceptions to the 60-day time period for situations

outside the investor's control. Procedures for requesting a waiver of the 60-day time period will be specified by the Internal Revenue Service.

Regardless of whether you roll over or transfer your conversion assets, the taxable amount you convert from a Traditional IRA to a Roth IRA is considered taxable income for the year in which the transaction begins.

**Caution:** You may convert a Traditional IRA to a Roth IRA only in a year in which your MAGI is below \$100,000. If you execute a conversion, and then subsequently learn that your MAGI exceeded the limit, you may recharacterize the conversion back to a Traditional IRA. See paragraph 9 below. You may wish to consult your tax advisor or the IRS.

### **Special Rule for Traditional IRAs ONLY- Rollovers From Eligible Employer Plans**

**(a) General Rules.** Under certain circumstances, you can receive a distribution from a qualified 401 plan, a tax-sheltered annuity or other arrangement under Section 403 of the Code, or a governmental 457 deferred compensation plan and roll over or transfer the amount received to your Traditional IRA without including the amount in your income for Federal income tax purposes. A "tax-free rollover" must be completed within the 60-day time-frame discussed under General Rules above. A transfer from an eligible employer plan directly to a Traditional IRA is a way to avoid the required 20% income tax withholding requirements that apply to those plans. Note that a direct transfer can be accomplished whether the distribution from the eligible retirement plan is sent to you or directly to the receiving IRA custodian, as long as the distribution check is made payable to the receiving IRA custodian for your benefit.

**(b) Distributions Eligible for Roll Over.** Most distributions from an eligible employer plan are eligible for roll over to a Traditional IRA. The main exceptions are:

- payments over the lifetime or life expectancy of the participant (or participant and a designated beneficiary),
- installment payments for a period of 10 years or more,
- required distributions due to the age 70-1/2 rules for employer plans, and
- hardship or emergency withdrawals.

**(c) Rollover/Transfer Mechanics.** If you will receive an eligible distribution from an eligible employer plan you can defer paying taxes by requesting the plan administrator or sponsor to transfer the distribution amount directly to a Traditional IRA. Or, you may receive the distribution yourself and roll it over to a Traditional IRA within the 60-day time-frame discussed above. However, unless you elect a direct transfer of your distribution, your plan administrator must withhold 20% of your distribution for Federal income taxes. Your plan administrator or sponsor will provide you with a notice concerning these rules before you receive your distribution.

If you already have a Traditional IRA, you may roll over or transfer your eligible employer plan assets into that IRA or you may establish a separate Vantagepoint Traditional IRA.

**(d) Rollovers by a Surviving Spouse.** If a surviving spouse receives a distribution from an eligible employer plan because of the employee-spouse's death, the surviving spouse may be able to defer income taxes by having all or a part of the distribution transferred directly to a Traditional IRA.

**(e) After-Tax Assets.** After-tax contributions held in a section 401 qualified retirement plan may be rolled over to a Traditional IRA. These assets will be considered nondeductible contributions in the receiving IRA. These after-tax assets may not later be rolled back to an eligible retirement plan.

## Transfer of Vantagepoint IRA to Another Provider

In order to transfer Vantagepoint IRA funds to another provider, you must submit the other provider's paperwork to the Sponsor, documenting that a valid IRA exists with that provider. Otherwise, the Sponsor cannot process your transfer. Your transfer will be sent by check.

## 9. RECHARACTERIZATIONS AND RECONVERSIONS

A contribution to one type of IRA (Traditional or Roth) may be recharacterized as a contribution to another type of IRA. For example, if you discover after you have made a Roth IRA contribution that your MAGI exceeded the limits, you may recharacterize the contribution as a Traditional IRA contribution. Or, you might discover after executing a conversion to a Roth IRA that your MAGI exceeds \$100,000 for the year. In that case, you may recharacterize the conversion back to your Traditional IRA.

A recharacterization is accomplished by completing the *Vantagepoint IRA Recharacterization Form*. This form contains all the information required by the IRS in order for the Sponsor to complete the recharacterization. The trustee or custodian of the "first IRA" will transfer the amount involved, plus earnings, to the custodian or trustee of the "second IRA" to complete the recharacterization. The *Vantagepoint IRA Recharacterization Form* should be completed even if both IRAs involved in the recharacterization are Vantagepoint IRAs.

Recharacterizations must be completed by the due date (including extensions) of your income tax return for the year of the original contribution or conversion. (Note that there is an automatic 6-month extension for timely tax return filers.)

If you convert an amount from a Traditional IRA to a Roth IRA, and then recharacterize the amount back to a Traditional IRA, you

may reconvert the amount back to a Roth IRA, within certain guidelines. The earliest you may reconvert is the later of:

- January 1 of the year following the recharacterization, or
- 30 days following the recharacterization.

If you reconvert before this date, it will be a failed conversion. We suggest that you consult your tax advisor regarding the reconversion rules. The Custodian and Sponsor cannot be held responsible for determining how these rules apply to your particular financial situation.

## 10. RIGHT TO REVOKE

Unless you waive this right by signing the Application, you have the right to revoke your IRA within seven (7) days of the establishment of your Account. You may revoke your IRA by mail or by delivery of written notice to the Sponsor, the name and address of which appear on the Application.

If you revoke your IRA, you are entitled to a full return of the contribution without any adjustment for sales charges, administrative expenses or market fluctuations. If you have any questions concerning your right of revocation, please call the Sponsor during regular business hours.

## 11. FEDERAL TAX CONCERNS

**Special Note:** This Disclosure Statement discusses the effect and requirements of the Federal tax laws as they apply to your Vantagepoint IRA. You should check with your tax advisor with regard to the applicable state tax laws.

(a) You are required to file IRS Form 8606 to report non-deductible contributions to a Traditional IRA and to report a conversion from a Traditional IRA to a Roth IRA. You will also be required to give additional information on Form 8606 in years you make a withdrawal from your IRA. If you fail to file a required

Form 8606, there is a \$50 penalty for each such failure unless you can prove the failure was due to reasonable cause.

(b) IRS Form 5329 is required as an attachment to Form 1040 (or separately if you do not file a Form 1040) for any year that contribution limits are exceeded, a premature distribution takes place, or a prohibited transaction (see paragraph 12) takes place.

## 12. PROHIBITED TRANSACTIONS

(a) If you engage in a so-called “prohibited transaction” as defined in the Internal Revenue Code, your IRA will be disqualified and the amount of earnings or gains in your IRA will be taxed as ordinary income during the year in which such transaction occurs. You may also have to pay the 15% prohibited transaction excise tax. In addition, the 10% penalty tax on premature distributions may apply. A “prohibited transaction” includes:

- (i) the sale, exchange, or leasing of any property between your IRA account and you;
- (ii) the lending of money or other extension of credit between your IRA account and you;
- (iii) the furnishing of goods, services, or facilities between your IRA account and you; or
- (iv) the transfer of assets of your IRA account for your use or for your benefit.

(b) If you pledge all or part of your IRA as security for a loan, or invest your IRA in “collectibles” such as art, antiques, coins (other than certain United States gold, silver and platinum coins, coins issued by a state government and certain precious metal bullion) or gems, the amount so pledged or invested is considered by the IRS to have been distributed to you and will be taxed as ordinary income during the year in which you make such pledge or investment. You may also have to pay the 10% premature distribution tax.

## 13. CUSTODIAN AND SPONSOR

The Custodian of your Vantagepoint IRA is Investors Bank & Trust Company. The Sponsor of your Vantagepoint IRA is ICMA-RC Services, LLC. Any duties or rights assigned to the Custodian in this Disclosure Statement may be delegated to the Sponsor.

The Custodian, through the Sponsor, will invest your contributions and earnings in accordance with your instructions in any of the investment vehicles permitted under the Vantagepoint Roth or Traditional Individual Retirement Custodial Account Agreement. See paragraph 19 for a discussion of Vantagepoint investment policies. You will receive confirmations describing each transaction in your account, and proxies on securities will be sent to you to vote as you wish. A statement regarding the projection of growth of your Vantagepoint IRA is set forth in paragraph 15 of this Disclosure Statement.

For information concerning the custodial charges and service charges which may be assessed against your Account by Investors Bank & Trust Company, or by the Sponsor, be sure to read the schedule of charges in paragraph 16 of this Disclosure Statement. Custodial and service charges may be changed or adjusted on thirty days’ notice to you. Be sure to read carefully the prospectus and other important information regarding any securities you are considering as an investment for your Vantagepoint IRA for a description of the investment objectives and policies plus a description of applicable fees and charges.

## 14. ADDITIONAL INFORMATION

(a) Your Vantagepoint IRA will help build your retirement income. Your IRA funds are non-forfeitable. They are always yours (subject to investment fluctuations), and will be invested according to your agreement with the Custodian. Your IRA will be clearly identified as your property and will not be commingled with property of any other depositor.

**(b) Articles I through VIII of the Custodial Account Agreement for Vantagepoint Roth IRAs** use the precise language of Form 5305-RA, as currently provided by the Internal Revenue Service and has therefore been approved as a form to use as a qualified Roth Individual Retirement Custodial Account.

**Articles I through VII of the Custodial Account Agreement for Vantagepoint Traditional IRAs** use the precise language of Form 5305-A, currently provided by the Internal Revenue Service, and has therefore been approved as a form to use as a qualified Traditional Individual Retirement Custodial Account.

The IRS approval of these forms does not represent a determination as to the merits of the Account. It simply means that the form of the printed Custodial Account Agreement for Vantagepoint Roth IRAs and Vantagepoint Traditional IRAs documents satisfies the requirements of the IRS. However, if you adopt and maintain your IRA within the stated guidelines, you may assume that you are properly meeting all requirements for a bona fide Roth or Traditional IRA under Federal income tax law.

**(c)** Further information concerning IRAs can be obtained from any district office of the Internal Revenue Service and in IRS Publication 590, Individual Retirement Arrangements.

**(d)** You should consult with your tax or financial advisor to determine whether this Individual Retirement Custodial Account is the right investment for you, since we cannot offer legal, tax or financial advice.

**(e)** This Disclosure Statement provides a non-technical explanation of the terms and conditions of your Vantagepoint Roth or Traditional IRA (including a conduit IRA) account. However, the provisions of the Custodial Account Agreement and the Application and prospectus(es) govern in any instance where the Disclosure Statement is incomplete or appears to conflict. This Disclosure Statement reflects the provisions of the Internal

Revenue Code and related regulations in effect as of the date the Disclosure Statement was prepared. Please consult your tax advisor for more complete information and to review any applicable tax law changes and refer to IRS Publication 590.

## 15. INVESTMENTS

Your Vantagepoint IRA may be invested in shares of the mutual funds offered by ICMA-RC Services and its affiliated companies (“Vantagepoint Funds”) or in other types of investments that the Custodian and Sponsor may permit to be available investments under the Vantagepoint IRA from time to time (“Funds”). You should refer to the prospectus(es) and other important information regarding each Fund you choose to invest your IRA in. See the Application and related materials for information on available investments.

Your Vantagepoint IRA will be invested and reinvested solely in accordance with directions provided initially by you. Investment directions may be changed by using VantageLine (1-800-669-7400) or VantageLink ([www.icmarc.org](http://www.icmarc.org)).

All dividends and capital gains received on shares of a Fund held in your Vantagepoint IRA will be reinvested in additional shares of that Fund.

The growth in value of your Vantagepoint IRA will depend on the investment decisions made by you. Therefore, no projection of the growth of your IRA can be reasonably shown or guaranteed. See paragraph 16 for a discussion of fees that may be charged in connection with your Account. See paragraph 19 for Vantagepoint investment policies.

## 16. SCHEDULE OF CHARGES

**(a)** ICMA-RC Services may charge an annual account maintenance fee of up to \$25 for each Vantagepoint IRA that is established at any

time during the calendar year; the maximum fee for Vantagepoint IRA investors will be \$50 per year. The fee may be waived under certain circumstances (see below).

If the fee applies to your account, a bill will be sent after the end of the second quarter of each year. The Sponsor will provide you the opportunity to pay the fee annually by separate check. If you do not choose to pay your account maintenance fee by separate check on or before September 15, sufficient shares will be redeemed from your Account on September 30 (or the next business day) to pay the fee. The fee will be redeemed pro-rata across all Funds in your account other than investments in the self-directed brokerage option. If you do not have sufficient assets available in the non-self-directed brokerage portion of your account, the fee will be redeemed on a basis determined by ICMA-RC Services from funds available in the self-directed brokerage option.

As Custodian, Investors Bank & Trust Company may charge an annual custodial fee for each investor in a Vantagepoint Roth IRA or Traditional IRA (or Coverdell Education Savings Account) that is established at any time during the calendar year. This custodial fee will be paid by ICMA-RC Services on your behalf.

**(b)** Your annual account maintenance fee may be waived if:

**(i)** your total Vantagepoint IRA assets (including Traditional, Roth) exceed \$1,500 as of June 30;

**(ii)** your total assets invested with the ICMA Retirement Corporation and its affiliated organizations exceed \$50,000 as of June 30;

**(iii)** your household's total assets invested with the ICMA Retirement Corporation and its affiliated organizations exceed \$100,000 as of June 30; ("Households" will be linked by mailing address; a maximum of four Roth and /or Traditional IRA account maintenance fees may be waived under this exception.

The waiver must be specifically requested in writing, addressed to the Sponsor and received no later than September 15. An additional request, in writing, must be provided to the Sponsor should your situation change (e.g., new family member). In the letters, you must provide the following information for each of the four accounts for which fees may be waived: "IRA Type" and Account Number. This information may be found on your quarterly statements.); or

**(iv)** other circumstances warrant a waiver.

**(c)** For complete information about the advisory fees and other Fund expenses, and the method of calculating the price per share for each Fund you may select for your Vantagepoint IRA, you should read the appropriate prospectus.

## 17. CONTRIBUTION MINIMUMS

**(a)** Minimum contributions to a Vantagepoint IRA Account are as follows:

**(i)** Initial: \$1,500 minimum.

**(ii)** Ongoing (after account has been established): \$100 minimum.

**(iii)** Automatic Investment Program (AIP): \$100 minimum for ongoing contributions; no minimum for initial contribution.

**(iv)** Payroll Deduction program (Roth IRA only): no minimum contributions.

**(v)** Sidecar IRA (see paragraph 22): \$100 minimum for ongoing contributions; no minimum for initial contribution.

**(b)** Minimum contributions for Roth conversions: \$1,500 minimum per conversion.

**(c)** Minimum rollover amount: \$1,500 minimum per rollover or transfer into the IRA.

## 18. VANTAGEPOINT IRA “IN GOOD ORDER” POLICIES

(a) In order to establish a Vantagepoint IRA, the *Vantagepoint Traditional and Roth IRA Account Application* must be completed properly and thoroughly.

If complete information is not included on the Application, the Sponsor will attempt to contact you to obtain the missing or incomplete data. If the information cannot be obtained, in most cases the contribution (without earnings) will be returned to you.

(b) Once your Vantagepoint IRA is established, you may make additional contributions and rollovers as discussed above. Note that a contribution coupon will be included at the bottom of contribution confirmations sent to you. A thoroughly completed coupon should be used to make subsequent contributions to your established Vantagepoint IRA Account. Rollovers and transfers to your Vantagepoint IRA should be made using the appropriate Rollover or Direct Transfer form. You can download the Rollover and Direct Transfer forms, as well as a contribution coupon at [www.icmarc.org](http://www.icmarc.org).

(c) The Vantagepoint IRA Application can be completed on-line on the Vantagepoint IRA Wizard, located at [www.icmarc.org](http://www.icmarc.org).

## 19. VANTAGEPOINT IRA INVESTMENT POLICIES

(a) The initial investment allocation for a Vantagepoint IRA will be established by you on the Application. This allocation will be maintained in the Sponsor’s records as the “standing allocation” for the Account. You may modify your standing allocation at any time after the Account is established. Modifications may be executed by calling VantageLine at 1-800-669-7400, or by accessing VantageLink at [www.icmarc.org](http://www.icmarc.org). Contact Investor Services for information on how to use these mechanisms to your best advantage.

(b) If you do not specify a standing contribution investment allocation, or provide specific instructions with future contributions, your contributions will be invested in the Vantagepoint Money Market Fund. In addition, if your allocation total does not add up to 100 percent or if an invalid fund is indicated, the amount that cannot be properly allocated will be invested in the Vantagepoint Money Market Fund. The Account balance can then be transferred between available investments via either VantageLine or VantageLink. [Investment in a money market fund is neither insured nor guaranteed by the U.S. Government. There is no assurance that a money market fund will be able to maintain a stable net asset value of \$1.00 per share. Please read the prospectus(es) carefully prior to investing any money.]

(c) Note that an investment allocation which is included with a subsequent contribution will not change the standing allocation. If you desire to revise the standing allocation, VantageLine or VantageLink must be used.

(d) Your standing allocation will be used for “regular” IRA contributions, but not for rollovers, transfers, or conversions. An investment allocation must be provided with each rollover, transfer or conversion request.

(e) The following actions on your part will serve as certification that you have read the appropriate prospectus(es) prior to selecting investments for the Account: signature on the Application; allocation noted on a contribution remittance coupon; and use of either VantageLine or VantageLink to reallocate your Account or change a standing investment allocation.

## 20. VANTAGEPOINT IRA REPORTING

(a) The IRS requires all contributions to an IRA, including rollover contributions, to be reported annually on IRS Form 5498. This Form also provides the fair market value of the Account as of the end of the previous year.



A copy of Form 5498 will be sent to you by May 31 of each year for which an Account was in existence on December 31 of the previous year, if there is reportable activity in the Account. It is your duty to determine the tax effects of any contributions to your IRA, and to determine if any filings are required with the IRS.

(b) Distributions from Vantagepoint IRAs will be reported to you on IRS Form 1099-R. It is your duty to determine the tax effects of any distributions, and to determine if any filings are required with the IRS.

(c) Quarterly Account Statements will be sent to you.

(d) You will receive confirmations of all investment transactions (i.e., purchases, sales, redemptions and fund-to-fund transfers) involving shares of the Funds in which your Vantagepoint IRA Account is invested. Note that a contribution coupon will be attached to the bottom of contribution confirmations, to assist in making subsequent contributions to the Account. This coupon should be sent with subsequent contributions. You will also receive confirmations of Account indicative data changes (e.g., address change), as well as confirmations of changes to the standing investment allocation.

(e) Annual Account Maintenance Fee bills will be sent after the end of the second quarter. You are responsible for payment of this fee, either directly or through redemption of shares of the Funds in which the Account is invested. Fee changes, if any, will be communicated to you 30 days in advance of the change.

(f) You will receive all communications related to the investments of the Account (e.g., proxies or proxy soliciting materials).

(g) You will receive all communications regarding changes in Custodian or Sponsor, if any.

**(h) Because Vantagepoint IRA notices and communications will be sent to you on a regular basis, it is important that you**

**notify us immediately of any change in your address (including an electronic address).**

**Please use the *Vantagepoint IRA Personal Information Change and AIP Initiation and Change Form* or contact Investor Services at 1-800-669-7400 for this purpose.**

(i) You are responsible for determining whether any filings (e.g., Forms 5329, 8606 or 1040) are required of you for any year in which a contribution or distribution is made to or from the Account. The Custodian and Sponsor cannot be held liable for any failure to file any required return.

## **21. PAYROLL DEDUCTION IRA CONTRIBUTIONS**

You may be eligible to make contributions to your Vantagepoint IRA through a payroll deduction program with your employer. Please contact Investor Services at 1-800-669-7400 or your employer for more information and to determine if your employer participates in the payroll deduction program.

## **22. VANTAGEPOINT SIDECAR IRA**

**Your employer may make a “sidecar” or “deemed” IRA program under Code section 408(q) available to you through your 457 deferred compensation or 401 qualified retirement plan. Please contact Investor Services at 1-800-669-7400 for more information.**

# OVERVIEW OF DISASTER RECOVERY AND BUSINESS CONTINUITY PLANS

ICMA Retirement Corporation (ICMA-RC) is committed to protecting the assets of our customers and being prepared to quickly recover and resume operations in the event of a significant business interruption. We have always regarded this as an obligation to our customers and have allocated resources to ensure our ability to meet this commitment. These capabilities are designed to:

- Provide for the complete recovery of our technology infrastructure and data.
- Consider the impact of various types of potential interruptions and prepare an appropriate strategy for each.
- Enable RC to continue to perform our critical business functions and minimize the impact to our customers.
- Contracted with a national information availability provider for alternative workspace for our personnel, network infrastructure and telecommunications infrastructure, in the event that our facility is unusable because of an incident. This enables RC to respond to your inquiries and provide information regarding your accounts during an incident.
- Established processes for the backup of data. Complete copies of production data are backed up at the completion of a daily processing cycle and are stored offsite at multiple secure locations. For critical data, backups are sent periodically throughout the day to a remote server. In addition, information required by regulatory agencies is archived and stored offsite at secure locations.
- Tested the effectiveness of our Disaster Recovery Plan to ensure that we have the ability to continue to operate in the event of an incident. Semi-annual exercises are conducted, with active participation of over 25% of ICMA-RC employees, to test the recovery of the network infrastructure and the functionality of all critical applications and processes.

The goal of our Disaster Recovery Plan is to be able to recover and resume business operations within 24 hours after the onset of a situation that warrants a disaster declaration. To accomplish this we have:

- Detailed plans for every division across our corporation that identify specific actions to be taken, personnel requirements to meet those actions, and other resources necessary to restore critical processes and resume business operations. Keep in mind that the ability to conduct trading and other transactional activity is dependent on the stock market being open and the availability of telecommunications to perform the trade.

If you have any questions about this plan or ICMA Retirement Corporation, please contact an Investor Services Representative at 1-800-669-7400. Para asistencia en Español llame al 1-800-669-8216.





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VPIRA-008-201103-C784