

# ING Custom Choice Funding Agreement - with ING Stable Value Fund

## Participant Information

S.P.GC.18-1 (03/10)





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**Why Reading this Information Booklet is Important.** Before you participate in this **ING Custom Choice program** through your employer's retirement plan (the Plan), you (the sponsor, employee/participant) should read this information booklet and the accompanying **Additional Disclosure Supplement** (the Supplement). Together, these materials provide facts about the Program and its investment options and other important information. Please keep these documents for future reference.

**Also please see the Appendix for additional information concerning the material features of variable annuities and funding agreements in general.** This includes the potential surrender period, any applicable surrender charges, tax penalties applicable to surrender before age 59½ (*except under 457(b) plans*), mortality and expense fees and/or daily asset charges, investment advisory fees, charges for and features of riders, insurance and investment components, and market risk.

## OVERVIEW

The Custom Choice program uses a group funding agreement, issued by ING Life Insurance and Annuity Company (the Company, we, us, our). The Program offers a wide range of investment options through the Plan that your employer sponsors under Section 457 of the Internal Revenue Code (the Code).

The Program maintains one integrated account record for each participant and, when applicable, each beneficiary (resulting from a death benefit) or alternate payee (resulting from a qualified domestic relations order). It also features two distinct categories of investment options\*:

- The Custom Choice Funding Agreement (the Agreement) offers a wide range of variable fund investment options; and

- The ING Stable Value Fund which is a group collective trust maintained by a trustee that is unaffiliated with ING.

Our recordkeeping services for your account bring these diverse investment offerings together in a single, consolidated package.

You will receive periodic statements that provide confirmation of account transactions such as contributions made. As described in your enrollment material, you will also have access to your account information through our interactive, telephone-based voice response service and via the Internet at [www.ingretirementplans.com](http://www.ingretirementplans.com).

The following pages discuss the key provisions of the Program. The booklet contains summary descriptions of the Program's Stable Value Fund and the variable investment options.

Your retirement benefits are governed exclusively by the provisions of the Plan and not by the Agreement that we deliver to your employer.

In the event of a conflict between this information booklet and the Agreement or the governing documents for the ING Stable Value Fund, the terms of the Agreement or such documents, as applicable, will prevail.

*\* If you participate in a FICA alternate retirement plan, the ING Stable Value Fund may be the only available investment option.* FICA is the Federal Insurance Contributions Act. A FICA alternative plan is an alternative to Social Security coverage for certain part-time, seasonal, temporary or contract employees as permitted by the federal Omnibus Budget Reconciliation Act of 1990 ("OBRA").

## ABOUT THE COMPANY

The Company issues the Funding Agreement described in this booklet and provides administrative services. We are a stock life insurance company organized under the insurance laws of

the State of Connecticut in 1976 and an indirect wholly-owned subsidiary of ING Groep N.V., a global financial institution active in the fields of insurance, banking and asset management. Securities are distributed through and financial planning is offered by ING Financial Advisers, LLC-member of the Securities Investor Protection Corporation (SIPC) and other authorized broker-dealers with which the Company has selling agreements.

## INVESTMENT OPTIONS

The Custom Choice program offers a wide range of variable investment options in the funding agreement, as well as a stable value collective investment trust (the ING Stable Value Fund). Each investment option includes a different investment objective and the specific options are described separately in the fund fact sheets in your enrollment material. Investment options available through the program are subject to addition, restriction, or withdrawal as directed by the Plan.

## ING Stable Value Fund:

The ING Stable Value Fund is a group collective trust maintained by a trustee that is unaffiliated with ING. It is available exclusively to our customers provided they meet the Company's and the Fund's underwriting criteria. The Fund seeks to provide safety of principal, adequate liquidity and competitive yield with low return volatility. The Fund intends to achieve this objective by investing in a variety of stable value investments, as described in the Funds Fact Sheet. While the fund strives to maintain stability of principal, it is possible to lose money by investing in this fund. ING does not make any guarantee of principal, interest, investment return or withdrawal liquidity in connection with the offering of the Fund. The fund is not insured by the FDIC, any bank or governmental agency.

**Variable Investment Options** *(This section is not applicable if variable investment options are not available in the Plan)*

In addition to the ING Stable Value Fund, variable investment options are available under the Funding Agreement through a Company separate account. Each variable investment option has a different investment objective. *These investment options fluctuate in value and involve investment risks. The value of the fund shares may increase or decrease, which will affect the value of your account.* Your enrollment material includes fund fact sheets that have additional information on the variable investment options.

Some of the variable funds offered through the Agreement are those known as institutional funds that are available only to insurance companies. In addition, the Agreement may offer a selection of mutual funds that are publicly available; these are known as retail funds since they are available to the general public.

When contributions are allocated to a variable investment option, shares of that fund are purchased by the Company and held in a pooled separate account. The separate account actually holds the fund shares. Your account under the Agreement holds units of participation in the separate account.

At the end of each day that the New York Stock Exchange is open, a net asset value per share of each fund is determined (based on the value of each fund's securities, cash and other assets, less any liabilities, divided by the number of shares outstanding). The separate account unit value of the fund is then derived by multiplying the last unit value by the current net investment factor. The net investment factor takes into account the difference in net assets in the beginning and at the end of the period being valued, taxes (or provisions for taxes, if any), and the Daily Asset Charge. See "Daily Asset Charge on the Funds" for more

details on any applicable Daily Asset Charge.

The valuation of the variable investment options available is dependent upon the securities markets. The applicable valuation date for fund transactions is subject to federal securities laws and regulations. Each fund pays an investment advisory fee to its investment adviser. Also, some funds may assess 12b-1 distribution fees (up to 1.0%) and other administrative expenses. These fees and expenses are deducted when a fund calculates its net asset value. Certain funds may deduct redemption fees to discourage market timing and other short-term trading strategy. (See "Redemption Fees" in the Supplement.)

For important information about the investment advisory fees, redemption fees, 12b-1 distribution fees and other fund expenses, refer to the Supplement and the applicable fund fact sheets. For more information about the ING Stable Value Fund fee, and compensation to be received from the Fund by the Company, refer to the ING Stable Value Fund Disclosure Statement.

**You should consider the investment objectives, risks, and charges and expenses of the variable product and its underlying fund options offered through a retirement plan carefully before investing. The information booklet, fund prospectuses and Disclosure Statement contain this and other information and can be obtained by contacting your local representative. Please read the information carefully before investing.**

**CHANGING YOUR INVESTMENT SELECTION** *(This section is not applicable if variable investment options are not available in the Plan)*

You may change the investment options in your account to which future contributions will be applied. Transfers among the variable investment options may generally be

made at any time, unless limited by our Excessive Trading Policy or as otherwise described below. Other conditions apply to the ING Stable Value Fund, as described in the Stable Value Fund Disclosure Statement and collective trust agreement, which is available upon request.

You may make these changes by telephone, by using online capabilities on the Internet or, on a limited basis, by completing a written request. Transaction requests received in good order by the close of business of the New York Stock Exchange (normally at 4:00 p.m. Eastern Time) are processed that same business day. You will receive confirmation of the requested changes by mail. It is important that you review your changes carefully. Failure to report any discrepancy within 30 days will indicate that you are in agreement with the transactions in your account as reported on the confirmation.

**Competing Investment Option -** Direct transfers between competing investment options are not allowed. A competing investment option is defined as any investment option that provides a direct or indirect guarantee of investment performance or can be invested primarily in assets other than common or preferred stock. Examples of such investment options would include self directed brokerage arrangements, money market instruments, repurchase agreements, guaranteed investment contracts, stable value funds or investments offering a fixed rate of return, or any investment option having a targeted duration of less than three (3) years. Please contact your local representative to determine which investment options are considered competing investment options under this Program for the Plan.

Once any transfer involving a competing investment option has occurred, no subsequent transfers to or from a competing investment option may occur during the ensuing 90 days. Any non-enforcement of the competing investment option transfer restrictions

is temporary and will not constitute a waiver of these requirements.

**Excessive Trading Policy:** The Company has an Excessive Trading Policy and monitors all transfer activity. See the Supplement for details.

## **PARTICIPANT PROGRAM CHARGES AND FEES**

**Daily Asset Charge on the Funds.** Currently, a Daily Asset Charge is not charged on this program.

**Surrender Charge:** There is no surrender charge under this Program.

**Annual Maintenance Fees:** There is no annual maintenance fee deducted from your account.

## **SALES COMPENSATION AND RELATED EXPENSES**

Contributions under the Program may also compensate one or more sales professionals for their services which may include installing and servicing the Agreement and the Contract by providing product explanations, and periodically reviewing participants' retirement needs and available investment options.

Persons who offer and sell the Program may be paid a commission. Commissions paid on transferred assets range from 0% to 2%; commissions paid on recurring payments made during the first year of the Agreement or Contract, or participant account, as applicable, and on increases in deferrals range from 0% to 3%; commissions paid on recurring payments after the first year range from 0% to 1.0%. In addition, the Company may pay an asset based commission ranging up to 0.50%. In some situations, the Company may pay sales professionals a flat dollar commission that may exceed the commission maximums described above. Sales professionals may receive all or a portion of compensation paid to their distributor, depending upon the firm's practices.

The amount of commissions and annual payments paid to the sales professional will be disclosed in the written materials we provide at the point of sale. In some situations, the Company may employ sales professionals to perform enrollment and other services, and may pay these sales professionals a flat salary rather than a commission.

When a Daily Asset Charge is applicable to the plan, the Company pays these commissions, fees and related expenses out of the revenue it receives as a part of the DAC on the variable investment options (described above). Additionally, (or alternatively, in the absence of a DAC) we consider compensation-related expenses, as well as several other factors (such as the services provided, Plan characteristics, and non-compensation related expenses), when determining the DAC (if applicable). No additional deductions are imposed on you or the contract holder for compensation related expenses.

See the Supplement for more information.

## **SUM PAYABLE AT DEATH**

If you die, any benefits due are payable as specified by the Plan. The program provides a death benefit, payable to the beneficiary named under the Plan. Your employer is the beneficiary, but may direct that we make any payments to the beneficiary you name under the plan (plan beneficiary).

## **REQUIRED PAYMENTS**

Distributions for all participants must begin in the form of periodic benefit payments no later than the April 1 following the calendar year in which you turn age 70½, or retire, whichever occurs later, or be made in a lump sum by the same date. The Plan will specify how the distribution is to be paid.

**Restriction on Plan Sponsor-Initiated Withdrawals from the ING Stable Value Fund:**

Unless otherwise permitted by the ING Stable Value Fund, plan sponsor initiated transfers and withdrawals may not be made sooner than twelve (12) months from the date ING receives written notice of the request for withdrawal. If this provision is invoked, access to balances in the ING Stable Value Fund may be delayed.

## **DISTRIBUTION OPTIONS**

**Lump-Sum Payment Option –** a lump-sum payment equal to all or any vested portion of your account value. Lump-sum payments can be made from all of the Program's investment options, subject to Plan provisions. Lump-sum payments can be paid directly to you or to another employer sponsored plan or IRA you own as a direct rollover or transfer, as directed by you.

**Agreement Systematic Distribution Options –** Under the Agreement, the Company may offer one or more Systematic Distribution Options (SDO) that allow for scheduled withdrawals from your account. SDO payments are available, where allowed by the Plan, to individuals who meet certain minimum account value requirements under the Agreement. Age requirements may also apply.

The distribution options that are currently available include the Systematic Withdrawal Option and the Estate Conservation Option. We reserve the right to discontinue these options, and to change the terms of future elections of these options. Other options may be added in the future. Additional information on the available options can be obtained from your local representative or our customer service center.

With SDO payments, the participant account remains in an accumulation phase under the Agreement. This means that transfers among investment options continue to be available and any applicable Agreement charges continue to apply. In addition, the

lump-sum payment and other payment options under the Plan continue to be available.

Once elected, you may revoke SDO payments by submitting a revocation form to our customer service center. Contact your local representative or our customer service center to obtain the form. This revocation will apply only to amounts not yet paid.

You should carefully assess your future income needs when considering the election of SDO payments. You should also consult your tax adviser prior to requesting the election of these options due to the potential for adverse tax consequences.

## DIRECT DEPOSIT

A direct deposit program for distributions paid directly to you is available at no additional charge. Electronic Funds Transfer (EFT) is an electronic deposit of your payment(s) directly into your checking or savings account by an automated clearing house. This allows you to receive your payment(s) more quickly than with traditional check processing.

## TAX INFORMATION

The Plan is eligible for favorable tax treatment under the Code. Contributions and any applicable investment earnings to the Plan are not ordinarily subject to federal income tax until distributed to you (or your beneficiary) for benefits due under the Plan. Under the Program, the Agreement serve as the vehicles for the Plan, providing investment and payment options and other features described in this booklet, but is not necessary for the Plan's favorable tax treatment. Other important tax information includes:

- **Rollovers:** Federal tax law generally permits eligible distributions to you and your spousal beneficiary to be directly rolled over, without penalty, to another governmental 457(b) plan, a 403(b) program, a 401(a)/(k)

plan or a traditional IRA. Under certain circumstances, however, such rollover amounts may subsequently be subject to a 10% "premature distribution" penalty tax. Unless a statutory exemption applies, the penalty tax may be applied to:

- Amounts you roll over from a governmental 457(b) plan to a retirement plan that is not a governmental 457(b) plan if the receiving plan later distributes those amounts to you prior to the date you reach age 59½; and
- Amounts you roll over from a non-457(b) plan to a governmental 457(b) plan if the receiving plan later distributes those amounts to you prior to the date you reach age 59½.

*Note that taxable distributions of non-rollover amounts paid directly from a governmental 457(b) plan currently are not subject to the 10% premature distribution tax.*

- **Withholding:** Current federal law requires that we withhold federal income taxes from the taxable portion of distributions under the Agreement and Contract made directly to you or to any beneficiaries. Most states also require us to withhold for state income taxes. Withholding does not apply to rollover amounts (described above).

**IRS Circular 230 Disclosure: These materials are not intended to be used to avoid tax penalties, and were prepared to support the promotion or marketing of the matter addressed in this document. The taxpayer should seek advice from an independent tax adviser.**

## CHANGES TO THE AGREEMENT

The Company and your employer may change the Agreement at any time by written mutual agreement. The

Company, through its authorized officers, may also change the Agreement by giving written notice to your employer 30 days prior to the effective date of the change. Additionally, we may change the Agreement at any time where such change is required by federal or state law, or where the change is deemed necessary for the agreement as a result of changes to the plans. Also, we may change some provisions, but only for new participants and contributions made to participant accounts after the change is effective. Any change will not affect the amount or terms of any scheduled period of time pay.

The Agreement provides for the possibility of termination:

- Your employer has the right to terminate the Agreement for the current value. In addition, any time after the completion of five Agreement years and in accordance with the terms of the Agreement, the Company has the right to terminate the Agreement by giving the employer a 90-day written notice to pay out the current value.
- The governing documents for the ING Stable Value Fund describe the circumstances under which they may be changed.

## SUSPENSION OF FINANCIAL TRANSACTIONS OR PAYMENT DELAY

In accordance with applicable federal securities laws and regulations, we reserve the right to suspend financial transactions or postpone payments from accounts during times when the following situations may occur:

- 1) The New York Stock Exchange (NYSE) is closed or trading on the NYSE is restricted, or
- 2) The U.S. Securities and Exchange Commission determines that a market emergency exists or restricts trading for the protection of investors.

## **QUESTIONS OR COMPLAINTS**

Questions? Please contact us at the toll-free phone number found in your enrollment material.

Complaints? Please contact us at ING Life Insurance and Annuity Company, Contact Center – B2S, PO Box 99065, Hartford, CT 06199-0065, or contact us at the toll-free phone number found in your enrollment material.

## APPENDIX

### Understanding Variable Annuities

Prior to your purchase of a variable annuity<sup>1</sup>, you should carefully read the product's prospectus, prospectus summary, or other disclosure document for complete information about fees and charges, investment risks and other important information. This appendix reviews in general terms various features of variable annuities of which you should be aware.

**What Is a Variable Annuity?** Variable annuities offer investment features similar in many respects to mutual funds. However, a typical variable annuity offers certain features not commonly found in mutual funds: i) tax-deferred treatment of earnings; ii) a death benefit; and iii) annuity payout options that can provide guaranteed income for life or a specified period of time.

In a deferred variable annuity, premiums are allocated among investment portfolios (commonly referred to as subaccounts). In the contract's distribution phase, money is withdrawn typically as a lump sum or through various annuity payment options.

**How Do Returns Fluctuate?** A variable annuity's rate of return is not stable. It varies with the stock, bond, and money market subaccounts that you choose as investment options. There is no guarantee that you will earn any return on your investment and there is a risk that you will lose money.

**Liquidity and Early Withdrawals.** Deferred variable annuities are long-term investments. Many variable annuities assess sales charges upon surrenders or early withdrawals within a specified period, which can be as long as 10 years. In addition, withdrawals before an investor reaches the age of 59½ are generally subject to an IRS 10% premature distribution penalty tax, in addition to any gain being taxed as ordinary income, unless an exemption applies. *Withdrawals taken from 457(b) deferred compensation plans are not subject to the IRS 10% premature distribution penalty tax.*

**Charges.** Most variable annuities have a sales charge. Many variable annuities impose front-end, asset-based sales charges and/or surrender or early withdrawal charges. In addition to sales charges, variable annuities typically assess:

- **mortality and expense risk charges or daily asset charges**, for the insurance company to cover guaranteed death benefits and certain annuity payout options;
- **administrative fees**, for record-keeping and other administrative expenses;
- **underlying fund advisory fees and expenses**, charges relating to the investment subaccounts to which you allocate assets; and
- **charges for riders**, such as minimum guaranteed withdrawal benefits.

**Taxes.** Contributions and earnings in a variable annuity accumulate tax deferred, until the accumulated amounts are withdrawn, distributions commence, or a required withdrawal is not taken.

**Variable Annuities Within IRAs and Retirement Accounts.** You should be aware that because IRAs and retirement accounts are already tax-advantaged, a variable annuity will provide no additional tax savings. Also, variable annuities may be a more costly alternative than other available investments such as mutual funds.

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<sup>1</sup> The term "variable annuity," as used in this document, is intended to cover funding agreements as well.

Visit our home page on the Internet  
[www.ingretirementplans.com](http://www.ingretirementplans.com)



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