

WAC 415-111-320 May I purchase a life annuity with my Plan 3 defined contribution account? Any time after you become eligible to withdraw funds from your Plan 3 account, you may use part or all of your funds to purchase a life annuity administered by the state of Washington. It is named the Total Allocation Portfolio (TAP) annuity, and it provides payments monthly.

(1) **What is a life annuity?** A life annuity is a contract that provides a guaranteed income for the rest of your life in exchange for a lump-sum dollar amount you pay up front. The contract specifies the amount you pay to purchase the annuity, the amount you will receive each month, and any other terms and conditions.

(a) **A single life annuity** is based on your lifetime. It provides guaranteed payments for as long as you live. The payments stop upon your death.

(b) **A joint life annuity** is based on two lifetimes, yours and another person that you choose (referred to as your joint annuitant). It provides guaranteed payments to you during your lifetime, and then, if your joint annuitant survives you, to your joint annuitant for the remainder of his/her lifetime. The payments stop when both you and your joint annuitant die.

(2) **How is the original purchase price of the TAP annuity determined?** You decide how much of your defined contribution funds to use for the original purchase. The minimum purchase price for a TAP annuity is \$25,000.

(3) **How are the monthly annuity payments calculated?** The amount of your monthly annuity payment is based on various actuarial assumptions, including without limitation, assumptions about life expectancy and anticipated investment returns. The amount of your monthly annuity payment will vary depending on:

(a) The original purchase price;

(b) Your age;

(c) The age of your joint annuitant (if any); and

(d) The survivorship percentage you select on a joint annuity (if any).

(4) **May I cancel my purchase of an annuity contract?** You may cancel your annuity purchase during the rescission period specified in your annuity contract. After the rescission period expires, your decision is irrevocable.

(5) **Can the terms of the annuity be changed after the rescission period expires?** You may make changes to your TAP annuity only as follows:

(a) If you name someone other than your spouse as the joint annuitant, you may convert to a single life annuity at any time after your payments begin. This option may only be used once and is irrevocable.

(b) If you marry after purchasing a single life annuity, you may convert to a joint life annuity and name your new spouse as joint annuitant, provided that:

(i) Your monthly annuity payment is not subject to property division pursuant to a dissolution order (definition of dissolution order in RCW 41.50.500 includes orders of legal separation);

(ii) The selection is made during a one-year window on or after the date of the first anniversary and before the second anniversary of your marriage; and

(iii) You provide satisfactory proof of your new marriage and your new spouse's birth date.

(6) **What are the tax consequences of a life annuity?**

(a) You, your joint annuitant or your beneficiary may be liable for federal and/or state taxes on payments from your annuity in the year in which they are received. You will receive an annual statement indicating the taxable portion of your annuity payments.

(b) For a TAP annuity, if you do not submit a tax withholding Form W-4P before your first payment, taxes will be withheld according to Internal Revenue Service requirements and defaults.

(c) The department does not:

(i) Guarantee that payments should or should not be designated as exempt from federal income tax;

(ii) Guarantee that it was correct in withholding or not withholding federal taxes from benefit payments to you;

(iii) Withhold any amounts for state taxes or liabilities from your payments;

(iv) Represent or guarantee any particular federal or state income, payroll, personal property or other tax consequence because of the department's determination of the taxable status of a distribution; or

(v) Assume any liability for your compliance with the Internal Revenue Code.

(7) **How do I purchase a TAP annuity?** Complete the application, and include:

(a) Spousal consent form, if married and not providing a survivorship option for your spouse;

(b) Proof of your birth date;

(c) Proof of your joint annuitant's birth date, if applicable; and

(d) Tax withholding Form W-4P.

(8) **What if there is an error in my contract?** Carefully examine your contract upon receipt. If there is an error or omission, you must report the error or omission immediately according to the instructions in your contract.

[Statutory Authority: RCW 41.50.050. WSR 22-17-049, § 415-111-320, filed 8/11/22, effective 9/11/22. Statutory Authority: RCW 41.50.050(5). WSR 13-18-034, § 415-111-320, filed 8/28/13, effective 10/1/13; WSR 10-16-086, § 415-111-320, filed 7/30/10, effective 9/1/10. Statutory Authority: RCW 41.50.050(5) and 41.50.088. WSR 05-24-050, § 415-111-320, filed 12/1/05, effective 1/1/06.]