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**John Hancock Benefit Administration**

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**FREQUENTLY ASKED QUESTIONS GUIDE****What is a Contract Holder?**

It is the entity to which the Group Annuity Contract was issued, which usually is/was your employer or a trust created by your employer. The first page of this package that you received identifies the contract holder name in the subject line.

**What is a Group Annuity Contract?**

It is an insurance contract entered into between John Hancock, the insurance company, and an employer (or a retirement plan or trust) for the benefit of a designated group of retirement plan participants and/or their surviving spouses or other beneficiaries. John Hancock is the insurer and usually is the provider of the benefits purchased as specified by the terms of the contract.

**What is a deferred participant?**

A participant is an individual who is part of the designated group that is entitled to receive benefits as defined by the contract holder. Deferred participants are those individuals who are not yet receiving payments, but are scheduled to receive a future retirement benefit.

**What makes me eligible for this immediate lump sum option?**

This option is being provided to deferred participants who have a small periodic retirement benefit amount payable upon attaining their normal retirement age. A small benefit is defined as \$1,000-\$3,000 annually at normal retirement date. Participants who are already being paid their retirement benefits under the group annuity contract, regardless of amount, are not eligible for this option.

**How is my periodic benefit at my normal retirement date calculated?**

Your periodic retirement benefit payable under the group annuity contract at your normal retirement date is a pre-determined amount set by the contract holder when the group annuity contract was purchased. Traditionally, your service history, including years of service, are typical factors used by the contract holder to determine your benefit purchased by the contract holder under the group annuity contract.

## **FREQUENTLY ASKED QUESTIONS GUIDE (continued)**

### **How was this lump sum benefit amount calculated?**

This lump sum benefit amount is calculated and considered to be the actuarial equivalent of your receiving your future retirement benefits when you attain your normal retirement age. This calculation complies with IRS regulations regarding present value distributions. Specifically, this lump sum distribution represents the conversion of a single life annuity into a single sum using actuarial methods based on interest and mortality assumptions. Mortality assumptions are based on average life expectancies. The actual value of your deferred annual retirement benefit would depend on the form of annuity chosen, commencement date of the annuity, and the length of time that you and a survivor, if applicable, lived.

### **Why does my spouse have to consent to my electing this lump sum benefit option?**

Federal law requires that certain benefits be available to the surviving spouse of a deceased participant of a qualified retirement plan. In general, a pre-retirement survivor annuity benefit must be payable to a surviving spouse in the event a participant dies prior to commencing retirement benefits and a joint and survivor annuity benefit must be offered as an optional benefit at retirement. A joint and survivor annuity benefit is an actuarially reduced periodic benefit payable for your lifetime with a periodic survivor benefit payable for the lifetime of your surviving spouse if you should predecease them. The survivor annuity benefit under both a pre-retirement survivor annuity and a joint and survivor annuity must be at least 50% of the amount of the annuity which would be payable during the joint lives of the participant and the participant's spouse. A participant can waive the survivor annuity benefit with the express consent of the participant's spouse.

By electing this lump sum benefit option, you and your spouse will not be entitled to any other retirement benefit under the group annuity contract as you will be electing to receive your retirement benefit now. Therefore, if you are currently married, your spouse is also required to sign the spousal consent section of the Lump Sum Benefit Election Form in order to clarify that he/she is aware that this lump sum benefit option replaces the future retirement benefit that would have been payable. This also includes the replacement of any preretirement spousal benefit that your spouse would otherwise have received in the event you passed away prior to your normal retirement date. As required by law, the spousal consent section of the Lump Sum Benefit Election Form must also be notarized by a Notary Public.

### **Is this my only election period?**

The Group Annuity Contract that you are a participant under may allow you to commence your retirement benefit on a date other than your normal retirement date. Specifically, you may be eligible for an early retirement benefit or a late retirement benefit, based on the terms of the Contract. Electing this lump sum benefit option as part of this offer will terminate your participation under the group annuity contract as your retirement benefit will be paid out.

## **FREQUENTLY ASKED QUESTIONS GUIDE (continued)**

### **What are the tax implications of this offer?**

If you elect to receive this lump sum benefit payment as a direct payment to you, please be aware that it will be subject to ordinary income taxes. If you receive this benefit payment before you reach age 59 ½, you may also incur an additional 10% federal tax on early withdrawals. John Hancock is required to withhold 20% in federal income taxes and any applicable state taxes at the time this lump sum benefit is processed. You will receive an IRS Form 1099-R for this lump sum benefit payment. If the additional 10% federal tax applies, you must pay this penalty when you file your tax return for the year ending December 31, 2018. These tax implications do not apply to any portion of your distribution that represents a return of your after-tax contributions. For more information, please read the **Special Tax Notice**. You may want to consult with your tax advisor or financial representative on the tax consequences specific to you.

### **Can I roll over this benefit to another retirement plan or IRA?**

Yes, this lump sum benefit payment is eligible for a direct rollover to an IRA or other qualified eligible retirement plan. You must provide transfer paperwork from the receiving financial institution and a Letter of Acceptance to complete a direct rollover.

If you elect a direct rollover, this payment is exempt from federal and state income taxes. Consequently, the otherwise mandatory 20% federal income tax withholding and any state tax withholding will not apply to this payment. If you elect a direct rollover, the direct rollover is also exempt from the additional 10% tax on distributions received prior to age 59 ½. Please refer to the **Special Tax Notice** for more information.

You also have 60 days from the receipt of this lump sum benefit payment to do an indirect rollover of all or a portion of it to an IRA. If you do an indirect rollover, the amount rolled over is not subject to income tax or the additional 10% tax. However, John Hancock cannot refund any of the taxes it was required to withhold from this payment to you. You can claim the benefit of the taxes withheld on your 2018 tax return(s). If you wish to rollover an amount equal to the taxes withheld, you will have to make up the shortfall with other funds available to you.

### **What if I do not elect to take advantage of this lump sum benefit option?**

You have the right to wait until your normal retirement date to receive your benefit under the Group Annuity Contract. If you do not wish to elect this lump sum benefit option, you do not need to respond to us at this time. Simply do not complete the enclosed Lump Sum Benefit Election Form. Please be aware that this lump sum benefit option will not be available to you after the Action Required deadline on the enclosed cover letter. You will not be contacted again regarding the commencement of your deferred retirement benefit until approximately 90 days prior to your normal retirement date noted on the first page of this package. Please be aware that a lump sum benefit option may not be available to you when you commence your benefits at another retirement date. It will be your responsibility to contact us for more information on commencing your retirement benefits at a date other than your Normal Retirement Date.

## **FREQUENTLY ASKED QUESTIONS GUIDE (continued)**

### **Are there other factors to consider in deciding whether to take this lump sum benefit offer?**

You have the right to wait until your normal retirement date to receive your benefits under the Group Annuity Contract. The Contract may also provide you with an option to begin benefits at an early retirement date or a late retirement date. Early retirement benefit eligibility typically depends on a minimum age and employment history. Periodic early retirement benefits are traditionally lower in amount than normal retirement benefits.

Depending on the specific features of the Contract and your particular circumstances, other considerations may be relevant to your decision of when to commence benefits. Certain benefit payment options may not be available to you if you defer commencement past a certain age. In addition, changes in interest rates could impact your payment amount under certain forms of payment. This could increase or decrease your payment amounts depending on how interest rates change. Likewise, annuity benefit payments may be actuarially adjusted if the contract allows you, and you elect, to defer the commencement of benefits to a later age. Finally, if you are married, taking the lump sum distribution will eliminate any survivor annuity otherwise payable to your spouse. If you are not married and die before your annuity benefits would begin, there may be no benefits payable under the contract.

### **When can I expect to receive this lump sum benefit payment?**

Once we receive your paperwork with all the required information and completed forms, you still have the right to revoke your election for a 7-day period. We will process your lump sum benefit thereafter and you can expect to receive your payment within 15 business days.

### **How do I elect to take the lump sum benefit option?**

You must complete the enclosed Lump Sum Benefit Election Form and the IRS Form W-9, and return them in the business reply envelope provided by the deadline date provided. Please refer to the checklist below to ensure your paperwork is in good order.

- Complete, Sign and Date the Lump Sum Benefit Election Form
  - Provide a copy of your license, passport or birth certificate for proof of age.
  - If married, Spousal Consent must be provided.
  - If electing Electronic Fund Transfer (EFT) for payment delivery, provide a voided check or the required statement from your financial institution to deposit into a savings account.
  - If electing a rollover distribution, please provide the completed rollover paperwork from the receiving plan or financial institution, including a letter of acceptance from the receiving carrier.
- Complete, Sign and Date the IRS Form W-9 ([click here to download and print Form W-9](#))
- If you choose to mail your paperwork in separately from using the business reply envelope, return your paperwork to the address below.

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