



SECURITY BENEFIT LIFE INSURANCE COMPANY

# Strategic Growth Plus Annuity Statement of Understanding

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EFFECTIVE DATE: FEBRUARY 19, 2024

Must be signed by the customer and financial professional, and the signature page returned to Security Benefit with the application.



## SECURITY BENEFIT STRATEGIC GROWTH PLUS ANNUITY

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# Statement of Understanding

Thank you for your interest in the Strategic Growth Plus Annuity from Security Benefit Life Insurance Company (SBL). It is important for you to read this summary before you decide to purchase the annuity. This document describes the features, fees and charges, and other terms of the annuity. Based on this information, you can determine if the Strategic Growth Plus Annuity will help you meet your financial goals. Once you have read this summary, please sign the last page to confirm that you understand the annuity and submit it and the Annuity Suitability form with your application for the annuity.

For more specific information, please refer to the annuity contract, and any endorsements, as they contain the terms of the annuity.

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### What is the Strategic Growth Plus Annuity?

The Strategic Growth Plus Annuity is a modified single premium, deferred fixed index annuity. The Strategic Growth Plus Annuity includes the Bonus Rider, which adds a Bonus to the Account Value. Please note that we also make available the Strategic Growth 7 Annuity, which has a seven-year Surrender Charge Period, and the Strategic Growth Annuity, which has a ten-year Surrender Charge Period, but do not include a bonus benefit.

You should only purchase the Strategic Growth Plus Annuity if you do not expect to need the funds in the next 10 years, other than amounts available through Free Withdrawals. The Strategic Growth Plus Annuity is designed to be held for the long-term.

During the Surrender Charge Period, a Surrender Charge, and, in most states, a Market Value Adjustment (MVA) apply if you surrender your Strategic Growth Plus Annuity, and may apply if you take withdrawals from your Strategic Growth Plus Annuity. In addition, during the Surrender Charge Period, a Bonus Recapture applies if you surrender your Strategic Growth Plus Annuity, and may apply if you take withdrawals from your Strategic Growth Plus Annuity.

### What do I pay for the Strategic Growth Plus Annuity?

You must pay a **Purchase Payment** of at least \$25,000. You may make additional Purchase Payments during the first contract year. After the first contract year, no further Purchase Payments are accepted. Any additional Purchase Payments will be allocated to the Fixed Account. The Purchase

Payment along with all other payments for other annuity contracts issued by SBL to you, or if the owner is not an individual, issued with the same Annuitant, may not exceed \$1,000,000 without prior approval by SBL.

## Can I change my mind after purchasing the Strategic Growth Plus Annuity?

Yes, you have a specific number of days to review an annuity after you buy it. During that time, you can return it for your entire Purchase Payment, less any withdrawals. Your free look period is shown on the contract cover page (if you replaced a previous life or annuity contract, there may be an additional notice with a longer free look period included with your contract).

### You can return your annuity:

- During the free look period.
- If you do, you will receive only your Purchase Payment, less any withdrawals.

## What terms do I need to know?

The following terms are key to understanding the Strategic Growth Plus Annuity:

**Account Value:** your value in the Strategic Growth Plus Annuity. It is the sum of the Fixed Account Value and the Index Account Values.

**Annual Spread:** for Index Accounts using an Annual Spread, a decrease to the percentage change in index value used in computing the Index Interest Rate. For Index Accounts using an Annual Spread with multiple-year Index Terms, the Annual Spread is multiplied by the number of years in the Index Term.

**Annuitant:** the person on whose life the Annuity Payments depend for Annuity Options 1 through 4. The Annuitant receives Annuity Payments under this contract. The Annuitant may not be changed.

**Bonus:** the amount added to your Account Value related to the Purchase Payments.

**Bonus Recapture:** a charge that reduces the amount available from your annuity during the Surrender Charge Period for any previously credited Bonus.

If you surrender your annuity during the Surrender Charge Period, all or part of any Bonus credited will be recaptured.

**Buy Up Charge:** the charge used to determine the monthly Buy Up Cost.

**Buy Up Cost:** the amount deducted each month from the Index Account for the Rate Buy Up Feature.

**Buy Up Refund:** a one-time refund allocated to the Fixed Account at the end of the Surrender Charge Period if the total Buy Up Costs assessed for all Index Accounts exceed the total amount of interest credited to all Index Accounts, including Index Accounts without the Rate Buy Up Feature, during the Surrender Charge Period and if no Excess Withdrawals were taken during the Surrender Charge Period.

**Cap:** for Index Accounts using a Cap, the maximum amount of percentage change in index value that is taken into account in computing the Index Interest Rate.

**Current Interest Rate:** the interest rate credited to your Fixed Account Value. It will never be less than the Guaranteed Minimum Interest Rate.

**Fixed Account Value:** the amount allocated to the Fixed Account.

**Guaranteed Minimum Interest Rate or GMIR:** the minimum annual interest rate used to compute the minimum rate for the Fixed Account.

**Index Accounts:** the accounts to which we credit interest based on the change in an index.

**Index Account Value:** the amount allocated to an Index Account. A different Index Account Value applies to each Index Account.

**Index Interest Rate:** the interest rate credited to an Index Account Value based on the change in an index.

**Index Term:** a term of a specified number of years for each Index Account. At the end of an Index Term, the Index Interest Rate is computed and credited. You may only transfer out of an Index Account at the end of its Index Term.

**Market Value Adjustment or MVA:** an increase or decrease of the amount available during the Surrender Charge Period for surrenders or withdrawals as a result of the change in the interest rate environment since your contract was issued. No MVA applies to contracts issued in California.

**Participation Rate:** for Index Accounts using a Participation Rate, a percentage rate applied in computing the Index Interest Rate.

**Rate Buy Up Feature:** increases an Index Account's Cap or Participation Rate, and/or decreases an Index Account's Annual Spread in exchange for a monthly Buy Up Cost. The Rate Buy Up Feature is available through the applicable Index Account Rider.

**Required Minimum Distributions or RMDs:** if your Strategic Growth Plus Annuity is a qualified

contract, the amount SBL computes as required to be distributed under the Internal Revenue Code for your contract for one calendar year, not as a result of death or with respect to a beneficiary of a qualified annuity.

**Surrender Charge:** a charge that may reduce the amount available from your annuity during the Surrender Charge Period.

**Surrender Charge Period:** the first 10 contract years (9 contract years if the contract is issued in California)

## What interest crediting options are available under the Strategic Growth Plus Annuity?

Under the Strategic Growth Plus Annuity, you may select among the Fixed Account and a variety of Index Accounts, with the following crediting methods.

Each of the crediting methods below is available with the Rate Buy Up Feature, which increases an Index Account's Cap or Participation Rate, and/or decreases the Annual Spread in exchange for a monthly Buy Up

Index Crediting Options	
With Cap	S&P 500® Annual Point to Point Index Account
With Participation Rate	S&P 500® Annual Point to Point Index Account
With Participation Rate and Annual Spread	S&P 500® Annual Point to Point Index Account
	S&P 500® Low Volatility Daily Risk Control 5% 2-Year Point to Point Index Account
	S&P 500® Factor Rotator Daily RC2 7% Annual Point to Point Index Account
	S&P 500® Factor Rotator Daily RC2 7% 2 Year Point to Point Index Account
	S&P Multi-Asset Risk Control (MARC) 5% Annual Point to Point Index Account
	S&P MARC 5% 2 Year Point to Point Index Account
	Morgan Stanley Global Equity Allocator Annual Point to Point Index Account
	Morgan Stanley Global Equity Allocator 2-Year Point to Point Index Account
	Morningstar Wide Moat Focus Barclays VC 7% Annual Point to Point Index Account
	Morningstar Wide Moat Focus Barclays VC 7% 2-Year Point to Point Index Account
	UBS Market Pioneers Annual Point to Point Index Account
	UBS Market Pioneers 2-Year Point to Point Index Account
	UBS Multi Asset Inflation Aware Annual Point to Point Index Account
UBS Multi Asset Inflation Aware 2-Year Point to Point Index Account	

**Cost.** Refer to the Rate Buy Up Feature section on page 5.

The Fixed Account, S&P 500® Annual Point to Point Index Account (with Cap), S&P® Annual Point to Point Index Account (with Participation Rate), and the S&P 500® Annual Point to Point Index Account (with Participation Rate and Annual Spread) are the only crediting options available to Iowa residents or for contracts issued in Iowa. Each available Index Account is also available in a version with the Rate Buy Up Feature.

## How is interest credited for the Fixed Account?

For the Fixed Account, we credit interest daily on your Fixed Account Value at a fixed interest rate we set called the Current Interest Rate. The rate will not change more frequently than annually and will at least equal the GMIR. At the time we issue your contract, we set the GMIR. It will be shown in your contract and will be at least 0.05%.

## How is interest credited for the Index Accounts?

For each Index Account you have chosen, at the end of its Index Term, we compute the Index Interest Rate, which will never be less than 0%. For each Index Account, the Index Interest Rate is based upon the applicable change in the value of the index and the crediting method, including the Cap, Annual Spread, and Participation Rate, as applies. **You are not investing directly in the index by allocating some or all of your contract's value to an Index Account.**

At the time we issue your contract, we set the following parameters for the applicable Index Accounts: the initial Cap, the initial Annual Spread, the initial Participation Rate, the initial Buy Up Charge, the guaranteed minimum Cap, the guaranteed maximum Annual Spread, the guaranteed minimum Participation Rate, and the guaranteed maximum Buy Up Charge. They are shown in your contract. At the start of each Index Term, we may change the Cap but it will at least equal the guaranteed minimum Cap, we may change the Annual Spread but it will be no more than the guaranteed maximum Annual Spread, we may change the Participation Rate but it will at least equal the guaranteed minimum Participation Rate and we may change the Buy Up Charge but it will be no more than the guaranteed maximum Buy Up Charge.

We use index values reported to us. Once used, we will not change the index value even if a new value is reported to us. If the index value is not available for any day, we will use the index value reported on the prior business day.

## How does the Point-to-Point with Cap Crediting Method Work?

The Index Interest Rate is based on the change between the beginning and ending index values for the Index Term. The ending index value for one Index Term is the starting index value for the next Index Term. If the difference is positive, we divide that difference by the Index Term's starting index value to determine the percentage change in the index value for the Index Term. The Index Interest Rate is the lower of the percentage change or the Cap. If the difference between the beginning and ending index values is negative, the Index Interest Rate for the Index Term is 0%. See below for an example.

## How does the Point-to-Point with Participation Rate Crediting Method Work?

The Index Interest Rate is based on the change between the beginning and ending index values for the Index Term. The ending index value for one Index Term is the starting index value for the next Index Term. If the difference is positive, we divide that difference by the Index Term's starting index value to determine the percentage change in the index value for the Index Term. The Index Interest Rate is the percentage change multiplied by the Participation Rate. If the result is negative, the Index Interest Rate for the Index Term is 0%. See below for an example.

## How does the Point-to-Point with Participation Rate and Annual Spread Crediting Method Work?

The Index Interest Rate is based on the change between the beginning and ending index values for the Index Term. The ending index value for one Index Term is the starting index value for the next Index Term. If the difference is positive, we divide that difference by the Index Term's starting index value to determine the percentage change in the index value for the Index Term. If the difference is negative, the Index Interest Rate for the Index Term is 0%. The Index Interest Rate is the percentage change multiplied by the Participation Rate and then reduced by the Annual Spread. For Index Accounts with multiple-year Index Terms, the Annual Spread is

multiplied by the number of years in the Index Term. If the result is negative, the Index Interest Rate for the Index Term is 0%. See below for an example.

## What is the Rate Buy Up Feature and Buy Up Refund?

The Rate Buy Up Feature increases an Index Account's Cap or Participation Rate, and/or decreases an Index Account's Annual Spread in exchange for a monthly Buy Up Cost. You can allocate to Index Accounts with or without the Rate Buy Up Feature. Due to the Buy Up Cost, the value of an Index Account without the Rate Buy Up Feature could potentially be higher than the value of the Index Account version with the Rate Buy Up Feature.

The Buy Up Cost is assessed only if you allocate to an Index Account with the Rate Buy Up Feature. The Buy Up Cost is equal to one-twelfth of the Buy Up Charge multiplied by the Index Account Value as of the date it is assessed. The Buy Up Cost is deducted each month, beginning at the start of the Index Term and the same day of each month thereafter, but not at the end of the Index Term. Buy Up Costs reduce the Index Account Value. The initial Buy Up Charge is guaranteed for one Index Term. Prior to the start of each Index Term, SBL declares, in its sole discretion, the Buy Up Charge for each Index Term. The Buy Up

Charge will never exceed the guaranteed maximum Buy Up Charge shown in the Contract.

At the end of the Surrender Charge Period, if the Buy Up Refund has not terminated, a one-time refund of all or part of the total Buy Up Costs is allocated to the Fixed Account. The amount of the Buy Up Refund is the greater of zero or the difference between the total interest credited to all Index Accounts (including those without the Rate Buy Up Feature) and the total Buy Up Costs deducted from all Index Account Values, each measured during the Surrender Charge Period.

The Buy Up Refund will terminate if withdrawals in excess of the Free Withdrawal amount are taken during the Surrender Charge Period ("excess withdrawals"). The Buy Up Refund will terminate even if the withdrawal is taken before any Account Value is subsequently allocated to an Index Account with the Rate Buy Up Feature. The Buy Up Refund also terminates upon termination of the Contract, surrender, annuitization, payment of a death benefit, or the end of the Surrender Charge Period.

After the Surrender Charge Period or the termination of the Buy Up Refund, the Buy Up Cost continues to apply any time you allocate to an Index Account with the Rate Buy Up Feature.

## Example – Point to Point with Cap Crediting Method:

Assume that Sally purchased a contract on February 1, 2023 for \$100,000 and allocated her Purchase Payment all to the S&P 500® Annual Point to Point Index Account (with Cap) (**without** the Rate Buy Up Feature) with a Cap of 3%. Sally does not take any withdrawals. On February 1, 2023, the index value is 1,000 and on February 1, 2024, the index value is 1,100.

Change in Index Value	=	Ending Index Value	-	Beginning Index Value
100	=	1,100	-	1,000

Because the difference is positive, we determine the percentage change as follows:

Percentage Change in Index value	=	Change in Index Value	÷	Beginning Index Value
10%	=	100	÷	1,000

The Index Interest Rate is the lower of the percentage change in index value (10%) or the Cap (3%). Thus, the Index Interest Rate would be 3% and the index interest would be \$3,000 (\$100,000 x 3%). The ending Index Account Value for the Index Term would be \$103,000 (\$100,000 + \$3,000).

### Example – Point to Point with Cap Crediting Method and Rate Buy Up Feature:

Assume that Sally instead allocated her entire \$100,000 Purchase Payment to the S&P 500® Annual Point to Point Index Account (with Cap) (**with** Rate Buy Up Feature) with a Buy Up Charge of 1%. The Rate Buy Up Feature increases the Cap from 3% to 5%.

The Buy Up Cost deducted on February 1, 2023 at the beginning of the Index Term is calculated as follows:

Buy Up Charge	÷	12	X	Index Account Value	=	Buy Up Cost
1.0%	÷	12	X	\$100,000	=	\$83.33

The Buy Up Cost is deducted from the Index Account each month thereafter during the Index Term as follows:

Date	Index Account Value Before Buy Up Cost Deduction	Buy Up Cost	Index Account Value After Buy Up Cost Deduction
2/1/2023	\$100,000.00	\$83.33	\$99,916.67
3/1/2023	\$99,916.67	\$83.26	\$99,833.41
4/1/2023	\$99,833.41	\$83.19	\$99,750.22
5/1/2023	\$99,750.22	\$83.13	\$99,667.09
6/1/2023	\$99,667.09	\$83.06	\$99,584.03
7/1/2023	\$99,584.03	\$82.99	\$99,501.04
8/1/2023	\$99,501.04	\$82.92	\$99,418.12
9/1/2023	\$99,418.12	\$82.85	\$99,335.27
10/1/2023	\$99,335.27	\$82.78	\$99,252.49
11/1/2023	\$99,252.49	\$82.71	\$99,169.78
12/1/2023	\$99,169.78	\$82.64	\$99,087.14
1/1/2024	\$99,087.14	\$82.57	\$99,004.57

The total Buy Up Costs deducted from the Index Account during the Index Term are \$995.43. The Index Interest Rate would be 5% (the lower of the 10% percentage change in index value and the 5% Cap) and the index interest would be \$4,950.23 (\$99,004.57 x 5%). Thus, the ending Index Account Value for the Index Term would be \$103,954.80 (\$100,000 - \$995.43 + \$4,950.23).

### Example – Point to Point with Participation Rate Crediting Method:

Assume that Mike purchased a contract on February 1, 2023 for \$100,000 and allocated his Purchase Payment all to the S&P 500® Annual Point to Point Index Account (**without** the Rate Buy Up Feature) with a Participation Rate of 90%. Mike does not take any withdrawals. On February 1, 2023, the index value is 1,000 and on February 1, 2024, the index value is 1,100.

As shown in the Point to Point with Cap Crediting Method example, the percentage change in index value is 10%. We determine the Index Interest Rate as follows:

Index Interest Rate	=	Percentage Change	X	Participation Rate
9%	=	10%	X	90%

The index interest would be \$9,000 (\$100,000 x 9%). The ending Index Account Value for the Index Term would be \$109,000 (\$100,000 + \$9,000).

**Example – Point to Point with Participation Rate and Annual Spread Crediting Method:**

Assume that Jim purchased a contract on February 1, 2023 for \$100,000 and allocated his Purchase Payment all to the S&P 500® Low Volatility Daily Risk Control 5% 2-Year Point to Point Index Account (with Participation Rate and Annual Spread) (**without** the Rate Buy Up Feature) with a Participation Rate of 110% and an Annual Spread of 4%. Jim does not take any withdrawals. On February 1, 2023, the index value is 1,000 and on February 1, 2025, the index value is 1,100.

As shown in the Point to Point with Cap Crediting Method example, the percentage change in index value is 10%. Because the S&P 500® Low Volatility Daily Risk Control 5% 2-Year Point to Point Index Account has a 2 year Index Term, the Annual Spread used in computing the Index Interest Rate is 8% (4% x 2). We determine the Index Interest Rate as follows:

Index Interest Rate	=	Percentage Change	X	Participation Rate	-	Annual Spread
3%	=	10%	X	110%	-	8%

The index interest would be \$3,000 (\$100,000 x 3%). The ending Index Account Value for the Index Term would be \$103,000 (\$100,000 + \$3,000).

***These examples are only to show how the Index Interest Rate is computed. They do not reflect what the interest would be for your annuity.***

**What is the S&P 500® Low Volatility Daily Risk Control 5% Index?**

The S&P 500® Low Volatility Daily Risk Control 5% Index measures the performance of the 100 least volatile stocks in the S&P 500® and has a cash component accruing interest.

The volatility of each stock in the S&P 500® is computed based upon the stock’s daily price return over the past 12 months. The 100 stocks are weighted relative to the inverse of their corresponding volatility, with the least volatile stocks receiving the highest weights. The S&P 500® Low Volatility Daily Risk Control 5% Index assumes, for the 100 stocks, that dividends are reinvested in the index.

The cash component seeks to further manage volatility to a 5% level by allocating more to cash when the market is more volatile and more to the 100 least volatile stocks when the market is less volatile. Even when the market is less volatile, the S&P 500® Low Volatility Daily Risk Control 5% Index may allocate to cash.

**What is the S&P 500® Factor Rotator Daily RC2 7% Index?**

The S&P 500® Factor Rotator Daily RC2 7% Index is designed to track the S&P 500 Factor Rotator Index plus the S&P 2-Year U.S. Treasury Note Futures Index. You are not investing in and your premiums are not being invested in any equity or other securities or commodities.

The S&P 500® Factor Rotator Daily RC2 7% Index is calculated on a daily basis using a formulaic, risk-weighted approach to achieve a maximum leverage of 150% for any component index and a 7% volatility target. The objective of the S&P 500® Factor Rotator Daily RC2 7% Index is to provide an effective factor investment framework with a targeted level of volatility.

The S&P 500 Factor Rotator Index (i.e., the equity index before volatility control) is a weighted return index that is designed to track the two best performing S&P 500 factor indices, based on past risk-adjusted momentum, out of the following five indices: S&P 500 Quality, S&P 500 Enhanced Value, S&P 500 Momentum, S&P 500 Low Volatility, and S&P 500 High Dividend. At each monthly rebalancing, the two best performing factor indices are weighted as

follows: 75% for the best performing index and 25% for the second best performing index. The remaining three factor indices receive 0% allocation. Should one or more of the factors of the respective underlying indices experience a downturn, at the time of monthly rebalancing, the rotation construction of the index allows for a systematic rebalancing to a better performing factor index.

If all factors of the respective underlying indices are volatile, the risk control construct allows for reducing market exposure by increasing the allocation to 2-Year U.S. Treasury Note Futures Index. The S&P 500® Factor Rotator Daily RC2 7% Index may use leverage (borrowing) to allocate up to 150% to the component indices.

Although the S&P 500® Factor Rotator Daily RC2 7% Index's volatility target is 7%, there is no guarantee that the realized volatility of the S&P 500® Factor Rotator Daily RC2 7% Index will not be less than or greater than 7%.

For more information on the S&P 500® Factor Rotator Daily RC2 7% Index, please refer to the *A Closer Look at the S&P 500® Factor Rotator Daily RC2 7% Index* brochure.

### **What is the S&P Multi-Asset Risk Control 5% Index?**

The S&P MARC 5% Index is designed to track the performance of three underlying indices from different asset classes: the S&P 500® Excess Return Index, the S&P GSCI Gold Excess Return Index, and the S&P 10-Year U.S. Treasury Note Futures Excess Return Index. You are not investing in and your premiums are not being invested in any equity or other securities, or commodities. The S&P MARC 5% Index is calculated on a daily basis using a formulaic, risk-weighted approach to achieve a maximum leverage of 150% for any component index and has a 5% volatility target. The objective of the Index is to provide multi-asset diversification within a risk-weighted framework and a targeted level of volatility.

Should one or more of the asset classes of the respective underlying indices experience a downturn, the multiasset construction of the index allows for a systematic rebalancing to less volatile asset classes. If all asset classes are volatile, the risk control

construct also allows for reducing market exposure and increasing the allocation to interest free cash. The Index may use leverage (borrowing) to allocate up to 150% to the component indices. Although the Index's volatility target is 5%, there is no guarantee that the realized volatility of the Index will not be less than or greater than 5%.

For more information on the S&P MARC 5% Index, you may visit: [SPGlobal.com/spdji/en/indices/strategy/sp-marc-5-index/#overview](http://SPGlobal.com/spdji/en/indices/strategy/sp-marc-5-index/#overview), or refer to the *A Closer Look at the S&P MARC 5% Index* brochure.

### **What is the Morgan Stanley Global Equity Allocator Index?**

The Morgan Stanley Global Equity Allocator Index is an equities-linked index that employs a momentum based allocation process and seeks to maintain a 10% annual volatility. Each day, the index allocates, through listed futures, to the following index components: United States Large Cap Equities, United States Tech Equities, United Kingdom Equities, Eurozone Equities, Emerging Market Equities and Japanese Equities. Purchasing a product linked to the index is not equivalent to investing in the underlying futures, and your premiums are not invested in any equities, bonds, commodities, or any other securities.

#### **Global Equities and Momentum Signal Allocation**

The Morgan Stanley Global Equity Allocator Index allocates among the index components based on momentum signals. Each momentum signal is a ratio that is calculated by comparing the index component's approximate 16-day average level to its approximate 4-year average level. As measured by the momentum signal, the index component with the highest ratio will be allocated 50%, second-highest will be allocated 30%, and third-highest will be allocated 20%. The index components with the lowest ratios receive no allocation. The momentum signals are measured on a daily basis and may result in daily reallocations.

#### **Volatility Control**

The Morgan Stanley Global Equity Allocator Index seeks to maintain a 10% annualized volatility target.

To preserve the 10% volatility target, the index components are re-allocated and leveraged. If the index volatility is less than the 10% target volatility, the index will allocate over 100%, up to a 200% maximum, to the index components. If the index volatility is greater than the 10% target volatility, the index will allocate under 100% to the index components. While the allocations to the United States index components may be adjusted intraday, all other index components are adjusted at day's end. Low volatility in the index is not synonymous with low risk in a product linked to the index. There is no guarantee that the realized volatility of the index will not be less than or greater than 10%, and the volatility target feature of the index may dampen its performance in up market conditions.

### **Variable Index Deduction Factor**

The Variable Index Deduction Factor is a dynamic fee mechanism that is built into the Morgan Stanley Global Equity Allocator Index. The Variable Index Deduction Factor is a daily fee that fluctuates based on the index's value. Such fee will reduce the level of the index and the performance of any product linked to the index.

The Variable Index Deduction Factor for the following day is determined by comparing the index's current value and the index's moving average over an approximate one month window. Based on that comparison, the fee is scaled up or down. For example:

1. If the index is significantly below the moving average, then the Variable Index Deduction Factor will be lower, with a potential minimum of 0.00% per day.
2. If the index is equal to the moving average, then the Variable Index Deduction Factor is 0.00197% per day.
3. If the index is significantly above the moving average, then the Variable Index Deduction Factor will be higher, with a potential maximum of 0.150% per day.

In addition to the Variable Index Deduction Factor, the index has other embedded costs, which include transaction and margin costs associated with trading

the underlying futures contracts. As a result of these costs, the level of the index and the performance of any product linked to the index will be reduced.

### **What is the Morningstar Wide Moat Focus Barclays VC 7% Index?**

The Morningstar Wide Moat Focus Barclays VC 7% Index is a rules-based index that is comprised of a mix of equity securities selected based on the economic moat investment philosophy (the Equity Component) and a portfolio of Barclays Treasury Futures Indices (the Treasury Component), and seeks to maintain an annual volatility level at or below 7%. The Morningstar Wide Moat Focus Barclays VC 7% Index also includes for the Equity Component a cost factor equal to the Secured Overnight Financing Rate ("SOFR") plus a spread adjustment of 26.16 basis points, plus a fee equal to 0.50% per annum, and for the Treasury Component a fee equal to 0.20% per annum. Each of these reduces the index value and will cause the index value to be less than the values for portfolios that are similar to the Morningstar Wide Moat Focus Barclays VC 7% Index but do not deduct similar fees and costs.

For the Equity Component, the Morningstar Wide Moat Focus Barclays VC 7% Index looks to the Morningstar Wide Moat Focus TR USD Index, which is an index of the common stock, REIT (Real Estate Investment Trust), or tracking stock of companies: (i) whose primary business activities are conducted in the U.S., (ii) with Morningstar® Economic Moat™ Ratings of "wide," and (iii) that are trading at the lowest current market price/fair value ratios. A Morningstar wide moat rating means Morningstar believes the company has a long-term competitive advantage for the next 20 years. Morningstar believes companies have an ability to sustain their competitive advantage in five different ways:

**Switching Costs:** Gives a company pricing power by locking customers into its unique ecosystem taking into account the effort, time, and psychological toll of switching to a competitor.

**Intangible Assets:** Includes brand recognition, patents, and regulatory licenses and may prevent competitors from duplicating products or allow a company to charge premium pricing.

**Network Effects:** When the value of a product or service grows as its user base expands and each additional user increases the product’s or service’s value exponentially.

**Cost Advantage:** Being able to produce products or services at lower costs than competitors and gather excess profits or have the ability to undercut competition.

**Efficient Scale:** Potential new competitors have little incentive to enter market because doing so would lower the industry’s returns below the cost of capital.

The Morningstar Equity Research team measures the strength of a company’s competitive advantage, and Morningstar assigns the company one of three Moat ratings – none, narrow, or wide. The Morningstar Equity Research team also performs a fair value assessment of companies. The Morningstar Wide Moat Focus TR USD Index: (i) limits the exposure among sectors, (ii) equally weights between the selected companies, and (iii) assumes dividends are reinvested in the index. The Morningstar Wide Moat Focus TR USD Index is divided into two portfolios, and each portfolio is reviewed by the Morningstar Equity Research team every six months to determine the companies that are included in the portfolio, with one portfolio reviewed each quarter.

The Treasury Component is an equally weighted portfolio of four Barclays US Treasury Futures indices: 2 year, 5 year, 10 year and 30 year.

The Morningstar Wide Moat Focus Barclays VC 7% Index creates a monthly rebalanced portfolio, or “Index Portfolio”, that combines the Equity Component and Treasury Component using rules that seek to maximize the positive change in its value while maintaining a volatility level at or below 7%. Under these rules, the combined weight of the Equity Component and Treasury Component has no minimum and can range up to 150%. For example, assume that under the rebalancing rules:

- The weight of the Equity Component in the Index Portfolio is 75% and the subsequent change in value was 10%; and
- The weight of the Treasury Component in the Index Portfolio is 50% and the subsequent change in value was 2%.

	Weighted Change in the Index Portfolio	Weighted Cost Factor and Fees in the Index Portfolio
<b>Equity Component</b>	75% x 10% or 7.5%	75% of (SOFR plus a spread adjustment, plus 0.50% per annum)
<b>Treasury Component</b>	50% x 2% or 1.0%	50% of 0.2% per annum

In addition, the Morningstar Wide Moat Focus Barclays VC 7% Index applies an additional daily volatility control procedure that decreases or increases its exposure to the Index Portfolio when necessary to maintain an annual volatility level at or below 7%. The exposure level may be adjusted as often as daily in response to the volatility change of the Index Portfolio. The more volatile the Index Portfolio has been, the lower the exposure level tends to be and there is no minimum exposure. The less volatile the Index Portfolio has been, the higher the exposure level tends to be, up to a 100% maximum exposure level. For example, assume under the volatility control procedure the exposure is 80%, then based on the above example:

	Weighted Change in the Index with 80% Exposure to the Index Portfolio	Weighted Cost Factor and Fees in the Index with 80% Exposure to the Index Portfolio
<b>Equity Component</b>	80% x 75% x 10% or 6.0%	80% x [75% of (SOFR plus a spread adjustment, plus 0.50% per annum)]
<b>Treasury Component</b>	80% x 50% x 2% or 0.8%	80% x 50% of 0.2% per annum

## What is the UBS Market Pioneers Index?

The UBS Market Pioneers Index (which is sometimes called the “Index” below) is a rules-based multi-asset index based on the investment philosophies of Roger Ibbotson and Jim Rogers with a 5% volatility target, employing two levels of volatility control. The UBS Market Pioneers Index allocates among (1) the NYSE® Zebra Edge™ U.S. Equity Index (which is sometimes called the “Equity Component” below), (2) the Jim Rogers Global Consumer Commodities Index™ (which is sometimes called the “Commodity Component” below) and (3) the Solactive 10-Year U.S. Treasury Future Index and interest-free cash (i.e., cash earning no interest). It includes an index cost fee of 0.75% per annum and 3 Month ICE LIBOR USD rate on the allocation to the NYSE Zebra Edge U.S. Equity Index, which reduces the index value.

Research conducted by Zebra Capital Management, LLC’s research team, led by Roger Ibbotson, found that, historically, stock issued by relatively less popular companies performed better and had more stable price returns over time than stock issued by more popular companies. Based on this philosophy, Roger Ibbotson constructed the rules-based NYSE Zebra Edge U.S. Equity Index, which starts with common stocks issued by companies headquartered in the United States and listed on a major U.S. exchange and then removes: (i) stocks of the 150 most popular companies based on the number of shares traded and outstanding, and (ii) the 250 most volatile performing stocks. The NYSE Zebra Edge U.S. Equity Index equally weights among the remaining stocks and rebalances quarterly. The NYSE Zebra Edge U.S. Equity Index reinvests dividends back into the index.

Jim Rogers’ research found that consumption-weighted commodity investing has outperformed other methods of commodity investing over time. The Jim Rogers Global Consumer Commodities Index is a rules-based index comprised of futures contracts on 27 exchange-traded physical commodities representing the energy, metals, agricultural, and livestock sectors. Allocations to the sectors are based on the publicly available statistics on consumption and gross domestic product, which provide an indicator on the ability to consume. Annually, the weightings of the individual exchange-

traded physical commodities within a sector are computed based upon consumption and the sector’s liquidity. The individual exchange-traded physical commodities are rebalanced monthly.

The Solactive 10-Year U.S. Treasury Future Index aims to track the continuous rolling 10-Year U.S. Treasury Futures performance.

Building the UBS Market Pioneers Index is a multi-step process with two levels of volatility control.

The first step in the process is to determine the allocation among the Equity Component and the Commodity Component. As to that allocation:

- if the market shows that equities are performing stronger than commodities, the UBS Market Pioneers Index will allocate 75% to the Equity Component and 25% to the Commodity Component; or
- if the market shows that commodities are performing stronger than equities, the UBS Market Pioneers Index will allocate 25% to the Equity Component and 75% to the Commodity Component.

The next step in the process is to determine the volatility of the allocation that was computed in the first step above (i.e., the volatility of the allocation to the Equity/Commodity Components). The volatility level of this allocation then determines how much of the Index is allocated to the Solactive 10-Year U.S. Treasury Future Index and interest-free cash. The target volatility is 5%; at that volatility level, the allocation to the Equity/Commodity Components is 100 percent and no allocation to the Solactive 10-Year Treasury Future Index and interest-free cash is made. So for example, if the volatility level of the Equity/Commodity Components is 10%, the UBS Market Pioneers Index would allocate 50% to the Equity/Commodity Components and 50% to the Solactive 10-Year Treasury Future Index and interest-free cash.

The allocation among the Solactive 10-Year U.S. Treasury Future Index and interest-free cash is based on the 100-day moving average of the Solactive 10-Year U.S. Treasury Future Index as follows:

- if the Solactive 10-Year U.S. Treasury Future Index is above its 100-day moving average for 5 consecutive days, then 100% of this portion of the Index is allocated to the Solactive 10-Year U.S. Treasury Future Index;
- if the Solactive 10-Year U.S. Treasury Future Index is below its 100-day moving average for 5 consecutive days, then 25% of this portion of the Index is allocated to the Solactive 10-Year U.S. Treasury Future Index and 75% is allocated to interest-free cash;
- if the Solactive 10-Year U.S. Treasury Future Index is neither above nor below its 100-day moving average for 5 consecutive days, then this portion of the Index will maintain the previous day's allocation.

The next step is determining the allocation among the Equity Component, the Commodity Component, the Solactive 10-Year U.S. Treasury Future Index and interest-free cash. This is where the second volatility control feature of the Index occurs. The UBS Market Pioneers Index will limit the allocation to the Equity Component, the Commodity Component and the Solactive 10-Year U.S. Treasury Future Index to achieve a 5% annualized volatility target by:

- allocating to cash, if the annualized volatility is greater than 5%;
- allocating up to 150% to the NYSE Zebra Edge U.S. Equity Index, the Jim Rogers Global Consumer Commodities Index, the Solactive 10-Year U.S. Treasury Future Index, and cash if the annualized volatility is less than 5%.

For example, if the market favors equities and the volatility of the Equity and Commodity Components is 10%, to achieve a 5% volatility level, the UBS Market Pioneers Index allocation to the Solactive 10-Year U.S. Treasury Future Index and interest-free cash would be 50%. If the Solactive 10-Year U.S. Treasury Future Index is above its 100-day moving average for 5 consecutive days, and the annualized volatility of the NYSE Zebra Edge U.S. Equity Index, the Jim Rogers Global Consumer Commodities Index, and the Solactive 10-Year U.S. Treasury Future Index is 6%, to achieve a 5% volatility level, the UBS Market Pioneers Index would be allocated as follows: (i) 42% to the Solactive 10-Year U.S. Treasury Future Index (83% of the 50% allocation); (ii) 31% (83% of the 50% of 75% allocation) to the NYSE Zebra Edge U.S. Equity Index; (iii) 10% (83% of the 50% of 25% allocation) to the Jim Rogers Global Consumer Commodities Index; and (iv) 17% to interest-free cash.

### **What is the UBS Multi Asset Inflation Aware Index?**

The UBS Multi Asset Inflation Aware Index seeks to track three asset classes – (i) global equities, (ii) global bonds, and (iii) commodities with a multi-layer volatility control. Allocations among the three asset classes are determined monthly and are based on inflation expectations (low, medium, or high) and the monthly change in such inflation expectations (decreasing, stable, or increasing). The observed inflation expectations and corresponding change in inflation expectations are calculated using the 5-Year Breakeven Inflation Rate published by the Federal Reserve of St. Louis. You are not investing in and your premiums are not being invested in any equities, bonds, commodities, or any other securities.

The below tables show the various inflation regimes and associated risk budgets.

Inflation Regimes and Associated Risk Budgets			
	High	Medium	Low
Increase	Commodity Tilt	Equity & Commodity Tilt	Equity & Bond Tilt
Stable	Equity Tilt	Balanced	Balanced
Decrease	Equity Tilt	Balanced	Bond Tilt
	Commodity Tilt	Equity Tilt	Equity & Commodity Tilt
Equity Risk Budget	20%	50%	40%
Bond Risk Budget	10%	10%	20%
Commodity Risk Budget	70%	40%	40%
	Balanced	Equity & Bond Tilt	Bond Tilt
Equity Risk Budget	40%	50%	20%
Bond Risk Budget	40%	20%	60%
Commodity Risk Budget	20%	30%	20%

### Global Equities

The global equities component consists of three sub-components: S&P 500® (United States), Euro Stoxx 50® (Europe), and Topix100® (Japan), with target allocations of 55%, 30%, and 15%. The global equities component invests in futures and includes a non-interest bearing cash component, which is used to maintain a 5% target volatility. Exposures within the global equities sub-components can be adjusted intraday to react to market moves, taking into account both volatility (high and low) and price trends (up and down). For example, if there is a significant market sell off, the allocation rules will decrease allocations to the futures of the affected equities and increase allocations to cash. Each global equities sub-component is decreased by a replication cost of 0.05% per annum and transaction cost ranging from 0.01% to 0.03% depending on the sub-component.

### Global Bonds

The global bonds component consists of three sub-components: 10 Year Treasury (United States), 10 Year Bund (Germany), and 10 Year JGB (Japan), with target allocations of 55%, 30%, and 15%. The global

bonds component invests in futures and the target allocations among the global bond sub-components are adjusted so that each contributes according to its realized volatility. The target allocation may also be adjusted (increased or decreased) based on a scoring system comprised of a carry score, trend score, and value score. The sum of the weights of the sub-components is capped at 100%, and each sub-component weight is also capped. The global bond component seeks to maintain a 5% target volatility. Each global bonds sub-component is decreased by a carry cost of 0.05% per annum and transaction cost of 0.01%.

### Commodities

The commodities component consists of the UBS Commodity Alpha Beta-Neutral Strategy T5 ER Index, a 5% volatility control index based on the UBS Commodity Alpha Beta-Neutral Strategy (CABNS). The CABNS strategy takes short positions in components of the Bloomberg Commodity Index and long positions in components of the Bloomberg Commodity Index 3 Month Forward. Precious metals are excluded from both positions. The UBS Commodity Alpha Beta-Neutral Strategy T5 ER Index is dynamically adjusted to maintain a 5% target

volatility. The level of the UBS Commodity Alpha Beta-Neutral Strategy T5 ER Index is decreased by 0.20% per annum and 0.025% transaction cost applied to the CABNS strategy.

### Multi-Layer Volatility Control

Under the multi-layer volatility control, leverage may be used for allocations of the index components and the index sub-components. For each of the global equities, global bonds, and commodities components, the sub-component allocations may be leveraged, by increasing or decreasing the sub-component allocations, to maintain the 5% target volatility.

After the sub-component allocations within the global equities, global bonds, and commodities components are determined, leverage may be used on such components to achieve a 5% target volatility for the UBS Multi Asset Inflation Aware Index. The leverage of the index may be rebalanced daily and is calculated based on the realized volatility observed over multiple lookback windows. The lower the volatility, the greater the leverage. For example, if the realized volatility is above 5%, then leverage can fall below 100%; and if the realized volatility is below 5%, then leverage can exceed 100%, up to a maximum of 300%. The weight of the UBS Commodity Alpha Beta-Neutral Strategy T5 ER Index is capped at 62.50% in the UBS Multi Asset Inflation Aware Index.

The calculation of the UBS Multi Asset Inflation Aware Index deducts a rebalancing cost of 0.01% on global equities, 0.0105% on global bonds, and 0.05% on commodities and a fee of 0.50% per annum.

### Volatility Control

Due to the volatility control, in up market conditions, the change in the S&P 500® Low Volatility Daily Risk Control 5% Index, the S&P 500® Factor Rotator Daily RC2 7% Index, the S&P MARC 5% Index, the Morningstar Wide Moat Focus Barclays VC 7% Index, the UBS Market Pioneers, the Morgan Stanley Global Equity Allocator Index, or the UBS Multi Asset Inflation Aware Index will not be as high as if there was no volatility control. Likewise, in down market conditions, the change in the S&P 500® Low Volatility Daily Risk Control 5% Index, the S&P 500® Factor Rotator Daily RC2 7% Index, the S&P MARC 5% Index, the Morningstar Wide Moat Focus Barclays VC

7% Index, the UBS Market Pioneers Index, the Morgan Stanley Global Equity Allocator Index, or the UBS Multi Asset Inflation Aware Index will not go down as low as if there was no volatility control. Because the Strategic Growth Plus Annuity already provides down market protection through the guaranteed minimum 0% Index Interest Rate, the volatility control feature of an index may benefit SBL more than the annuity purchaser, through reduced hedging costs to SBL.

### Where can I find information on the different indexes?

The indexes are published under the following tickers:

- S&P 500® Composite Stock Price Index – SPX
- S&P 500® Low Volatility Daily Risk Control 5% Index – SPLV5UT
- S&P 500® Factor Rotator Daily RC2 7% Index - SPXFRRT7
- S&P Multi-Asset Risk Control 5% Index - SPMARC5P
- Morgan Stanley Global Equity Allocator Index - MSUSMSGE
- Morningstar Wide Moat Focus Barclays VC 7% Index – BXIIMWM7
- UBS Market Pioneers Index – UBSMPI
- NYSE Zebra Edge U.S. Equity Index – NYZUSTR
- Jim Rogers Global Consumer Commodities Index – JRGCCI
- Solactive 10-Year U.S. Treasury Future Index – SOLUS10T
- UBS Multi Asset Inflation Aware Index - UBSMAIA5

### Can I change how interest is credited under my contract?

Yes, for the Fixed Account, as of any contract anniversary, and for the Index Accounts, as of a contract anniversary that coincides with the end of an Index Term. We must receive a request to transfer the Account Value for a contract anniversary on a form accepted and received by SBL on or before the 21st day after that contract anniversary. After each

contract anniversary we will send you a notice about the Fixed Account Value and Index Account Values available to be transferred and information on the interest crediting options then available.

If we do not receive a request to transfer the Account Value, or if it is received late, the allocation of the Account Value will remain the same, unless SBL

ceases to offer an Index Account in which Account Value is held. If SBL ceases to offer an Index Account in which Account Value is held and a transfer request is not received by SBL, or is received late, SBL will transfer the Index Account Value in that Index Account to the Fixed Account.

No Surrender Charge or MVA applies to transfers.

## What is the value of my annuity?

We compute your Account Value and your Cash Surrender Value.

The **“Account Value”** is the sum of the Fixed Account Value and the Index Account Values. The Fixed Account Value and Index Account Values include interest credited, any premium tax, and reflect transfers, withdrawals, death payments, or annuitization, including the Surrender Charge and MVA that may apply to any withdrawals, death payments, or annuitization.

If you have allocated to Index Accounts with the Rate Buy Up Feature, the Fixed Account Value includes, as of the end of the Surrender Charge Period, any Buy Up Refund, and the Index Account Values include the sum of all monthly Buy Up Costs taken from the Index Account Value since the start of the Index Term.

The **“Cash Surrender Value”** is the greater of:

- (i) The Guaranteed Minimum Cash Surrender Value, or
- (ii) The Account Value, (a) minus any Surrender Charge, (b) in most states, plus or minus any MVA, and (c) minus any premium or other taxes that apply, including federal tax withholding, that applies.

The **“Guaranteed Minimum Cash Surrender Value”** is the minimum amount required for benefits and available for surrender as required by state law. The Guaranteed Minimum Cash Surrender Value is equal to:

- (i) The Fixed Account Minimum Cash Surrender Value;
- (ii) Plus the Index Accounts Minimum Cash Surrender Value; and
- (iii) Minus Premium Tax, if it applies.

If any withdrawals reduce the Guaranteed Minimum Cash Surrender to zero, then the annuity has no minimum value. This may occur even if there is Fixed Account Value or Index Account Value.

The **“Fixed Account Minimum Cash Surrender Value”** is based upon 87.5%, ( 90.75% for contracts issued in California), of the total Purchase Payments allocated to the Fixed Account increased by daily interest at the “Fixed Account Minimum Cash Surrender Value Rate” and takes into account:

- Amounts withdrawn from the Fixed Account, including the impact of taxes,
- Transfers into or out of the Fixed Account, and
- Adjustments to the Fixed Account Minimum Cash Surrender Value due to a withdrawal from an Index Account.

An increase to the Fixed Account Minimum Cash Surrender Value occurs if all Index Account Values have been withdrawn and any remaining Index Accounts Minimum Cash Surrender Value is transferred into the Fixed Account Minimum Cash Surrender Value. A decrease to the Fixed Account Minimum Cash Surrender Value occurs if all Index Account Values have been withdrawn when there is insufficient Index Accounts Minimum Cash Surrender Value to take the withdrawal and the remainder is taken from the Fixed Account Minimum Cash Surrender Value.

The **“Index Accounts Minimum Cash Surrender Value”** is based upon 87.5%, ( 90.75% for contracts issued in California), of the total Purchase Payments allocated to any Index Accounts increased by daily interest at the “Index Accounts Minimum Cash Surrender Value Rate” and takes into account:

- Amounts withdrawn from any Index Accounts, including the impact of taxes,
- Transfers into or out of any Index Accounts, and
- Adjustments to the Index Accounts Minimum Cash Surrender Value due to a withdrawal from the Fixed Account.

An increase to the Index Accounts Minimum Cash Surrender Value occurs if all Fixed Account Value has been withdrawn and any

remaining Fixed Account Minimum Cash Surrender Value is transferred into the Index Accounts Minimum Cash Surrender Value.

A decrease to the Index Accounts Minimum Cash Surrender Value occurs if all Fixed Account Value has been withdrawn when there is insufficient Fixed Account Minimum Cash Surrender Value to take the withdrawal and the remainder is taken from the Index Accounts Minimum Cash Surrender Value.

### Example – Guaranteed Minimum Cash Surrender Value and Transfers:

Assume that Jon's contract was issued on June 1, 2020 for \$100,000 with a \$8,000 bonus, he did not allocate to any Index Accounts with the Rate Buy Up Feature, and he allocated to:

- The Fixed Account – \$27,000, and the Fixed Account Minimum Cash Surrender Value Rate is 2%
- The S&P 500® Annual Point to Point Index Account (with Cap) – \$81,000, and the Index Account Minimum Cash Surrender Value Rate is 1%.

The Guaranteed Minimum Cash Surrender Value is computed as follows:

Purchase Payment Allocation to Fixed Account	\$25,000	Purchase Payment Allocation to Index Account	\$75,000
x Premium Factor	x 87.5%	x Premium Factor	x 87.5%
= Fixed Account Minimum Cash Surrender Value	= \$21,875	= Index Accounts Minimum Cash Surrender Value	= \$65,625
<b>Guaranteed Minimum Cash Surrender Value (\$21,875 + \$65,625)</b>		<b>= \$87,500</b>	

On the third contract anniversary, Jon transfers \$15,000 from the Fixed Account into the S&P 500® Annual Point to Point Index Account (with Cap) when:

Fixed Account Value	\$27,942	Index Account Value	\$90,237
Fixed Account Minimum Cash Surrender Value	\$23,214	Index Accounts Minimum Cash Surrender Value	\$67,614
<b>Guaranteed Minimum Cash Surrender Value (\$23,214 + \$67,614)</b>		<b>= \$90,828</b>	

The Guaranteed Minimum Cash Surrender Value transferred is computed as follows:

Account Value Transferred from the Fixed Account to the Index Accounts	\$15,000
÷ Fixed Account Value before the Transfer	÷ \$27,942
= Percentage Transferred from the Fixed Account to the Index Accounts	= 53.7%
x Fixed Account Minimum Cash Surrender Value before the Transfer	x \$23,214
<b>= Minimum Cash Surrender Value Transfer Amount</b>	<b>= \$12,466</b>

The Guaranteed Minimum Cash Surrender Value after the transfer is computed as follows:

Fixed Account Minimum Cash Surrender Value		Index Accounts Minimum Cash Surrender Value	
Before the Transfer	\$23,214	Before the Transfer	\$67,614
- Transferred Amount	<u>- \$12,466</u>	+ Transferred Amount	<u>+ \$12,466</u>
= Fixed Account Minimum Cash Surrender Value	= \$10,748	= Index Accounts Minimum Cash Surrender Value	= \$80,080
<b>Guaranteed Minimum Cash Surrender Value \$10,748 + \$80,080</b>		<b>= \$90,828</b>	

As shown, the transfer did not impact the Guaranteed Minimum Cash Surrender Value amount.

### Example – Guaranteed Minimum Cash Surrender Value Withdrawal with Adjustment:

Assume that Julia's contract was issued on June 1, 2020 for \$100,000 with a \$8,000 Bonus, she did not allocate to any Index Accounts with the Rate Buy Up Feature, and she allocated to:

- The Fixed Account – \$54,000, and the Fixed Account Minimum Cash Surrender Value Rate is 3%.
- The S&P 500® Annual Point to Point Index Account (with Cap) – \$54,000, and the Index Account Minimum Cash Surrender Value Rate is 2%.

During the ninth contract year, Julia requests a \$56,000 withdrawal when:

Fixed Account Value	\$55,090	Index Account Value	\$54,000
Fixed Account Minimum Cash Surrender Value	\$55,421	Index Accounts Minimum Cash Surrender Value	\$51,260
<b>Guaranteed Minimum Cash Surrender Value (\$55,421 + \$51,260)</b>		<b>= \$106,681</b>	

She requests that all the Fixed Account Value be used for the withdrawal and the remaining amount come from the Index Account. While the withdrawal results in a \$57,363 decrease in the Account Value, after the Surrender Charge, Bonus Recapture, and MVA, the amount Julia receives is \$53,295.

The Fixed Account Minimum Cash Surrender Value after the withdrawal is initially computed as follows:

Fixed Account Minimum Cash Surrender Value before Withdrawal	\$55,421
- Amount Julia Received	<u>- \$53,295</u>
<b>= Remaining Fixed Account Minimum Cash Surrender Value after Withdrawal</b>	<b>= \$2,126</b>

Since the Fixed Account Value was reduced to zero due to the withdrawal, the Remaining Fixed Account Minimum Cash Surrender Value is transferred to the Index Accounts Minimum Cash Surrender Value, and the Guaranteed Minimum Cash Surrender Value is calculated, as follows:

Fixed Account Minimum Cash Surrender Value		Index Accounts Minimum Cash Surrender Value	
After the Withdrawal	\$2,126	Before the Adjustment	\$51,260
- Adjustment	<u>- \$2,126</u>	+ Adjustment	<u>+ \$2,126</u>
= Fixed Account Minimum Cash Surrender Value	= \$0	= Index Accounts Minimum Cash Surrender Value	= \$53,386
<b>Guaranteed Minimum Cash Surrender Value (\$0 + \$53,386)</b>		<b>= \$53,386</b>	

Julia's Guaranteed Minimum Cash Surrender Value was reduced by the \$53,295 she received (\$106,681 - \$53,295 = \$53,386).

## What is the Surrender Charge?

The Surrender Charge is a charge that reduces the amount available from your annuity during the Surrender Charge Period. The Surrender Charge varies by contract year and is based upon where you purchase your contract. The Surrender Charge that may apply during the Surrender Charge Period is based upon the following table:

### Surrender Charge Table

Contract Year	1	2	3	4	5	6	7	8	9	10	11+
All states except those listed below	12%	12%	11%	11%	10%	9%	8%	7%	6%	4%	0%
AK, CT, DE, ID, IN, MA, MD, MN, MO, NH, NJ, NV, OH, OK, OR, PA, SC, TX, UT, VA, and WA	9.0%	8.1%	7.2%	6.3%	5.4%	4.5%	3.6%	2.7%	1.8%	0.9%	0%
California	8.1%	7.2%	6.3%	5.4%	4.5%	3.6%	2.7%	1.8%	0.9%	0%	0%
Florida	10%	10%	10%	10%	10%	9%	8%	7%	6%	4%	0%

## What is a Market Value Adjustment?

The MVA is an amount that is added to, or subtracted from, the Account Value for certain transactions under the Strategic Growth Plus Annuity. The MVA is equal to the MVA Factor multiplied by the Account Value, subject to the MVA limit.

The MVA Factor is:  $[(1 + i_0) / (1 + i_1 + \text{Adj})]^T - 1$

Where:

- $i_0$  = 10-year treasury rate on the date prior to the contract date;
- $i_1$  = 10-year treasury rate on the date prior to the withdrawal;
- Adj = (i) 0.0025, in all states except those listed below,  
(ii) 0, in AK, CT, FL, ID, IN, MA, MD, MN, MO, NH, NJ, NV, OH, OK, OR, PA, SC, TX, UT, VA, and WA; and
- T = the number of whole and fraction years until the end of the surrender charge period.

- In all states except those listed below: An amount is deducted if: (i) interest rates in the market are higher than when you purchased your contract, or (ii) interest rates in the market are lower than when you purchased your contract by less than 0.25%. An amount is added if interest rates in the market are lower than when you purchased your contract by more than 0.25%.

- In AK, CT, FL, ID, IN, MA, MD, MN, MO, NH, NJ, NV, OH, OK, OR, PA, SC, TX, UT, VA, and WA: An amount is deducted if interest rates in the market are higher than when you purchased your contract. An amount is added if interest rates in the market are lower than when you purchased your contract.
- The MVA does not apply to contracts issued in California.

See the following page for examples of the MVA.

## What is the Bonus?

With the Strategic Growth Plus Annuity, a Bonus is added to your Account Value equal to the Purchase Payments made in the first contract year multiplied by the bonus rate amount indicated in your contract.

There is no charge for the Bonus Rider. However, adding the Bonus Rider will result in a lower interest rate credited to the Account Value, if any, than would apply without the Bonus Rider. The Current Interest Rate and, as applies, the Index Accounts Participation Rates and Caps will be lower, and the Annual Spreads will be higher, for the contract due to the Bonus Rider. This applies even if no Bonus Recapture applies or the Bonus Rider is terminated. The Bonus is not a Purchase Payment. Thus, if you return the contract during the free look period, any Bonus credited is not paid as part of the refund of any

Purchase Payments. The Bonus will be allocated to the Fixed and Index Accounts in the same manner as the Purchase Payment to which it is related.

## What is a Bonus Recapture?

A Bonus Recapture is a charge that reduces the amount of previously credited Bonus. The Bonus Recapture varies by contract year and is based upon the state where you purchase your contract. A pro rata share of the Bonus Recapture applies for partial withdrawals based upon the decrease in the Account Value required to satisfy the partial withdrawal in excess of the then remaining Free Withdrawal amount, including the decrease in Account Value for any charges, fees, and adjustments. The Bonus Recapture amount during the Surrender Charge Period is based on the table below:

### Bonus Recapture Table

Contract Year	1	2	3	4	5	6	7	8	9	10	11+
All states except those listed below	100%	100%	100%	100%	100%	100%	80%	60%	40%	20%	0%
AK, CT, DE, ID, IN, MA, MD, MN, MO, NH, NJ, NV, OH, OK, OR, PA, SC, TX, UT, VA, and WA	100%	90%	80%	70%	60%	50%	40%	30%	20%	10%	0%
California	90%	80%	70%	60%	50%	40%	30%	20%	10%	0%	0%

## When do the Surrender Charge, Bonus Recapture, and Market Value Adjustment apply?

A Surrender Charge, Bonus Recapture, and Market Value Adjustment may apply during the Surrender Charge Period as follows:

- In all states except those listed below, if: (i) you surrender your contract, (ii) you take withdrawals in excess of the Free Withdrawal amount, (iii) a payment is made upon the death of a joint owner who is not the spouse of the Annuitant, or (iv) you apply your contract to an annuity option.
- For CA, it is the same as above, except no MVA applies.

- For FL, if: (i) you surrender your contract, (ii) you take withdrawals in excess of the Free Withdrawal amount, or (iii) a payment is made upon the death of a joint owner who is not the spouse of the Annuitant. No Surrender Charge or MVA applies if you annuitize your contract, but if you annuitize your contract during the Surrender Charge Period, only limited annuity options are available.

During the Surrender Charge Period, a Surrender Charge, Bonus Recapture, and MVA do not apply if you satisfy the conditions in the Nursing Home Waiver or Terminal Illness Waiver, if available in your state, after the waiting period (state variations apply).

## Example of the Market Value Adjustment

This example shows how the MVA is added to or subtracted from the Account Value. The MVA is based on changes in the market interest rate and is limited by the Guaranteed Minimum Cash Surrender Value, which takes into account the Fixed Account Minimum Cash Surrender Value Rate and the Index Accounts Minimum Cash Surrender Value Rate, as they may apply. The example assumes that the Guaranteed Minimum Cash Surrender Value is based on the Non-Forfeiture Rates shown below.

Assume that: (i) Joe purchased a Strategic Growth Plus Annuity on June 1, 2020 for \$100,000; (ii) on June 1, 2024, Joe surrenders his contract when his Account Value is \$121,419.42; and (iii) Joe purchased his contract in Kansas, thus, on June 1, 2024, the Surrender Charge is 10%, and the bonus recapture is 100% of the \$8,000 Bonus paid.

3% Non-Forfeiture Rate	2% Non-Forfeiture Rate	1% Non-Forfeiture Rate
The MVA limit is \$1,787.32	The MVA limit is \$5,975.33	The MVA limit is \$10,041.96

### Interest Rate Increase – MVA Reduction

Market interest rate at purchase = 6%  
Market interest rate at surrender = 7%

#### First Step – Compute the MVA:

MVA = the MVA Factor multiplied by the Account Value.

- $[(1 + 0.06) / (1 + 0.07 + 0.0025)]^6 - 1 = -0.067924$
- The MVA is - \$7,553.95,  $[-0.067924 \times (\$119,211.79 - \$8,000)]$ .

#### Second Step – See if MVA Limit Applies:

- For a 3% Non-Forfeiture Rate, the MVA limit applies and the MVA decreases the Account Value by \$1,787.32.
- For a 2% Non-Forfeiture Rate, the MVA limit applies and the MVA decreases the Account Value by \$5,975.33.
- For a 1% Non-Forfeiture Rate, the MVA limit does not apply and MVA decreases the Account Value by \$7,553.95.

## How is the Premium Tax deducted?

We deduct any premium tax from the Fixed Account. If any premium tax is not fully paid from the Fixed Account, then we deduct the unpaid portion pro rata from the Account Value held in all Index Accounts with the same term, starting with the shortest term Index Accounts.

Thus, if you purchased the annuity, and no funds are in the Fixed Account, the unpaid portion of the

### Interest Rate Reduction – MVA Increase

Market interest rate at purchase = 6%  
Market interest rate at surrender = 5%

#### First Step – Compute the MVA:

MVA = the MVA Factor multiplied by the Account Value.

- $[(1 + 0.06) / (1 + 0.05 + 0.0025)]^6 - 1 = 0.043524$
- The MVA is \$4,840.38,  $[0.043524 \times (\$119,211.79 - \$8,000)]$ .

#### Second Step – See if MVA Limit Applies:

- For a 3% Non-Forfeiture Rate, the MVA limit applies and the MVA increases the Account Value by \$1,787.32.
- For a 2% Non-Forfeiture Rate, the MVA limit does not apply and the MVA increases the Account Value by \$4,840.38.
- For a 1% Non-Forfeiture Rate, the MVA limit does not apply and the MVA increases the Account Value by \$4,840.38.

premium tax is deducted first, pro rata from the Account Value held in Index Accounts with 1-year Index Terms, and then, pro rata from the Account Value held in Index Accounts with 2-year Index Terms. The pro rata amounts are based upon the Index Account Values and the Account Value as of the date the premium tax is deducted. The amount of premium tax deducted from an Index Account mid-Index Term will not receive any index interest.

## How can I access funds from my annuity?

You may request funds from your annuity at any time. During the Surrender Charge Period, the Surrender Charge and, in most states, an MVA may apply if you access funds from your annuity. When you request funds from your annuity, you may select from which interest crediting options we take the funds. If you do not make a selection, we will take the funds in the same way we deduct any premium tax.

## Can I access funds from my annuity without any fees or charges?

Yes, except for any premium or other tax we may pay, if you take a “Free Withdrawal.” On or after the first contract anniversary during the remaining part of the Surrender Charge Period, you may take Free Withdrawals from your annuity, as one or multiple withdrawals, up to 10% of the Account Value as of the beginning of the contract year. The Buy Up Refund will terminate if withdrawals in excess of the Free Withdrawal amount are taken during the Surrender Charge Period.

The Buy Up Refund will terminate even if the withdrawal is taken before any Account Value is subsequently allocated to an Index Account with the Rate Buy Up Feature. Refer to the Rate Buy Up Feature section on page 5.

If your Strategic Growth Plus Annuity is a qualified contract, during each contract year, you may withdraw the RMD amount required for a single calendar year during the contract year as Free Withdrawals. SBL determines the amount required to be distributed under the Internal Revenue Code for your contract for one calendar year. Because RMDs are computed as of a calendar year-end, and your contract year is based on the date your annuity is issued, two different RMD amounts may apply in a single contract year. The amount of the second RMD may be higher or lower than the first RMD amount and, if lower, may cause the Free Withdrawal amount for a contract year to decrease.

If you surrender your Strategic Growth Plus Annuity during the Surrender Charge Period, there is no Free Withdrawal available for the surrender. The entire Account Value is subject to a Surrender Charge, Bonus Recapture, and, in most states, an MVA. In all states except AK, CT, ID, IN, MA, MD, MN, MO, NH, NJ, NV, OH, OK, OR, PA, SC, TX, UT, VA, and WA, a Surrender Charge, Bonus Recapture, and MVA (except in CA) will also apply to the total decrease in Account Value attributable to Free Withdrawals taken in the 12 months prior to the surrender.

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## What annuity income may I take from my annuity?

You may choose any of the five different annuity options we currently offer, except if the annuity is purchased in Florida. For contracts issued in Florida: (i) if you decide to take annuity payments during the Surrender Charge Period, you may only choose options 1 through 4, and (ii) if you decide to take annuity payments after the Surrender Charge Period, you may choose any of the five options.

The amount applied to an annuity option depends upon the state where you purchased your annuity.

- For all states other than those listed below – It is the Cash Surrender Value.
- For FL – It is the greater of: (i) the Guaranteed Minimum Cash Surrender Value, or (ii) the Account Value, less any Premium Tax.

- For CA – It is the Cash Surrender Value. For contracts issued in California, no MVA applies.

On or after the annuity start date, you cannot change the annuity option or surrender your annuity.

The annuity options are:

- Option 1 Life Option: For the life of the Annuitant. Upon death, no further payments will be made.
- Option 2 Life with Period Certain Option: For the later of: (i) the life of the Annuitant, or (ii) the end of a 5, 10, 15, or 20 year period that you choose.\*

**Option 3 Life with Installment or Unit Refund Option:** For the later of: (i) the life of the Annuitant, or (ii) the end of the period equal to the annuity start amount divided by the first payment.\*

**Option 4 Joint and Survivor Option:** For as long as either the Annuitant or joint Annuitant is living.

**Option 5 Period Certain Option:** For a fixed period of 5, 10, 15, or 20 years.\*

\*If the Annuitant dies before the end of the chosen period, the beneficiary receives the remaining annuity payments.

Life with 10-Year Period Certain applies if no annuity option is selected.

### When may I begin receiving annuity payments?

When annuity payments may begin depends upon the state where you purchased your annuity.

- For all states other than those listed below – You may begin receiving annuity payments on the later of: (i) the contract anniversary

following the Annuitant’s 95th birthday, or (ii) the 26th contract anniversary.

- For FL – You may begin receiving annuity payments on the later of: (i) the contract anniversary following the Annuitant’s 95th birthday, or (ii) the 26th contract anniversary. You may request to change the date to any day after the first contract anniversary and prior to the contract anniversary following the Annuitant’s 95th birthday, so long as we receive written notice at least 30 days prior to the day annuity payments are to begin.
- For AK, CA, CT, ID, IN, MA, MD, MN, MO, NH, NJ, NV, OH, OK, OR, PA, SC, TX, UT, VA, and WA – Annuity payments may begin on any date after the 10th contract anniversary (9th contract anniversary for contracts issued in California), so long as we receive the written request at least 30 days prior to that date. Annuity payments must begin by the contract anniversary following the Annuitant’s 95th birthday, unless we agree otherwise.

### What happens upon a death?

If your contract has no Cash Surrender Value at the time of the death of the Annuitant because you have annuitized, we will make annuity payments, if any, as may apply under the annuity option you chose, to the beneficiary of the contract.

If your contract has any Cash Surrender Value at the time of the death of the Annuitant or the owner, there is an amount payable under your contract. The amount payable depends upon who died.

If the Annuitant dies or if a joint owner who is the spouse of the Annuitant dies, the amount payable is the greater of: (i) the Guaranteed Minimum Cash Surrender Value, or (ii) the Account Value. If a joint owner who is not the spouse of the Annuitant dies, the amount payable is equal to the Cash Surrender Value.

In California, if the contract is issued to persons 60 or older, the amount payable is the greater of: (i) the Guaranteed Minimum Cash Surrender Value, or (ii) the Account Value, regardless of who died.

We determine the amount payable on the date we receive due proof of death and instructions regarding payment, less any premium taxes due or paid by SBL. In certain circumstances, the contract can be continued and no death benefit is paid, as shown in the “Distribution Rules” section of your contract.

## What endorsements are available?

If allowed by your state, the Nursing Home Waiver and Terminal Illness Waiver endorsements are included with your annuity for no additional fee or charge. The Rate Buy Up Feature is available on any of the available Index Accounts for an additional monthly Buy Up Cost. Refer to the Rate Buy Up Feature section on page 5.

## What are the Nursing Home Waiver and Terminal Illness Waiver?

If you satisfy the conditions of the Nursing Home Waiver and Terminal Illness Waiver, we will waive the Surrender Charge and MVA that may have applied on any withdrawal or surrender request made after the third contract year. These waivers may not be available in all states, and the available features may vary by state.

- **Nursing Home Waiver:** You are confined to a hospital or nursing facility for a minimum of 90 consecutive days immediately preceding a withdrawal and continue to be confined at the time we receive your request. The confinement must begin after the contract date. We require proof of the confinement to the hospital or nursing home. This endorsement is form 6054 (5-11) (not available in CA or MA).
- **Terminal Illness Waiver:** You have been diagnosed with a terminal illness by a licensed physician and the terminal illness was first diagnosed after the contract date. Terminal Illness is an incurable condition that will result in death within one (1) year. We require proof of the terminal illness. This endorsement is form 6055 (5-11) (not available in CA and NJ).

## How will annuity payments and withdrawals from my annuity be taxed?

**This guide is not intended to provide tax advice. You should consult your tax adviser to discuss your particular circumstances.**

Generally, for contracts owned by natural persons, interest credited to an annuity is tax deferred. You pay ordinary income taxes when you take annuity payments or make a withdrawal,

on the interest earned (and on the Purchase Payment for certain tax qualified contracts). You may also pay a 10% federal income tax penalty on amounts you withdraw before reaching age 59½, if the withdrawal does not meet certain exceptions. Please note, this document is not intended to provide tax advice. You should consult your tax adviser to determine if your circumstances qualify as an exception to the 10% penalty tax. If your state imposes a premium tax, it will be deducted from the money you receive.

You can exchange one tax-deferred annuity for another without paying income taxes on the earnings when you make the exchange. (Taxes may be assessed if you withdraw from the annuity you exchanged into before 180 days.)

Before you make such an exchange, compare the benefits, features, and costs of the two annuities.

You should consult a tax adviser to discuss the tax treatment of making exchanges or withdrawals, to determine any potential tax consequences.

## Does buying an annuity in a retirement plan provide extra tax benefits?

No, buying an annuity within an IRA, 401(k), or other tax-deferred retirement plan does not provide you any extra tax benefits. You should choose your annuity based on its features and benefits, as well as its risks and costs, and not on tax benefits alone.

## Important Information About Replacements

A replacement occurs when funds are taken from an existing annuity contract or life insurance policy, whether by a loan, a partial withdrawal (including a free withdrawal), or a full surrender, and those funds are used to purchase a new annuity contract (or life insurance policy). A replacement occurs even if the withdrawal of funds and the purchase of the new annuity contract do not happen at the same time. Some state laws specify that a replacement has occurred if funds taken from an existing annuity contract or life insurance policy are used to purchase a new annuity contract (or life insurance policy) up to a year later. Replacement of an existing annuity contract or life insurance policy is something that should be considered carefully. You should weigh the benefits and costs of the existing contract or policy against those of the Strategic Growth Plus Annuity to determine whether the replacement would better serve your insurance needs and financial objectives.

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## How can I reach Security Benefit?

*You can reach us in several ways:*

- By phone:** 800.888.2461
- By email:** [AnnuityProcessing@SecurityBenefit.com](mailto:AnnuityProcessing@SecurityBenefit.com)
- On the web:** [SecurityBenefit.com](http://SecurityBenefit.com)
- By mail:** One Security Benefit Place  
Topeka, KS 66636-0001



Please send this original, signed signature page to Security Benefit with the Application, provide the Applicant with a copy of the entire signed SOU, and retain a copy for your records.

**Applicant Acknowledgment:**

By signing below, I certify that:

- I have read the above information and it has been explained to me by the Producer.
- I understand the features of the Strategic Growth Plus Annuity described.
- I understand that certain withdrawals, surrenders, and payments made during the Surrender Charge Period may be subject to a Surrender Charge, Bonus Recapture, and a Market Value Adjustment (in most states).
- I understand that any values shown are for explanatory purposes only and are not guaranteed.
- I understand that the Producer will be compensated if I purchase the annuity.
- I understand that I should consult my tax advisor regarding possible tax implications of the purchase, sale, surrender, and annuitization of an annuity and, if it applies, the exchange of an existing annuity or life insurance contract.
- I understand that the insurance producer who presented the annuity for purchase is an independent insurance producer appointed to sell annuities for Security Benefit Life Insurance Company, and that any promises, statements, or representations made by the Producer contrary to the information set forth in this Statement of Understanding or the annuity contract issued to me are not binding on Security Benefit Life Insurance Company.
- I understand that the GMIR, Cap, Participation Rate, Fixed Account Minimum Cash Surrender Value Rate, and Index Accounts Minimum Cash Surrender Value Rate, may change and may be lower, and the Annual Spread and Buy Up Charge may change and may be higher, between the date I apply for the Strategic Growth Plus Annuity and the date my contract is issued.

Complete the following acknowledgments (refer to the Important Information About Replacements on page 24):

**Applicant:** I acknowledge that a replacement  is  is not occurring by my purchase of the Strategic Growth Plus Annuity.

\_\_\_\_\_  
Applicant's Initials

\_\_\_\_\_  
Joint Applicant's Initials (if applicable)

**Producer:** I acknowledge that a replacement  is  is not occurring by the Applicant's purchase of the Strategic Growth Plus Annuity.

\_\_\_\_\_  
Producer's Initials

X \_\_\_\_\_  
Applicant Signature Date (mm/dd/yyyy)

**Social Security Number** \_\_\_\_\_

X \_\_\_\_\_  
Joint Applicant Signature Date (mm/dd/yyyy)

**Social Security Number** \_\_\_\_\_

**Producer Acknowledgment**

By signing below, I certify that I have reviewed the above information with the Applicant(s) and provided him or her with a signed copy of this document. I also certify that I have not made any statements that differ from what is stated in this document and that no promises or assurances were given as to the future value of any non-guaranteed elements of the Strategic Growth Plus Annuity. I further certify that, prior to discussing the Strategic Growth Plus Annuity with the Applicant(s), I received from Security Benefit and reviewed product-specific training and training materials which explain all material features of the Strategic Growth Plus Annuity.

X \_\_\_\_\_  
Producer Signature Date (mm/dd/yyyy)

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