





## PRIVACY NOTICE

We strongly value your trust and believe in protecting any Information we may collect about you in the course of providing our services. This notice is provided to you on behalf of the AIG Companies listed below. It is intended to help you understand our policies and procedures regarding private information.

**What Information Do We Collect and How Do We Use It?** We collect Information about you that is necessary to our contracts, products, services and other business relationships with you, and use it for those business purposes. We define "Information" to include:

- Information provided to us, such as on applications, our Web sites, or other forms.
- Information about transactions with us, our affiliates or third parties.

For the most part, the Information we collect is given to us directly by either you or your registered representative/agent or financial advisor via your application for one of our contracts, products or services. We may also collect Information during the processes of evaluating claims for benefits and providing administration and service on our products. Additionally, we may collect Information about your transactions with us or with others that provide service on our behalf.

**What Information Do We Disclose and To Whom?** We disclose your Information as is necessary and/or customary in order to conduct our business, and as otherwise permitted by applicable law. Your Information may be disclosed to:

- **others who provide business functions for us** such as contract administration, mailing services and/or processing transactions for your account. For example, your Information may be disclosed to a service provider that generates account statements for us.
- **our affiliated AIG companies**, as permitted by applicable law, including the American General family of companies and the SunAmerica companies.
- **other companies with whom we may have joint marketing agreements** so that you may be provided with a wider variety of products and services. This does not apply if you reside in California. We require joint marketing partners performing services for us to abide by our privacy policy.
- **our agents, representatives and other third parties as permitted by applicable law.**

We do not sell your Information to other companies so that they may solicit you. Unless sharing is authorized by you or by applicable law, we will not share your health Information.

**What Is Our Information Security Policy?** We consider your Information to be confidential. Only those individuals who need your Information to perform their jobs are authorized to have access to that Information. We also maintain physical, electronic and procedural safeguards with respect to your Information.

**What If You Become an Inactive Customer?** Our policy applies to current and former customers.

**This Privacy Notice is provided to you for information purposes only. You do not need to call or take any action in response to this notice.**

The Variable Annuity Life Insurance Company; AIG Annuity Insurance Company; AIG Fixed Annuity Marketing Company; American General Distributors, Inc.; American General Financial Advisors, Inc.; American General Gateway Services, LLC.; PESCO Plus, Inc.; VALIC Financial Advisors, Inc.; VALIC Retirement Services Company; VALIC Company I; VALIC Company II; American General Assignment Corporation.

# The Variable Annuity Life Insurance Company

## Separate Account A

### Units of Interest Under Group and Individual Fixed and Variable Deferred Annuity Contracts

#### Portfolio Director® Plus, Portfolio Director 2, and Portfolio Director

#### For Series 1.00 to 12.00

May 1, 2005

#### Prospectus

The Variable Annuity Life Insurance Company (“VALIC”) offers certain series of Portfolio Director Plus, Portfolio Director 2, and Portfolio Director (referred to collectively as “Portfolio Director” in this prospectus), comprising group and individual fixed and variable deferred annuity contracts (the “Contracts”) for Participants in certain employer-sponsored qualified retirement plans. Nonqualified contracts are also available for certain employer plans as well as for certain after-tax arrangements that are not part of an employer’s plan.

The Contracts permit Participants to invest in and receive retirement benefits in one or more Fixed Account Options and/or an array of Variable Account Options described in this prospectus. If your Contract is part of your employer’s retirement program, that program will describe which Variable Account Options are available to you. If your Contract is a tax-deferred nonqualified annuity that is not part of your employer’s retirement plan, those Variable Account Options that are invested in Mutual Funds available to the public outside of annuity contracts, life insurance contracts, or certain employer-sponsored retirement plans will not be available within your Contract.

This prospectus provides information employers and Participants should know before investing in the Contracts and will help each make decisions for selecting various investment options and benefits. Please read and retain this prospectus for future reference.

A Statement of Additional Information, dated May 1, 2005, contains additional information about the Contracts and is part of this prospectus. For a free copy call 1-800-428-2542 (press 1, then 3). The table of contents for the Statement of Additional Information is shown at the end of this prospectus. The Statement of Additional Information has been filed with the Securities and Exchange Commission (“SEC”) and is available along with other related materials at the SEC’s internet web site (<http://www.sec.gov>).

**Investment in the Contracts is subject to risk that may cause the value of the Owner’s investment to fluctuate, and when the Contracts are surrendered, the value may be higher or lower than the Purchase Payments.**

**The SEC has not approved or disapproved these securities or passed upon the adequacy or accuracy of this Prospectus. Any representation to the contrary is a criminal offense.**

#### Variable Account Options

AIG SunAmerica 2010 High Watermark Fund  
AIG SunAmerica 2015 High Watermark Fund  
AIG SunAmerica 2020 High Watermark Fund  
AIM Large Cap Growth Fund  
American Century Ultra Fund  
Ariel Appreciation Fund  
Ariel Fund  
Credit Suisse Small Cap Growth Fund  
Dreyfus BASIC U.S. Mortgage Securities Fund  
Evergreen Equity Income Fund  
Evergreen Fundamental Large Cap Fund  
Evergreen Special Equity Fund  
Evergreen Special Values Fund  
Janus Adviser Worldwide Fund  
Janus Fund  
Lou Holland Growth Fund  
MSIF Trust Mid Cap Growth Portfolio  
Putnam Global Equity Fund  
Putnam New Opportunities Fund  
Putnam OTC & Emerging Growth Fund  
Sit Mid Cap Growth Fund  
Sit Small Cap Growth Fund  
Templeton Foreign Fund  
Templeton Global Asset Allocation Fund  
Vanguard Lifestrategy Conservative Growth Fund  
Vanguard Lifestrategy Growth Fund  
Vanguard Lifestrategy Moderate Growth Fund  
Vanguard Long-Term Investment-Grade Fund  
Vanguard Long-Term Treasury Fund  
Vanguard Wellington Fund  
Vanguard Windsor II Fund

**VALIC Company I**  
Asset Allocation Fund  
Blue Chip Growth Fund  
Capital Conservation Fund  
Core Equity Fund  
Government Securities Fund  
Growth & Income Fund  
Health Sciences Fund  
Income & Growth Fund  
Inflation Protected Fund  
International Equities Fund  
International Government Bond Fund  
International Growth I Fund  
Large Cap Growth Fund  
Mid Cap Index Fund  
Money Market I Fund  
Nasdaq-100® Index Fund  
Science & Technology Fund  
Small Cap Fund  
Small Cap Index Fund  
Social Awareness Fund  
Stock Index Fund  
Value Fund

**VALIC Company II**  
Aggressive Growth Lifestyle Fund  
Capital Appreciation Fund  
Conservative Growth Lifestyle Fund  
Core Bond Fund  
High Yield Bond Fund  
International Small Cap Equity Fund  
Large Cap Value Fund  
Mid Cap Growth Fund  
Mid Cap Value Fund  
Moderate Growth Lifestyle Fund  
Money Market II Fund  
Small Cap Growth Fund  
Small Cap Value Fund  
Socially Responsible Fund  
Strategic Bond Fund

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## Glossary of Terms

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Unless otherwise specified in this prospectus, the words “we,” “us,” “our,” “Company,” and “VALIC” mean The Variable Annuity Life Insurance Company and the words “you” and “your” mean the Participant, or the individual purchasing an individual Contract.

Other specific terms we use in this prospectus are:

**Account Value** — the total sum of your Fixed Account Option and/or Variable Account Option that has not yet been applied to your Payout Payments.

**Annuitant** — the individual (in most cases, you) to whom Payout Payments will be paid.

**Assumed Investment Rate** — The rate used to determine your first monthly payout payment per thousand dollars of account value in your Variable Account Option.

**Beneficiary** — the individual designated to receive Payout Payments upon the death of the Annuitant.

**Business Day** — any weekday that the New York Stock Exchange (“NYSE”) is open for trading. Normally, the NYSE is open Monday through Friday through 4:00 p.m. Eastern time. On holidays or other days when the NYSE is closed, such as Good Friday, the Company is not open for business.

**Contract Owner** — the individual or entity to whom the Contract is issued. For a group Contract, the Contract Owner will be the employer purchasing the Contract for a retirement plan.

**Division** — the portion of the Separate Account invested in a particular Mutual Fund. Each Division is a subaccount of VALIC Separate Account A.

**Fixed Account Option** — an account that is guaranteed to earn at least a minimum rate of interest while invested in VALIC’s general account.

**Guided Portfolio Services<sup>SM</sup> or GPS** — a financial advice service offered by VALIC Financial Advisors, Inc., a registered investment adviser and Company subsidiary. A separate investment advisory fee and agreement is required for this service, if available under an employer’s retirement plan.

**Home Office** — located at 2929 Allen Parkway, Houston, Texas 77019.

**Mutual Fund or Fund** — the investment portfolio(s) of a registered open-end management investment company, which serves as the underlying investment vehicle for each Division represented in VALIC Separate Account A.

**Participant** — the individual (in most cases, you) who makes purchase payments or for whom purchase payments are made.

**Participant Year** — a 12 month period starting with the issue date of a Participant’s Contract certificate and each anniversary of that date.

**Payout Payments** — annuity payments withdrawn in a steady stream during the Payout Period.

**Payout Period** — the time when you begin to withdraw your money in Payout Payments. This may also may be called the “Annuity Period.”

**Payout Unit** — a measuring unit used to calculate Payout Payments from your Variable Account Option. Payout Units measure value, which is calculated just like the Purchase Unit value for each Variable Account Option except that the initial Payout Unit includes a factor for the Assumed Investment Rate selected. Payout Unit values will vary with the investment experience of the VALIC Separate Account A Division.

**Proof of Death** — a certified copy of the death certificate, a certified copy of a decree of a court of competent jurisdiction as to death, a written statement by an attending physician, or any other proof satisfactory to VALIC.

**Purchase Payments** — an amount of money you or your employer pay to VALIC to receive the benefits of a Contract.

**Purchase Period** — the accumulation period or time between your first Purchase Payment and the beginning of your Payout Period (or surrender). Also may be called the “Accumulation Period.”

**Purchase Unit** — a unit of interest owned by you in your Variable Account Option.

**Systematic Withdrawals** — payments withdrawn on a regular basis during the Purchase Period.

**VALIC Separate Account A or Separate Account** — a segregated asset account established by VALIC under the Texas Insurance Code. The purpose of the VALIC Separate Account A is to receive and invest your Purchase Payments and Account Value in the Variable Account Option, if selected.

**Variable Account Option** — investment options that correspond to Separate Account Divisions offered by the Contracts.

## Fee Tables

The following tables describe the fees and expenses that you may pay when buying, owning, and surrendering the Contract. The first table describes the fees and expenses that you will pay at the time that you buy the Contract, surrender the Contract, or transfer cash value between investment options.

### Contract Owner/Participant Transaction Expenses

Maximum Surrender Charge (1)	5.00%
Maximum Loan Application Fee (per loan)	\$60
State Premium Taxes (as a percentage of the amount annuitized)	0-3.5%

(1) Reductions in the surrender charge are available if certain conditions are met. See "Reduction or Waiver of Account Maintenance, Surrender, or Separate Account Charges" and "Exceptions to Surrender Charge."

The next table describes the fees and expenses that you will pay periodically during the time that you own the Contract, not including the Variable Account Option fees and expenses.

### Separate Account Charges

Variable Account Option Maintenance Charge (1)	\$3.75 per quarter
Mortality and Expense Risk Separate Account Charges by Variable Account Option (2) (as a percentage of Separate Account net assets):	Separate Account Fee (%)
AIG SunAmerica 2010 High Watermark Fund, Class I	1.25
AIG SunAmerica 2015 High Watermark Fund, Class I	1.25
AIG SunAmerica 2020 High Watermark Fund, Class I	1.25
AIM Large Cap Growth Fund, Investor Class	1.00
American Century Ultra Fund, Investor Class	1.04
Ariel Appreciation Fund	1.00
Ariel Fund	1.00
Credit Suisse Small Cap Growth Fund, Common Class	1.00
Dreyfus BASIC U.S. Mortgage Securities Fund	1.00
Evergreen Equity Income Fund, Class A	1.00
Evergreen Fundamental Large Cap Fund, Class A	1.00
Evergreen Special Equity Fund, Class A	1.00
Evergreen Special Values Fund, Class A	1.00
Janus Adviser Worldwide Fund, Class I	1.00
Janus Fund	1.00
Lou Holland Growth Fund	1.00
MSIF Trust Mid Cap Growth Portfolio, Adviser Class	1.00
Putnam Global Equity Fund, Class A	1.00
Putnam New Opportunities Fund, Class A	1.00
Putnam OTC & Emerging Growth Fund, Class A	1.00
Sit Mid Cap Growth Fund	1.00
Sit Small Cap Growth Fund	1.00
Templeton Foreign Fund, Class A	1.00
Templeton Global Asset Allocation Fund, Class 1	1.25
Vanguard Lifestrategy Conservative Growth Fund	1.25
Vanguard Lifestrategy Growth Fund	1.25
Vanguard Lifestrategy Moderate Growth Fund	1.25
Vanguard Long-Term Investment-Grade Fund, Investor Shares	1.00
Vanguard Long-Term Treasury Fund, Investor Shares	1.00
Vanguard Wellington Fund, Investor Shares	1.25
Vanguard Windsor II Fund, Investor Shares	1.25

<b>VALIC Company I</b>	
Asset Allocation Fund	1.00
Blue Chip Growth Fund	1.00
Capital Conservation Fund	1.00
Core Equity Fund	1.00
Government Securities Fund	1.00
Growth & Income Fund	1.00
Health Sciences Fund	1.00
Income & Growth Fund	1.00
Inflation Protected Fund	1.00
International Equities Fund	1.00
International Government Bond Fund	1.00
International Growth I Fund	1.00
Large Cap Growth Fund	1.00
Mid Cap Index Fund	1.00
Money Market I Fund	1.00
Nasdaq-100® Index Fund	1.00
Science & Technology Fund	1.00
Small Cap Fund	1.00
Small Cap Index Fund	1.00
Social Awareness Fund	1.00
Stock Index Fund	1.00
Value Fund	1.00
<b>VALIC Company II</b>	
Aggressive Growth Lifestyle Fund	0.75
Capital Appreciation Fund	0.75
Conservative Growth Lifestyle Fund	0.75
Core Bond Fund	0.75
High Yield Bond Fund	0.75
International Small Cap Equity Fund	0.75
Large Cap Value Fund	0.75
Mid Cap Growth Fund	0.75
Mid Cap Value Fund	0.75
Moderate Growth Lifestyle Fund	0.75
Money Market II Fund	0.75
Small Cap Growth Fund	0.75
Small Cap Value Fund	0.75
Socially Responsible Fund	0.75
Strategic Bond Fund	0.75

(1) Reductions in the account maintenance charge are available if certain conditions are met. See “Reduction or Waiver of Account Maintenance, Surrender, or Separate Account Charges” and “Exceptions to Surrender Charge.”

(2) See “Purchase Unit Value” for a discussion of how the separate account charges impact the calculation of each Division’s unit value. Reductions in the Separate Account Charges may be available for plan types meeting certain criteria. See “Reduction or Waiver of Account Maintenance, Surrender, or Separate Account Charges.”

**The next table shows the minimum and maximum total operating expenses charged by the Mutual Funds that you may pay periodically during the time that you own the Contract. More detail concerning each Mutual Fund’s fees and expenses is contained in the prospectus for each Mutual Fund.**

<b>Total Annual Mutual Fund Operating Expenses</b>	<b>Minimum</b>	<b>Maximum</b>
(Expenses that are deducted from the assets of a Mutual Fund, including management fees, distribution and/or service (12b-1) fees, and other expenses)	0.24%	1.99%

## Example

This example is intended to help you compare the cost of investing in the Contract with the cost of investing in other variable annuity contracts. These costs include Contract Owner/Participant transaction expenses, Contract fees, Separate Account annual expenses and the Variable Account Option fees and expenses.

The example assumes that you invest a single Purchase Payment of \$10,000 in the Contract for the time periods indicated. The example also assumes that your investment has a 5% return each year and assumes the maximum fees and expenses for a Variable Account Option. The example does not include the effect of premium taxes upon annuitization, which, if reflected, would result in higher costs. Although your actual costs may be higher or lower, based on these assumptions, your costs would be:

(1) If you surrender your Contract at the end of the applicable time period:

<u>1 Year</u>	<u>3 Years</u>	<u>5 Years</u>	<u>10 Years</u>
\$765	\$1,413	\$2,087	\$3,347

(2) If you annuitize your Contract:

<u>1 Year</u>	<u>3 Years</u>	<u>5 Years</u>	<u>10 Years</u>
\$306	\$936	\$1,591	\$3,347

(3) If you do not surrender your Contract:

<u>1 Year</u>	<u>3 Years</u>	<u>5 Years</u>	<u>10 Years</u>
\$306	\$936	\$1,591	\$3,347

Note: These examples should not be considered representative of past or future expenses for VALIC Separate Account A or for any Mutual Fund. Actual expenses may be greater or less than those shown above. Similarly, the 5% annual rate of return assumed in the examples is not an estimate or guarantee of future investment performance.

## Selected Purchase Unit Data

Purchase units shown are for a Purchase Unit outstanding throughout the year for each variable account option.

<u>Fund Name</u>	<u>Year</u>	<u>Unit Value at 1/1</u>	<u>Unit Value at 12/31</u>	<u>Number of Units Outstanding at 12/31</u>	<u>Fund Name</u>	<u>Year</u>	<u>Unit Value at 1/1</u>	<u>Unit Value at 12/31</u>	<u>Number of Units Outstanding at 12/31</u>
<b>VALIC Company I</b>					Government Securities Fund (Division 8)	2004	2.668	2.733	41,192,679
Asset Allocation Fund (Division 5)	2004	4.063	4.364	42,594,301		2003	2.664	2.668	48,017,234
	2003	3.429	4.063	42,040,433		2002	2.402	2.664	57,831,831
	2002	3.821	3.429	43,285,442		2001	2.272	2.402	44,509,286
	2001	4.030	3.821	48,720,402		2000	2.033	2.272	39,203,845
	2000	4.174	4.030	52,959,577		1999	2.112	2.033	45,292,728
	1999	3.773	4.174	61,240,667		1998	1.958	2.112	53,729,671
	1998	3.219	3.773	60,237,818	Growth & Income Fund (Division 16)	2004	1.985	2.175	70,680,178
Blue Chip Growth Fund (Division 72)	2004	0.760	0.819	48,582,232		2003	1.634	1.985	88,456,378
	2003	0.593	0.760	40,347,736		2002	2.103	1.634	89,012,446
	2002	0.791	0.593	22,902,086		2001	2.363	2.103	101,022,403
	2001	0.932	0.791	18,438,550		2000	2.677	2.363	110,018,242
	2000	—	0.932	1,336,967		1999	2.201	2.677	124,329,201
Capital Conservation Fund (Division 7)	2004	2.638	2.715	25,767,071		1998	1.941	2.201	129,550,695
	2003	2.559	2.638	26,764,417	Health Sciences Fund (Division 73)	2004	0.884	1.009	140,193,273
	2002	2.373	2.559	28,140,575		2003	0.651	0.884	111,112,131
	2001	2.223	2.373	26,621,580		2002	0.909	0.651	71,763,339
	2000	2.057	2.223	20,656,355		2001	1.000	0.909	45,582,144
	1999	2.086	2.057	24,749,727		2000	—	1.000	3,398,890
	1998	1.962	2.086	28,751,662	Income & Growth Fund (Division 21)	2004	1.416	1.581	125,932,333
Core Equity Fund (Division 15)	2004	1.945	2.080	251,431,904		2003	1.107	1.416	136,765,754
	2003	1.549	1.945	296,958,636		2002	1.390	1.107	140,185,069
	2002	2.010	1.549	316,043,125		2001	1.532	1.390	152,155,061
	2001	2.396	2.010	362,619,846		2000	—	1.532	158,568,077
	2000	2.582	2.396	397,168,720		2004	—	1.000	—
	1999	2.429	2.582	460,108,285	Inflation Protected Fund (Division 77)				
	1998	2.077	2.429	494,997,997					



<u>Fund Name</u>	<u>Year</u>	<u>Unit Value at 1/1</u>	<u>Unit Value at 12/31</u>	<u>Number of Units Outstanding at 12/31</u>	<u>Fund Name</u>	<u>Year</u>	<u>Unit Value at 1/1</u>	<u>Unit Value at 12/31</u>	<u>Number of Units Outstanding at 12/31</u>
International Equities Fund (Division 11)	2004	1.214	1.417	236,838,112	Social Awareness Fund (Division 12)	2004	3.317	3.631	101,512,026
	2003	0.946	1.214	94,147,400		2003	2.608	3.317	110,369,646
	2002	1.177	0.946	75,173,264		2002	3.441	2.608	112,841,262
	2001	1.523	1.177	76,641,544		2001	3.922	3.441	123,856,021
	2000	1.860	1.523	83,339,570		2000	4.419	3.922	130,333,155
	1999	1.455	1.860	94,415,343		1999	3.762	4.419	136,226,993
	1998	1.237	1.455	101,811,751		1998	2.985	3.762	114,382,494
International Government Bond Fund (Division 13)	2004	2.044	2.239	60,838,720	Stock Index Fund (Division 10)	2004	4.332	4.739	733,344,085
	2003	1.729	2.044	66,821,042		2003	3.413	4.332	756,956,966
	2002	1.488	1.729	67,330,936		2002	4.444	3.413	738,928,811
	2001	1.532	1.488	62,446,759		2001	5.113	4.444	772,475,516
	2000	1.609	1.532	71,084,248		2000	5.697	5.113	783,994,005
	1999	1.728	1.609	90,136,603		1999	4.772	5.697	766,975,696
	1998	1.491	1.728	97,473,851	Value Fund (Division 74)	1998	3.753	4.772	691,680,049
International Growth I Fund (Division 20)	2004	1.445	1.654	221,113,668		2004	0.993	1.143	5,566,386
	2003	1.164	1.445	246,891,622		2003	0.796	0.993	3,243,907
	2002	1.438	1.164	256,424,177		2002	1.000	0.796	1,907,257
	2001	1.964	1.438	283,131,435	<b>VALIC Company II</b>		—	1.000	
	2000	—	1.964	307,144,232	Aggressive Growth Lifestyle Fund (Division 48)	2004	1.289	1.451	19,008,640
Large Cap Growth Fund (Division 30)	2004	1.067	1.112	307,715,790		2003	1.004	1.289	16,342,363
	2003	0.855	1.067	358,523,451		2002	1.240	1.004	11,558,922
	2002	1.201	0.855	369,317,299		2001	1.428	1.240	8,479,357
	2001	1.580	1.201	401,959,524		2000	1.538	1.428	3,064,339
	2000	—	1.580	414,967,969		1999	1.193	1.538	139,443
Mid Cap Index Fund (Division 4)	2004	7.301	8.388	187,095,480	Capital Appreciation Fund (Division 39)	1998	—	1.193	
	2003	5.457	7.301	174,675,260		2004	0.858	0.930	7,749,417
	2002	6.477	5.457	157,442,272		2003	0.686	0.858	7,347,981
	2001	6.605	6.477	149,549,757		2002	0.998	0.686	5,866,302
	2000	5.722	6.605	146,197,467		2001	1.281	0.998	4,597,267
	1999	5.029	5.722	151,288,816		2000	1.668	1.281	2,191,030
	1998	4.269	5.029	169,039,887		1999	1.241	1.668	519,825
Money Market I Fund (Division 6)	2004	1.944	1.940	129,467,234	Conservative Growth Lifestyle Fund (Division 50)	1998	—	1.241	
	2003	1.952	1.944	161,634,525		2004	1.429	1.548	13,226,075
	2002	1.947	1.952	205,010,837		2003	1.229	1.429	11,189,541
	2001	1.897	1.947	224,050,426		2002	1.304	1.229	7,989,699
	2000	1.807	1.897	240,116,959		2001	1.337	1.304	7,345,651
	1999	1.743	1.807	233,940,123		2000	1.307	1.337	3,163,014
	1998	1.674	1.743	147,547,688		1999	1.162	1.307	203,221
Nasdaq-100 Index Fund (Division 46)	2004	0.433	0.472	176,444,590	Core Bond Fund (Division 58)	1998	—	1.162	
	2003	0.293	0.433	176,475,089		2004	1.285	1.337	22,213,550
	2002	0.479	0.293	76,610,720		2003	1.245	1.285	13,199,419
	2001	0.717	0.479	40,571,277		2002	1.152	1.245	9,930,525
	2000	—	0.717	4,042,621		2001	1.087	1.152	5,667,850
Science & Technology Fund (Division 17)	2004	2.157	2.153	535,595,406	High Yield Bond Fund (Division 60)	2000	1.010	1.087	814,285
	2003	1.439	2.157	622,810,395		1999	1.029	1.010	54,349
	2002	2.430	1.439	597,759,509		1998	—	1.029	
	2001	4.173	2.430	611,628,753		2004	1.328	1.527	39,464,716
	2000	6.399	4.173	594,274,024		2003	1.029	1.328	31,141,647
	1999	3.216	6.399	517,699,561		2002	1.056	1.029	11,554,260
	1998	2.286	3.216	418,601,069		2001	1.004	1.056	8,434,842
Small Cap Fund (Division 18)	2004	2.144	2.526	238,208,574		2000	1.076	1.004	431,009
	2003	1.588	2.144	268,362,373		1999	1.053	1.076	136,423
	2002	2.093	1.588	276,885,630		1998	—	1.053	
	2001	2.226	2.093	299,564,434	International Small Cap Equity Fund (Division 33)	2004	1.140	1.350	15,045,345
	2000	—	2.226	314,734,469		2003	0.897	1.140	15,336,882
Small Cap Index Fund (Division 14)	2004	2.770	3.233	173,418,721		2002	1.094	0.897	9,751,067
	2003	1.910	2.770	134,607,266		2001	1.361	1.094	5,523,146
	2002	2.437	1.910	100,628,024		2000	1.635	1.361	3,937,263
	2001	2.413	2.437	93,009,856		1999	1.052	1.635	167,387
	2000	2.523	2.413	90,786,183		1998	—	1.052	
	1999	2.101	2.523	94,031,183					
	1998	2.164	2.101	107,321,015					

<u>Fund Name</u>	<u>Year</u>	<u>Unit Value at 1/1</u>	<u>Unit Value at 12/31</u>	<u>Number of Units Outstanding at 12/31</u>	<u>Fund Name</u>	<u>Year</u>	<u>Unit Value at 1/1</u>	<u>Unit Value at 12/31</u>	<u>Number of Units Outstanding at 12/31</u>
Large Cap Value Fund (Division 40)	2004	1.471	1.657	22,466,486	AIG SunAmerica 2010 High Watermark (Division 80)	2004			
	2003	1.162	1.471	19,554,529					
	2002	1.331	1.162	11,615,338					
	2001	1.365	1.331	5,319,745					
	2000	1.303	1.365	1,132,534					
	1999	1.247	1.303	216,072					
Mid Cap Growth Fund (Division 37)	1998	—	1.247		AIM Large Cap Growth Fund (Division 62)	2004	0.276	0.299	42,646,025
	2004	0.931	1.041	38,665,585		2003	0.215	0.276	37,920,252
	2003	0.677	0.931	38,639,597		2002	0.296	0.215	28,708,324
	2002	0.978	0.677	28,059,999		2001	0.468	0.296	24,584,502
	2001	1.417	0.978	18,834,319		2000	0.436	0.468	1,088,162
	2000	1.423	1.417	3,354,590		American Century Ultra Fund (Division 31)	2004	1.499	1.643
1999	1.348	1.423	477,094	2003	1.204		1.499	626,818,023	
1998	—	1.348		2002	1.582		1.204	588,606,681	
Mid Cap Value Fund (Division 38)	2004	2.305	2.660	73,553,326	2001		1.872	1.582	585,930,644
	2003	1.620	2.305	53,467,855	2000		2.360	1.872	551,791,383
	2002	1.897	1.620	38,928,162	1999		1.686	2.360	411,119,880
	2001	1.947	1.897	27,418,727	1998	1.266	1.686	209,221,513	
	2000	1.522	1.947	6,374,398	Ariel Appreciation Fund (Division 69)	2004	1.408	1.577	229,890,934
	1999	1.255	1.522	223,437		2003	1.086	1.408	206,608,880
Moderate Growth Lifestyle Fund (Division 49)	1998	—	1.255			2002	1.224	1.086	158,623,399
	2004	1.406	1.551	31,312,396		2001	1.063	1.224	67,080,699
	2003	1.148	1.406	24,012,378		2000	—	1.063	96,941
	2002	1.291	1.148	16,964,088		Ariel Fund (Division 68)	2004	1.495	1.805
	2001	1.379	1.291	12,680,095	2003		1.179	1.495	164,155,846
	2000	1.398	1.379	5,035,039	2002		1.257	1.179	113,898,765
1999	1.185	1.398	215,575	2001	1.111		1.257	39,549,061	
Money Market II Fund (Division 44)	1998	—	1.185		2000		—	1.111	159,237
	2004	1.146	1.146	47,203,913	Credit Suisse Small Cap Growth Fund (Division 63)		2004	0.769	0.846
	2003	1.147	1.146	48,507,704		2003	0.531	0.769	43,398,267
	2002	1.141	1.147	55,192,758		2002	0.774	0.531	22,290,229
	2001	1.109	1.141	42,669,882		2001	0.900	0.774	10,327,801
	2000	1.054	1.109	14,885,109		2000	—	0.900	482,730
1999	1.013	1.054	4,089,393	Dreyfus BASIC US Mortgage Securities Fund (Division 71)		2004	1.218	1.239	66,996,638
1998	—	1.013			2003	1.188	1.218	72,358,313	
Small Cap Growth Fund (Division 35)	2004	1.300	1.431		23,436,506	2002	1.102	1.188	69,936,345
	2003	0.898	1.300		21,201,957	2001	1.034	1.102	19,563,354
	2002	1.347	0.898		12,177,837	2000	—	1.034	734,031
	2001	1.781	1.347		7,360,232	Evergreen Equity Income Fund (Division 57)	2004	1.101	1.201
	2000	2.273	1.781	2,825,155	2003		0.866	1.101	12,810,578
	1999	1.349	2.273	298,665	2002		1.079	0.866	9,232,239
1998	—	1.349		2001	1.119		1.079	6,539,955	
Small Cap Value Fund (Division 36)	2004	1.672	1.981	36,447,218	2000		1.034	1.119	279,779
	2003	1.210	1.672	26,691,411	1999		—	1.034	4,240
	2002	1.392	1.210	23,443,070	Evergreen Fundamental Large Cap Fund (Division 56)	2004	0.934	1.005	91,942,446
	2001	1.310	1.392	13,710,867		2003	0.731	0.934	22,119,249
	2000	1.081	1.310	2,215,195		2002	0.889	0.731	4,723,656
	1999	1.165	1.081	166,013		2001	1.054	0.889	2,282,437
1998	—	1.165		2000		1.133	1.054	131,471	
Socially Responsible Fund (Division 41)	2004	1.145	1.249	66,177,719		1999	—	1.133	175
	2003	0.899	1.145	3,134,200	Evergreen Specialty Equity Fund (Division 65)	2004	0.880	0.921	39,785,802
	2002	1.182	0.899	2,009,798		2003	0.584	0.880	37,390,557
	2001	1.349	1.182	1,579,023		2002	0.814	0.584	9,553,635
	2000	1.497	1.349	821,758		2001	0.906	0.814	3,387,135
	1999	1.278	1.497	282,396		2000	0.994	0.906	143,811
1998	—	1.278		Evergreen Special Value Fund (Division 55)		2004	1.527	1.815	103,422,767
Strategic Bond Fund (Division 59)	2004	1.510	1.658		48,488,686	2003	1.161	1.527	79,249,560
	2003	1.274	1.510		29,922,875	2002	1.362	1.161	69,554,035
	2002	1.204	1.274		13,615,201	2001	1.172	1.362	32,813,209
	2001	1.097	1.204		8,634,572	2000	0.996	1.172	714,494
	2000	1.082	1.097		212,572	1999	—	0.996	244
	1999	1.050	1.082	2,324					
1998	—	1.050							

<u>Fund Name</u>	<u>Year</u>	<u>Unit Value at 1/1</u>	<u>Unit Value at 12/31</u>	<u>Number of Units Outstanding at 12/31</u>	<u>Fund Name</u>	<u>Year</u>	<u>Unit Value at 1/1</u>	<u>Unit Value at 12/31</u>	<u>Number of Units Outstanding at 12/31</u>
Janus Adviser Worldwide Fund (Division 47)	2004	0.635	0.659	48,413,207	Templeton Global Asset Allocation Fund (Division 19)	2004	2.248	2.574	125,820,447
	2003	0.522	0.635	53,972,721		2003	1.720	2.248	122,622,812
	2002	0.713	0.522	51,359,693		2002	1.818	1.720	106,642,456
	2001	0.912	0.713	40,304,312		2001	2.039	1.818	114,072,786
	2000	—	0.912	2,465,341		2000	2.058	2.039	120,660,042
Janus Fund (Division 61)	2004	0.582	0.603	72,220,892	Vanguard LifeStrategy Conservative Growth Fund (Division 54)	1999	1.696	2.058	137,266,658
	2003	0.446	0.582	79,472,087		1998	1.614	1.696	190,963,707
	2002	0.622	0.446	71,609,093		2004	1.247	1.331	21,191,862
	2001	0.850	0.622	58,459,245		2003	1.084	1.247	15,549,861
	2000	—	0.850	3,541,111		2002	1.159	1.084	10,459,117
Lou Holland Growth Fund (Division 70)	2004	0.856	0.942	29,569,648		2001	1.174	1.159	6,514,468
	2003	0.677	0.856	27,447,905		2000	1.154	1.174	1,431,730
	2002	0.871	0.677	13,601,001		1999	1.084	1.154	554,101
	2001	0.928	0.871	3,980,579		1998	0.948	1.084	—
	2000	—	0.928	156,879					
MSIF Trust Mid Cap Growth Portfolio (Division 64)	2004	0.577	0.696	79,638,529	Vanguard LifeStrategy Growth Fund (Division 52)	2004	1.200	1.334	39,074,462
	2003	0.410	0.577	53,383,272		2003	0.945	1.200	29,501,426
	2002	0.600	0.410	29,161,848		2002	1.137	0.945	20,497,136
	2001	0.863	0.600	16,882,839		2001	1.264	1.137	13,888,206
	2000	—	0.863	647,858		2000	1.353	1.264	7,294,970
Putnam Global Equity Fund (Division 28)	2004	1.167	1.312	239,362,761	Vanguard LifeStrategy Moderate Growth Fund (Division 53)	1999	1.168	1.353	1,591,689
	2003	0.914	1.167	283,089,584		1998	0.975	1.168	—
	2002	1.192	0.914	283,387,430		2004	1.231	1.344	44,712,770
	2001	1.716	1.192	299,198,296		2003	1.018	1.231	31,957,206
	2000	2.466	1.716	293,990,642		2002	1.150	1.018	18,944,658
	1999	1.513	2.466	181,916,991		2001	1.218	1.150	11,325,293
	1998	1.187	1.513	101,468,260		2000	1.245	1.218	3,343,004
Putnam New Opportunities Fund (Division 26)	2004	1.085	1.182	419,852,271	Vanguard Long-Term Investment-Grade Fund (Division 22)	1999	1.126	1.245	1,354,406
	2003	0.826	1.085	501,826,217		1998	0.959	1.126	—
	2002	1.202	0.826	518,855,049		2004	1.670	1.801	88,925,721
	2001	1.737	1.202	546,882,418		2003	1.587	1.670	91,817,451
	2000	2.376	1.737	529,608,595		2002	1.416	1.587	88,869,618
	1999	1.415	2.376	386,064,440		2001	1.305	1.416	73,154,092
	1998	1.149	1.415	280,523,297		2000	1.180	1.305	48,181,776
Putnam OTC & Emerging Growth Fund (Division 27)	2004	0.552	0.590	309,154,764	Vanguard Long-Term Treasury Fund (Division 23)	1999	1.271	1.180	49,616,245
	2003	0.413	0.552	367,418,709		1998	1.177	1.271	44,122,646
	2002	0.620	0.413	366,937,061		2004	1.712	1.816	133,787,616
	2001	1.163	0.620	366,588,061		2003	1.685	1.712	156,141,471
	2000	2.409	1.163	328,139,044		2002	1.458	1.685	172,217,498
	1999	1.073	2.409	170,725,977		2001	1.412	1.458	142,496,202
	1998	0.976	1.073	129,463,792		2000	1.192	1.412	127,031,428
Sit Mid Cap Growth Fund (Division 67)	2004	0.499	0.578	32,093,708	Vanguard Wellington Fund (Division 25)	1999	1.318	1.192	110,102,115
	2003	0.364	0.499	29,056,311		1998	1.179	1.318	86,673,300
	2002	0.562	0.364	15,068,188		2004	1.881	2.065	456,537,648
	2001	0.852	0.562	7,408,190		2003	1.577	1.881	418,314,508
	2000	—	0.852	275,923		2002	1.715	1.577	369,219,080
Sit Small Cap Growth Fund (Division 66)	2004	0.598	0.633	107,231,631		2001	1.667	1.715	335,336,029
	2003	0.449	0.598	98,573,701		2000	1.529	1.667	294,438,826
	2002	0.615	0.449	61,945,280		1999	1.483	1.529	328,701,408
	2001	0.865	0.615	24,486,491		1998	1.340	1.483	253,840,498
	2000	—	0.865	523,506		2004	1.819	2.125	528,124,696
Templeton Foreign Fund (Division 32)	2004	1.497	1.751	258,303,698	Vanguard Windsor II Fund (Division 24)	2003	1.416	1.819	505,959,163
	2003	1.159	1.497	253,261,832		2002	1.724	1.416	461,319,939
	2002	1.281	1.159	224,721,114		2001	1.808	1.724	442,850,924
	2001	1.406	1.281	220,451,009		2000	1.566	1.808	378,017,315
	2000	1.480	1.406	218,992,832		1999	1.683	1.566	426,529,299
	1999	1.070	1.480	219,168,378		1998	1.465	1.683	372,737,595
	1998	1.136	1.070	198,626,024					

## Highlights

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The Portfolio Director Fixed and Variable Annuity is a Contract between you and the Company. It is designed to help you invest on a tax-deferred basis and meet long-term financial goals. There are minimum Purchase Payment amounts required to purchase a Contract. Purchase Payments may be invested in a variety of variable and fixed account options. Like all deferred annuities, the Contract has a Purchase Period and a Payout Period. During the Purchase Period, you invest money in your Contract. The Payout Period begins when you start receiving income payments from your annuity to provide for your retirement.

**Purchase Requirements:** Purchase Payments may be made at any time and in any amount, subject to plan, VALIC, or Internal Revenue Code of 1986, as amended (“Code”) limitations. The minimum amount to establish a new Multi-Year Enhanced Option guarantee period (MVA Band), as described in the Contract, may be changed from time to time by the Company. The maximum single payment that may be applied to any account without prior Home Office approval is \$1,000,000. *For more information on Purchase Payments, refer to the “Purchase Period.”*

**Right to Cancel:** You may cancel your Contract within 20 days after receiving it (or whatever period is required in your state). We will return your original Purchase Payment or whatever your Contract is worth on the day that we receive your request, depending on your state law. *See “Other Contract Features.”*

**Expenses:** There are fees and charges associated with the Contract. During the Purchase Period, if any portion of your account is invested in a Variable Account Option, a quarterly account maintenance charge of \$3.75 is charged to your account. The Contract maintenance charge may be waived for certain group contracts. We also deduct insurance charges of up to 1.25% annually of the average daily value of your Contract allocated to the Variable Account Options. *See the “Fee Tables” and “Fees and Charges.”*

**Federal Tax Information:** Although deferred annuity contracts such as Portfolio Director can be purchased with after-tax dollars, they are primarily used in connection with retirement programs that already receive favorable tax treatment under federal law.

Annuities, custodial accounts and trusts used to fund tax-qualified retirement plans and programs (such as those established under Code sections 403(b) or 401(k) and IRAs) generally defer payment on taxes and earnings until withdrawal. If you are considering an annuity to fund a tax-qualified plan or program, you should know that an annuity generally does not provide additional tax deferral beyond the tax-qualified plan or program itself. Annuities, however, may provide other important features and benefits such as the income payout option, which means that you can choose to receive periodic

payments for the rest of your life or for a certain number of years, and a minimum guaranteed death benefit, which protects your Beneficiaries if you die before you begin the income payout option. Separate Account fees are charged for these benefits, as described in the “Fees and Charges” section of this prospectus. *For a more detailed discussion of these income tax provisions, see “Federal Tax Matters.”*

**Surrender Charges:** Under some circumstances, a surrender charge is deducted from your account. These situations are discussed in detail in the section of this prospectus entitled “Fees and Charges — Surrender Charge.” When this happens, the surrender charge is computed in two ways and you are charged whichever amount is less. The first amount is simply 5% of whatever amount you have withdrawn. The second amount is 5% of the contributions you have made to your account during the last 60 months.

Withdrawals from a Multi-Year Enhanced Option prior to the end of the applicable MVA term will be subject to a market value adjustment unless an exception applies. This may increase or reduce the amount withdrawn.

However, the market value adjustment will not reduce the amount invested in the Multi-Year Enhanced Option below the guaranteed amount.

Withdrawals are always subject to your plan provisions and federal tax restrictions, which, for plans other than section 457(b) plans, generally include a tax penalty on withdrawals made prior to age 59½, unless an exception applies.

**Access to Your Money:** You may withdraw money from your Contract during the Purchase Period. If you do so, earnings are deemed to be withdrawn first. You will pay income taxes on earnings and untaxed contributions when you withdraw them. Payments received during the Payout Period are considered partly a return of your original investment. A federal tax penalty may apply if you make withdrawals before age 59½. As noted above, a withdrawal charge may apply. *See “Surrender of Account Value” and “Federal Tax Matters.”*

**Loans:** Portfolio Director offers a tax-free loan provision for tax-qualified contracts, other than individual retirement plans (“IRAs”), which gives you access to your money in the Fixed Account Options (subject to a minimum loan amount of \$1,000). The availability of loans is subject to federal and state government regulations, as well as your employer’s plan provisions and VALIC policy. Generally, one loan per account will be allowed. Under certain, specific circumstances, a maximum of two loans per account may be allowed. VALIC reserves the right to change this limit. We may charge a loan application fee if permitted under state law. Keep in mind that tax laws restrict withdrawals prior to age 59½ and a tax penalty may apply (including on a loan that is not repaid).

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**Transfers:** There is no charge to transfer the money in your account among Portfolio Director's investment options. You may transfer your Account Values between Variable Account Options at any time during the Purchase Period, subject to certain rules.

Your Account Value in the Short-Term Fixed Account must remain there for at least 90 days before it can be transferred to other investment options. Up to 20% of your Fixed Account Plus Account Value may be transferred during each Participant Year to other investment options. If you transfer assets from Fixed Account Plus to another investment option, any assets transferred back into Fixed Account Plus within 90 days will receive a different rate of interest, than that paid for new Purchase Payments.

Amounts invested in a Multi-Year Enhanced Option may be transferred to another investment option at the end of an MVA term without application of a market value adjustment.

Once you begin receiving payments from your account (called the Payout Period), you may still transfer funds among Variable Account Options once each Participant Year.

**Please read the prospectus carefully for more detailed information regarding these and other features and benefits of the Contract, as well as the risks of investing.**

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## General Information

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### About the Contracts

The Contracts were developed to help you save money for your retirement. A group Contract is a Contract that is purchased by an employer for a retirement plan. The employer and the plan documents will determine how contributions may be made to the Contracts. For example, the employer and plan documents may allow contributions to come from different sources, such as payroll deductions or money transfers. The amount, number, and frequency of your Purchase Payments may also be determined by the retirement plan for which your Contract was purchased. Likewise, the employer's plan may have limitations on partial or total withdrawals (surrenders), the start of annuity payments, and the type of annuity payout options you select.

The Contracts offer a combination of fixed and variable investment options that you, as a Participant, may choose to invest in to help you reach your retirement savings goals. You should consider your personal risk tolerances and your retirement plan in choosing your investment options.

The retirement savings process with the Contracts will involve two stages: the accumulation Purchase Period, and the annuity Payout Period. The accumulation period is when you make contributions into the Contracts called "Purchase Payments." The Payout Period begins when you decide to annuitize all or a portion of your Account Value. You can select from a wide array of payout options including both fixed and variable payments.

Transfers can be made by calling AIG VALIC's toll-free transfer service at 1-800-428-2542. *For more information on account transfers, see "Transfers Between Investment Options."*

**Income Options:** When you are ready to begin taking income, you can choose to receive income payments on a variable basis, fixed basis, or a combination of both. You may also choose from five different income options, including an option for income that you cannot outlive. *See "Payout Period."*

**Death Benefits:** Portfolio Director will pay death benefits during either the Purchase Period or the Payout Period. The Death Benefits are automatically included in your Contract for no additional fee. If death occurs during the Purchase Period, Portfolio Director offers an interest-guaranteed death benefit or the standard death benefit. If death occurs during the Payout Period, your Beneficiary may receive a death benefit depending on the Payout Option selected. Please note that the death benefit provisions may vary from state to state. *See "Death Benefits."*

**Inquiries:** If you have questions about your Contract, call your financial advisor or contact us at 1-800-448-2542.

For certain types of retirement plans, such as 403(b) plans, there may be statutory restrictions on withdrawals as disclosed in the plan documents. Please refer to your plan document for guidance and any rules or restrictions regarding the accumulation or annuitization periods. *For more information, see "Purchase Period" and "Payout Period."*

### About VALIC

We were originally organized on December 21, 1955 as The Variable Annuity Life Insurance Company of America, located in Washington, D.C. We reorganized in the State of Texas on August 20, 1968, as The Variable Annuity Life Insurance Company. Our main business is issuing and offering fixed and variable retirement annuity contracts, like Portfolio Director. Our principal offices are located at 2929 Allen Parkway, Houston, Texas 77019. We have regional offices throughout the United States.

On August 29, 2001, American General Corporation ("AGC"), a holding company and VALIC's indirect parent company, was acquired by American International Group, Inc. ("AIG"), a Delaware corporation. As a result, VALIC is an indirect, wholly-owned subsidiary of AIG. AIG is a holding company, which through its subsidiaries is engaged in a broad range of insurance and insurance-related activities, financial services, retirement savings and asset management.

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## About VALIC Separate Account A

When you direct money to the Contract's Variable Account Options, you will be sending that money through VALIC Separate Account A. You do not invest directly in the Mutual Funds made available in the Contract. VALIC Separate Account A invests in the Mutual Funds on behalf of your account. VALIC acts as self custodian for the Mutual Fund shares owned through the Separate Account. VALIC Separate Account A is made up of what we call "Divisions." Sixty-eight Divisions are available and represent the Variable Account Options in the Contract. Each of these Divisions invests in a different Mutual Fund made available through the Contract. For example, Division Ten represents and invests in the VALIC Company I Stock Index Fund. The earnings (or losses) of each Division are credited to (or charged against) the assets of that Division, and do not affect the performance of the other Divisions of VALIC Separate Account A.

VALIC established Separate Account A on July 25, 1979 under Texas insurance law. VALIC Separate Account A is registered with the SEC as a unit investment trust under The Investment Company Act of 1940 (the "1940 Act"). Units of interest in VALIC Separate Account A are registered as securities under The Securities Act of 1933, as amended (the "1933 Act").

VALIC Separate Account A is administered and accounted for as part of the Company's business operations. However, the income, capital gains or capital losses, whether or not realized, of each Division of VALIC Separate Account A are credited to or charged against the assets held in that Division without regard to the income, capital gains or capital losses of any other Division or arising out of any other business the Company may conduct. In accordance with the terms of the Contract, VALIC Separate Account A may not be charged with the liabilities of any other Company operation. As stated in the Contract, the Texas Insurance Code requires that the assets of VALIC Separate Account A attributable to the Contract be held exclusively for the benefit of the Contract owner, Participants, annuitants, and beneficiaries of the Contracts. The commitments under the Contracts are VALIC's, and AIG and AGC have no legal obligation to back these commitments.

### Units of Interest

Your investment in a Division of VALIC Separate Account A is represented by units of interest issued by VALIC Separate

Account A. On a daily basis, the units of interest issued by VALIC Separate Account A are revalued to reflect that day's performance of the underlying mutual fund minus any applicable fees and charges to VALIC Separate Account A.

### Distribution of the Contracts

The principal underwriter and distributor for VALIC Separate Account A is American General Distributors, Inc. ("AGDI"), an affiliate of the Company. The Distributor's address is 2929 Allen Parkway, Houston, Texas 77019. The Contracts are sold by licensed insurance agents who are registered representatives of broker-dealers, which are members of the National Association of Securities Dealers, Inc., unless such broker-dealers are exempt from the broker-dealer registration requirements of The Securities Exchange Act of 1934, as amended. AIG VALIC receives payments from some Fund companies for exhibitor booths at meetings and to assist with the education and training of AIG VALIC financial advisors. *For more information about the Distributor, see "Distribution of Variable Annuity Contracts" in the Statement of Additional Information.*

VALIC sometimes retains and compensates business consultants to assist VALIC in marketing group employee benefit services to employers. VALIC business consultants are not associated persons of VALIC and are not authorized to sell or market securities or insurance products to employers or to group plan participants. The fees paid to such business consultants are part of VALIC's general overhead and are not charged back to employers, group employee benefit plans or plan participants.

The broker-dealers who sell the Contracts will be compensated for such sales by commissions ranging up to 7% of each first-year Purchase Payment. Agents will receive commissions of approximately 1.2% for level Purchase Payments in subsequent years and up to 7% on increases in the amount of Purchase Payments in the year of the increase. In addition, the Company and AGDI may enter into marketing and/or sales agreements with certain broker-dealers regarding the promotion and marketing of the Contracts. The sales commissions and any marketing arrangements as described are paid by the Company and are not deducted from Purchase Payments. We anticipate recovering these amounts from the fees and charges collected under the Contract. See also the "Fees and Charges" section in this prospectus.

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## Fixed and Variable Account Options

The Contracts offer a choice from among 68 Variable Account Options and three Fixed Account Options. Depending on the selection made by your employer's plan, if applicable, there may be limitations on which and how many investment options Participants may invest in at any one time. All options listed (except where noted) are available, generally, for 401(a), 403(a), 401(k), and 403(b) plans and 457(b) eligible deferred compensation plans, as well as individual retirement annuities.

This prospectus describes a Contract in which units of interest in VALIC's Separate Account A are offered. Portfolio Director

will allow you to accumulate retirement dollars in Fixed Account Options and/or Variable Account Options. Variable Account Options are referred to as Divisions (subaccounts) in VALIC Separate Account A. Each Separate Account Division represents our investment in a different mutual fund. This prospectus describes only the variable aspects of Portfolio Director except where the Fixed Account Options are specifically mentioned. The purpose of Variable Account Options and Variable Payout Options is to provide you investment returns that are greater than the effects of inflation. We cannot, however, guarantee that this purpose will be achieved.

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## Fixed Account Options

Portfolio Director features up to three guaranteed fixed options. These options provide fixed-rate earnings and guarantee safety of principal. The guarantees are backed by the claims-paying ability of the Company, and not the Separate Account. A tax-deferred nonqualified annuity may include the guaranteed fixed options. The Fixed Account Options are not subject to regulation under the 1940 Act and are not required to be registered under the 1933 Act. As a result, the SEC has not reviewed data in this prospectus that relates to Fixed Account Options. However, federal securities law does require such data to be accurate and complete.

### Fixed Account Options

### Investment Objective

Fixed Account Plus	Invests in the general account assets of the Company. This account provides fixed-return investment growth for the long-term. It is credited with interest at rates set by VALIC. The account is guaranteed to earn at least a minimum rate of interest as shown in your Contract. Your money may be credited with a different rate of interest depending on the time period in which it is accumulated. Purchase Payments allocated to a fixed account option will receive a current rate of interest. There are limitations on transfers out of this option. If you transfer assets from Fixed Account Plus to another investment option, any assets transferred back into Fixed Account Plus within 90 days will receive a different rate of interest, than that paid for new Purchase Payments.
Short-Term Fixed Account	Invests in the general account assets of the Company. This account provides fixed-return investment growth for the short-term. It is credited with interest at rates set by VALIC, which may be lower than the rates credited to Fixed Account Plus, above. The account is guaranteed to earn at least a minimum rate of interest as shown in your Contract. Your money may be credited with a different rate of interest depending on the time period in which it is accumulated.
Multi-Year Enhanced Option ("Multi-Year Option")	Invests in the general account assets of the Company. This account is a long-term investment option, providing a guaranteed interest rate for a guaranteed period (three, five, seven, or ten years) ("MVA Term"). Please see your Contract for minimum investment amounts and other requirements and restrictions. This option may not be available in all employee plans or states. All MVA Terms may not be available. Please see your financial advisor for information on the MVA Terms that are currently offered.

Generally, for most series of Portfolio Director, a current interest rate is declared at the beginning of each calendar month, and is applicable to new contributions received during that month. Interest is credited to the account daily and compounded at an annual rate. AIG VALIC guarantees that all contributions received during a calendar month will receive that month's current interest rate for the remainder of the calendar year. Our practice, though not guaranteed, is to continue crediting interest at that same rate for such purchase payments for one additional calendar year. Thereafter, the amounts may be consolidated with contributions made during other periods and will be credited with interest at a rate which the Company declares annually on January 1 and guarantees for the remainder of the calendar year. The interest rates and periods may differ between the series of Portfolio Director. Some series of Portfolio Director may offer a higher interest rate on Fixed Account Plus. This interest crediting policy is subject to change, but any changes made will not reduce the current rate below your contractually guaranteed minimum or reduce monies already credited to the account.

## Variable Account Options

The Contracts enable you to participate in Divisions that represent Variable Account Options, shown below. These Divisions comprise all of the Variable Account Options that are made available through VALIC Separate Account A. According to your retirement program, you may not be able to invest in all of the Variable Account Options described in this prospectus. You may be subject to further limits on how many options you may be invested in at any one time or how many of the options you are invested in may be involved in certain transactions at any one time.

Several of the Mutual Funds offered through VALIC's Separate Account A are also available to the general public outside of annuity contracts, life insurance contracts, or certain employer-sponsored retirement plans. If your Contract is a tax-deferred Nonqualified annuity that is not part of your employer's retirement plan, or if your Contract is issued under a deferred compensation plan (other than an eligible governmental 457(b) plan), those Variable Account Options that are invested in Mutual Funds available to the general public will *not* be available within your Contract. **Funds that are available in a tax-deferred nonqualified variable annuity, under Internal Revenue Code Section 72, and also for ineligible deferred compensation 457(f) plans and private sector top-hat plans include VALIC Company I and II, Janus Adviser Worldwide Fund and Templeton Global Asset Allocation Fund.**

The Variable Account Options shown below include a brief description of each Fund, including its investment objective. We also show the investment adviser for each Fund, and investment sub-adviser, if applicable. **Please see the separate Fund prospectuses for more detailed information on each Fund's management fees and total expenses, investment strategy and risks, as well as a history of any changes to a Fund's investment adviser or sub-adviser. You should read the prospectuses carefully before investing. Additional copies are available from AIG VALIC at 1-800-428-2542 (press 1, then 3) or online at [www.aigvalic.com](http://www.aigvalic.com).**

Please refer to your employer's retirement program documents for a list of the employer-selected Variable Account Options and any limitations on the number of Variable Account Options you may choose. All Funds may not be available for all plans or individual or group contracts.

Shares of certain of the Mutual Funds are also sold to separate accounts of other insurance companies that may or may not be affiliated with us. This is known as “shared funding.” These Mutual Funds may also be sold to separate accounts that act as the underlying investments for both variable annuity contracts and variable life insurance policies. This is known as “mixed funding.” There are certain risks associated with mixed and shared funding, such as conflicts of interest due to differences

in tax treatment and other considerations, including the interests of different pools of investors. These risks may be discussed in each Mutual Fund’s prospectus.

AIG SunAmerica Asset Management Corp. and AIG Global Investment Corp. are each affiliated with the adviser, VALIC, due to common ownership. Please note that the Ariel Fund and Ariel Appreciation Fund are not available in any 457 plans, except by special arrangement.

<u>Variable Account Options</u>	<u>Investment Objective</u>	<u>Adviser and Sub-Adviser</u>						
AIG SunAmerica 2010 High Watermark Fund	Each High Watermark Fund seeks to generate capital appreciation to the extent consistent with preservation of capital investment gains in order to have a price per share on its Protected Maturity Date at least equal to the Protected High Watermark Value. Each High Watermark Fund seeks high total return as a secondary objective.	Adviser: Trajectory Asset Management LLC						
AIG SunAmerica 2015 High Watermark Fund		(AIG SunAmerica Asset Management Corp. is the daily business manager.)						
AIG SunAmerica 2020 High Watermark Fund	<p>If you hold your Variable Investment Option Units until the Protected Maturity Date, you will be entitled to redeem your shares for no less than the highest value previously attained by the High Watermark Fund (minus a proportionate adjustment for all dividends and distributions paid subsequent to the High Watermark Fund reaching this value, and any extraordinary expenses, and increased by appreciation in share value subsequent to the last paid dividend or distribution). This is known as the Protected High Watermark Value.</p> <p>The Protected Maturity Date for each High Watermark Fund is:</p> <table border="0"> <tr> <td>2010 High Watermark Fund</td> <td>August 31, 2010</td> </tr> <tr> <td>2015 High Watermark Fund</td> <td>August 31, 2015</td> </tr> <tr> <td>2020 High Watermark Fund</td> <td>August 31, 2020</td> </tr> </table> <p>If you may need access to your money at any point prior to the Protected Maturity Date, you should consider the appropriateness of investing in the High Watermark Funds. Investors who redeem before the Protected Maturity Date will receive the current Purchase Unit value of the investment, which may be less than either the Protected High Watermark Value or the initial investment.</p> <p>An investment in the High Watermark Funds may not be appropriate for persons enrolled in Guided Portfolio Services<sup>SM</sup>, an investment advisory product offered by VALIC Financial Advisors, Inc.</p>	2010 High Watermark Fund	August 31, 2010	2015 High Watermark Fund	August 31, 2015	2020 High Watermark Fund	August 31, 2020	
2010 High Watermark Fund	August 31, 2010							
2015 High Watermark Fund	August 31, 2015							
2020 High Watermark Fund	August 31, 2020							
AIM Large Cap Growth Fund	Seeks long-term growth of capital by investing primarily in marketable equity securities, including convertible securities and other securities, such as synthetic instruments, of large-capitalization companies with a market capitalization no smaller than the smallest capitalized company included in the Russell 1000 <sup>®</sup> Index at the time of purchase.	Adviser: AIM Advisors, Inc.						
American Century Ultra Fund	Seeks long-term capital growth through investments primarily in common stocks that are considered to have greater-than-average chance to increase in value over time.	Adviser: American Century Investment Management, Inc.						
Ariel Appreciation Fund — a series of Ariel Investment Trust	Seeks long-term capital appreciation by investing primarily in the stocks of medium-sized companies with market capitalizations between \$2.5 billion and \$20 billion at the time of initial purchase.	Adviser: Ariel Capital Management, LLC						



<u>Variable Account Options</u>	<u>Investment Objective</u>	<u>Adviser and Sub-Adviser</u>
Ariel Fund — a series of Ariel Investment Trust	Seeks long-term capital appreciation by investing primarily in the stocks of small companies with a market capitalization generally between \$500 million and \$2.5 billion at the time of initial purchase.	Adviser: Ariel Capital Management, LLC
Credit Suisse Small Cap Growth Fund	Seeks capital growth by investing in equity securities of small U.S. companies. The Adviser uses a growth investment style and looks for either developing or older companies in a growth stage or companies providing products or services with a high unit-volume growth rate.	Adviser: Credit Suisse Asset Management, LLC
Dreyfus BASIC U.S. Mortgage Securities Fund	Seeks as high a level of current income as is consistent with the preservation of capital. To pursue this goal, the fund normally invests in mortgage-related securities issued or guaranteed by the U.S. government or its agencies or instrumentalities.	Adviser: The Dreyfus Corporation
Evergreen Equity Income Fund — a series of Evergreen Equity Trust	Seeks current income and capital growth by investing primarily in equity securities across all market capitalizations that produce income.	Adviser: Evergreen Investment Management Company, LLC
Evergreen Fundamental Large Cap Fund — a series of Evergreen Equity Trust	Seeks capital growth with the potential for current income by investing primarily in common stocks of large and mid-sized companies whose market capitalizations fall within the Russell 1000® Index.	Adviser: Evergreen Investment Management Company, LLC
Evergreen Special Equity Fund — a series of Evergreen Select Equity Trust	Seeks capital growth by investing primarily in common stocks of small U.S. companies, typically having a market capitalization that falls within the range tracked by the Russell 2000® Index at the time of purchase. The fund invests in stocks of companies that the Adviser believes have the potential for accelerated growth in earnings and price.	Adviser: Evergreen Investment Management Company, LLC
Evergreen Special Values Fund — a series of Evergreen Equity Trust	Seeks capital growth in the value of its shares by investing primarily in common stocks of small U.S. companies (companies having a market capitalization that falls within the range tracked by the Russell 2000® Index at the time of purchase).	Adviser: Evergreen Investment Management Company, LLC
Janus Adviser Worldwide Fund — a series of Janus Adviser Series	Seeks long-term growth of capital in a manner consistent with the preservation of capital by investing in common stocks of companies of any size located throughout the world. The fund normally invests in issuers from at least five different countries, including the U.S.	Adviser: Janus Capital Management, LLC
Janus Fund	Seeks long-term growth of capital in a manner consistent with the preservation of capital. The fund invests primarily in common stocks selected for their growth potential and generally invests in larger, more established companies.	Adviser: Janus Capital Management, LLC
Lou Holland Growth Fund	The fund primarily seeks long-term growth of capital. The receipt of dividend income is a secondary consideration. The fund will invest in a diversified portfolio of equity securities of mid-to large-capitalization growth companies.	Adviser: Holland Capital Management, L.P.
MSIF Trust Mid Cap Growth Portfolio — a series of Morgan Stanley Institutional Funds Trust	Seeks long-term capital growth and appreciation by investing primarily in growth-oriented equity securities of U.S. mid-cap companies, and, to a limited extent, foreign companies. Mid-cap companies are those with market capitalizations of generally less than \$35 billion.	Adviser: Morgan Stanley Investment Management Inc.

<u>Variable Account Options</u>	<u>Investment Objective</u>	<u>Adviser and Sub-Adviser</u>
Putnam Global Equity Fund	Seeks capital appreciation by investing mainly in common stocks of companies worldwide. The Adviser invests mainly in mid-sized and large companies with favorable investment potential. Investments in developed countries is emphasized, though the fund may also invest in developing (emerging) markets.	Adviser: Putnam Investment Management, LLC
Putnam New Opportunities Fund	Seeks long-term capital appreciation by investing mainly in the common stocks of U.S. companies, with a focus on growth stocks in sectors of the economy that the Adviser believes have high growth potential.	Adviser: Putnam Investment Management, LLC
Putnam OTC & Emerging Growth Fund	Seeks capital appreciation by investing mainly in common stocks of U.S. companies traded in the over-the-counter (“OTC”) market and “emerging growth” companies listed on securities exchanges, with a focus on growth stocks. Emerging growth companies are those that the Adviser believes have a leading or proprietary position in a growing industry or are gaining market share in an established industry.	Adviser: Putnam Investment Management, LLC
Sit Mid Cap Growth Fund	Seeks to maximize long-term capital appreciation by investing in the common stocks of companies with capitalizations of \$2 billion to \$15 billion at the time of purchase. The Adviser invests in domestic growth-oriented medium to small companies it believes exhibit the potential for superior growth.	Adviser: Sit Investment Associates, Inc.
Sit Small Cap Growth Fund	Seeks to maximize long-term capital appreciation by investing in the common stocks of companies with capitalizations of \$2.5 billion or less at the time of purchase. The Adviser invests in domestic growth-oriented small companies it believes exhibit the potential for superior growth.	Adviser: Sit Investment Associates, Inc.
Templeton Foreign Fund — a series of Templeton Funds, Inc.	Seeks long-term capital growth by investing mainly in the equity securities of companies located outside the U.S., including emerging markets.	Adviser: Templeton Global Advisors Limited
Templeton Global Asset Allocation Fund — a series of Franklin Templeton Variable Insurance Products Trust	Seeks high total return by normally investing in equity securities of companies of any country, debt securities of companies and governments of any country, and in money market instruments. While the fund’s debt securities investments focus on those that are investment grade, the fund also may invest in high-yield, lower-rated bonds.	Adviser: Templeton Investment Counsel, LLC Sub-Adviser: Franklin Advisers, Inc.
Vanguard LifeStrategy Conservative Growth Fund	Seeks to provide current income and low to moderate capital appreciation. This is a fund of funds, investing in other Vanguard mutual funds according to a fixed formula that typically results in an allocation of about 40% of assets to bonds, 20% to short-term fixed income investments, and 40% to common stocks. The fund’s indirect bond holdings are a diversified mix of short-, intermediate- and long-term U.S. government, agency, and investment-grade corporate bonds, as well as mortgage-backed securities. The fund’s indirect stock holdings consist substantially of large-cap U.S. stocks and, to a lesser extent, mid- and small-cap U.S. stocks and foreign stocks.	The fund does not employ an investment adviser. Instead, the fund’s Board of Trustees decides how to allocate the fund’s assets among the underlying funds.

<u>Variable Account Options</u>	<u>Investment Objective</u>	<u>Adviser and Sub-Adviser</u>
Vanguard LifeStrategy Growth Fund	Seeks to provide capital appreciation and some current income. This is a fund of funds, investing in other Vanguard mutual funds according to a fixed formula that typically results in an allocation of about 80% of assets to common stocks and 20% to bonds. The fund's indirect stock holdings consist substantially of large-cap U.S. stocks and to a lesser extent, mid- and small-cap U.S. stocks and foreign stocks. Its indirect bond holdings are a diversified mix of short-, intermediate- and long-term U.S. government, agency, and investment-grade corporate bonds, as well as mortgage-backed and asset-backed securities.	The fund does not employ an investment adviser. Instead, the fund's Board of Trustees decides how to allocate the fund's assets among the underlying funds.
Vanguard LifeStrategy Moderate Growth Fund	Seeks to provide capital appreciation and a low to moderate level of current income. This is a fund of funds, investing in other Vanguard mutual funds according to a fixed formula that typically results in an allocation of about 60% of assets to common stocks and 40% to bonds. The fund's indirect stock holdings consist substantially of large-cap U.S. stocks and, to a lesser extent, mid- and small-cap U.S. stocks and foreign stocks. The fund's indirect bond holdings are a diversified mix of short-, intermediate- and long-term U.S. government, agency, and investment-grade corporate bonds, as well as mortgage-backed securities.	The fund does not employ an investment adviser. Instead, the fund's Board of Trustees decides how to allocate the fund's assets among the underlying funds.
Vanguard Long-Term Investment-Grade Fund	Seeks to provide a high and sustainable level of current income by investing in a variety of high quality and, to a lesser extent, medium-quality fixed income securities. The fund is expected to maintain a dollar-weighted average maturity of 15 to 25 years.	Adviser: Wellington Management Company, LLP
Vanguard Long-Term Treasury Fund	Seeks to provide a high and sustainable level of current income by investing primarily in U.S. Treasury securities. The fund is expected to maintain a dollar-weighted average maturity between 15 and 30 years.	Adviser: The Vanguard Group
Vanguard Wellington Fund	Seeks to provide long-term capital appreciation and reasonable current income by investing in dividend-paying, and, to a lesser extent, non-dividend-paying common stocks of established large- and medium-sized companies. In choosing these companies, the Adviser seeks those that appear to be undervalued but which have prospects to improve. The fund also invests in investment grade corporate bonds, with some exposure to U.S. Treasury, government agency and mortgage-backed securities.	Adviser: Wellington Management Company, LLP
Vanguard Windsor II Fund	Seeks to provide long-term capital appreciation and income. The fund invests mainly in medium- and large-sized companies whose stocks are considered by the fund's advisers to be undervalued.	Advisers: Barrow, Hanley, Mewhinney & Strauss, Inc.; Equinox Capital Management, LLC; Hotchkis and Wiley Capital Management, LLC; Tukman Capital Management, Inc.; and The Vanguard Group
<b>VALIC Company I</b>		
Asset Allocation Fund	Seeks maximum aggregate rate of return over the long term through controlled investment risk by adjusting its investment mix among stocks, long-term debt securities and short-term money market securities.	Adviser: VALIC Sub-Adviser: AIG Global Investment Corp.

<u>Variable Account Options</u>	<u>Investment Objective</u>	<u>Adviser and Sub-Adviser</u>
Blue Chip Growth Fund	Seeks long-term capital growth by investing in the common stocks of large and medium-sized blue chip growth companies. Income is a secondary objective.	Adviser: VALIC Sub-Adviser: T. Rowe Price Associates, Inc.
Capital Conservation Fund	Seeks the highest possible total return consistent with the preservation of capital through current income and capital gains on investments in intermediate- and long-term debt instruments and other income-producing securities.	Adviser: VALIC Sub-Adviser: AIG Global Investment Corp.
Core Equity Fund	Seeks to provide long-term growth of capital through investment primarily in the equity securities of large-cap quality companies with long-term growth potential.	Adviser: VALIC Sub-Advisers: WM Advisors, Inc. and Wellington Management Company, LLP
Government Securities Fund	Seeks high current income and protection of capital through investments in intermediate- and long-term U.S. government and government-sponsored debt securities.	Adviser: VALIC Sub-Adviser: AIG Global Investment Corp.
Growth & Income Fund	Seeks to provide long-term growth of capital and secondarily, current income, through investment in common stocks and equity-related securities.	Adviser: VALIC Sub-Adviser: AIG SunAmerica Asset Management Corp.
Health Sciences Fund	Seeks long-term capital growth through investments primarily in the common stocks of companies engaged in the research, development, production, or distribution of products or services related to health care, medicine, or the life sciences.	Adviser: VALIC Sub-Adviser: T. Rowe Price Associates, Inc.
Income & Growth Fund	Seeks capital growth by investing in common stocks, though the fund may invest in securities other than stocks. Current income is a secondary consideration.	Adviser: VALIC Sub-Adviser: American Century Investment Management, Inc.
Inflation Protected Fund	Seeks maximum real return, consistent with appreciation of capital and prudent investment engagement. The fund invests in inflation-indexed bonds of varying maturities issued by U.S. and non-U.S. governments and corporations.	Adviser: VALIC Sub-Adviser: AIG Global Investment Corp.
International Equities Fund	Seeks to provide long-term growth of capital through investments primarily in a diversified portfolio of equity and equity-related securities of foreign issuers that, as a group, the Sub-Adviser believes may provide investment results closely corresponding to the performance of the Morgan Stanley Capital International, Europe, Australasia and the Far East Index.	Adviser: VALIC Sub-Adviser: AIG Global Investment Corp.
International Government Bond Fund	Seeks high current income through investments primarily in investment grade debt securities issued or guaranteed by foreign governments. This fund is classified as "non-diversified" because it expects to concentrate in certain foreign government securities. Also, the fund attempts to have all of its investments payable in foreign securities. The fund may convert its cash to foreign currency.	Adviser: VALIC Sub-Adviser: AIG Global Investment Corp.
International Growth I Fund	Seeks capital growth through investments primarily in equity securities of issuers in developed foreign countries. The Sub-Adviser uses a growth strategy it developed to invest in stocks it believes will increase in value over time.	Adviser: VALIC Sub-Adviser: American Century Global Investment Management, Inc.
Large Cap Growth Fund	Seeks to provide long-term growth of capital by normally investing in common stocks of well-established, high-quality growth companies.	Adviser: VALIC Sub-Adviser: AIG SunAmerica Asset Management Corp.

<u>Variable Account Options</u>	<u>Investment Objective</u>	<u>Adviser and Sub-Adviser</u>
Mid Cap Index Fund	Seeks to provide growth of capital through investments primarily in a diversified portfolio of common stocks that, as a group, are expected to provide investment results closely corresponding to the performance of the S&P MidCap 400® Index.	Adviser: VALIC Sub-Adviser: AIG Global Investment Corp.
Money Market I Fund	Seeks liquidity, protection of capital and current income through investments in short-term money market instruments.	Adviser: VALIC Sub-Adviser: AIG SunAmerica Asset Management Corp.
Nasdaq-100® Index Fund	Seeks long-term capital growth through investments in the stocks that are included in the Nasdaq-100 Index®. The fund is a non-diversified fund, meaning that it can invest more than 5% of its assets in the stocks of one company. The fund concentrates in the technology sector, in the proportion consistent with the industry weightings in the Index.	Adviser: VALIC Sub-Adviser: AIG Global Investment Corp.
Science & Technology Fund	Seeks long-term capital appreciation through investments primarily in the common stocks of companies that are expected to benefit from the development, advancement, and use of science and technology. Several industries are likely to be included, such as electronics, communications, e-commerce, information services, media, life sciences and health care, environmental services, chemicals and synthetic materials, and defense and aerospace.	Adviser: VALIC Sub-Adviser: T. Rowe Price Associates, Inc.
Small Cap Fund	Seeks to provide long-term capital growth by investing primarily in the stocks of small companies, with market capitalizations of approximately \$2.5 billion or less.	Adviser: VALIC Sub-Advisers: American Century Investment Management, Inc., Franklin Portfolio Associates, Inc. and T. Rowe Price Associates, Inc.
Small Cap Index Fund	Seeks to provide growth of capital through investment primarily in a diversified portfolio of common stocks that, as a group, the Sub-Adviser believes may provide investment results closely corresponding to the performance of the Russell 2000® Index.	Adviser: VALIC Sub-Adviser: AIG Global Investment Corp.
Social Awareness Fund	Seeks to obtain growth of capital through investment, primarily in common stocks of companies which meet the social criteria established for the fund. The fund does not invest in companies that are significantly engaged in the production of nuclear energy; the manufacture of military weapons or delivery systems; the manufacture of alcoholic beverages or tobacco products; the operation of gambling casinos; or business practices or the production of products that significantly pollute the environment.	Adviser: VALIC Sub-Adviser: AIG Global Investment Corp.
Stock Index Fund	Seeks long-term capital growth through investment in common stocks that, as a group, are expected to provide investment results closely corresponding to the performance of the S&P 500® Index.	Adviser: VALIC Sub-Adviser: AIG Global Investment Corp.
Value Fund	Seeks capital growth and current income through investments primarily in common stocks of large U.S. companies, focusing on value stocks that the Sub-Adviser believes are currently undervalued by the market.	Adviser: VALIC Sub-Adviser: OppenheimerFunds, Inc.

<u>Variable Account Options</u>	<u>Investment Objective</u>	<u>Adviser and Sub-Adviser</u>
<b>VALIC Company II</b>		
Aggressive Growth Lifestyle Fund	Seeks growth through investments in a combination of the different funds offered in VALIC Company I and VALIC Company II. This fund of funds is suitable for investors seeking the potential for capital growth that a fund investing predominately in equity securities may offer.	Adviser: VALIC Sub-Adviser: AIG Global Investment Corp.
Capital Appreciation Fund	Seeks long-term capital appreciation by investing primarily in a broadly diversified portfolio of stocks and other equity securities of U.S. companies.	Adviser: VALIC Sub-Adviser: Credit Suisse Asset Management, LLC
Conservative Growth Lifestyle Fund	Seeks current income and low to moderate growth of capital through investments in a combination of the different funds offered in VALIC Company I and VALIC Company II. This fund of funds is suitable for investors who invest in equity securities, but who are not willing to assume the market risks of either the Aggressive Growth Lifestyle Fund or the Moderate Growth Lifestyle Fund.	Adviser: VALIC Sub-Adviser: AIG Global Investment Corp.
Core Bond Fund	Seeks the highest possible total return consistent with the conservation of capital through investments in medium- to high-quality fixed income securities. These securities include corporate debt securities, securities issued or guaranteed by the U.S. government, mortgage-backed, or asset-backed securities.	Adviser: VALIC Sub-Adviser: AIG Global Investment Corp.
High Yield Bond Fund	Seeks the highest possible total return and income consistent with conservation of capital through investment in a diversified portfolio of high yielding, high risk fixed income securities. These securities include below-investment-grade junk bonds.	Adviser: VALIC Sub-Adviser: AIG Global Investment Corp.
International Small Cap Equity Fund	Seeks to provide capital appreciation through investments mainly in stocks issued by companies outside the U.S. Normally, the Sub-Adviser will invest in at least three countries other than the U.S., selecting countries and industries it believes have favorable investment potential.	Adviser: VALIC Sub-Adviser: AIG Global Investment Corp.
Large Cap Value Fund	Seeks to provide total returns that exceed over time the Russell 1000® Value Index through investment in equity securities. The Russell 1000® Value Index is a sub-index of the Russell 3000® Index, which follows the 3,000 largest U.S. companies, based on total market capitalization.	Adviser: VALIC Sub-Adviser: SSgA Funds Management, Inc.
Mid Cap Growth Fund	Seeks capital appreciation principally through investments in medium-capitalization equity securities, such as common and preferred stocks and securities convertible into common stocks. The Sub-Adviser defines mid-sized companies as companies that are included in the Russell Mid-Cap® Index.	Adviser: VALIC Sub-Adviser: AIM Capital Management, Inc.
Mid Cap Value Fund	Seeks capital growth, through investment in equity securities of medium capitalization companies using a value-oriented investment approach. Mid-capitalization companies include companies with a market capitalization equaling or exceeding \$500 million, but not exceeding the largest market capitalization of the Russell Mid-Cap® Index range.	Adviser: VALIC Sub-Adviser: Wellington Management Company, LLP

<u>Variable Account Options</u>	<u>Investment Objective</u>	<u>Adviser and Sub-Adviser</u>
Moderate Growth Lifestyle Fund	Seeks growth and current income through investments in a combination of the different funds offered in VALIC Company I and VALIC Company II. This fund of funds is suitable for investors who invest in equity securities, but who are not willing to assume the market risks of the Aggressive Growth Lifestyle Fund.	Adviser: VALIC Sub-Adviser: AIG Global Investment Corp.
Money Market II Fund	Seeks liquidity, protection of capital and current income through investments in short-term money market instruments.	Adviser: VALIC Sub-Adviser: AIG SunAmerica Asset Management Corp.
Small Cap Growth Fund	Seeks to provide long-term capital growth through investments primarily in the equity securities of small companies with market caps not exceeding \$1.5 billion or the highest market cap value in the Russell 2000® Growth Index, whichever is greater, at the time of purchase.	Adviser: VALIC Sub-Adviser: Franklin Advisers, Inc.
Small Cap Value Fund	Seeks to provide maximum long-term return, consistent with reasonable risk to principal, by investing primarily in securities of small-capitalization companies in terms of revenue and/or market capitalization. Small-cap companies are companies whose total market capitalizations range from \$100 million to \$3 billion at the time of purchase.	Adviser: VALIC Sub-Advisers: JPMorgan Investment Advisors, Inc.
Socially Responsible Fund	Seeks to obtain growth of capital through investment, primarily in equity securities, of companies which meet the social criteria established for the fund. The fund does not invest in companies that are significantly engaged in the production of nuclear energy; the manufacture of weapons or delivery systems; the manufacture of alcoholic beverages or tobacco products; the operation of gambling casinos; or business practices or the production of products that significantly pollute the environment.	Adviser: VALIC Sub-Adviser: AIG Global Investment Corp.
Strategic Bond Fund	Seeks the highest possible total return and income consistent with conservation of capital through investment in a diversified portfolio of income producing securities. The fund invests in a broad range of fixed-income securities, including investment-grade bonds, U.S. government and agency obligations, mortgage-backed securities, and U.S., Canadian, and foreign high risk, high yield bonds.	Adviser: VALIC Sub-Adviser: AIG Global Investment Corp.

A detailed description of the fees, investment objective, strategy, and risks of each Mutual Fund can be found in the current prospectus for each Fund mentioned. These prospectuses are available at [www.aigvalic.com](http://www.aigvalic.com).

The Evergreen Growth and Income Fund changed its name to the Evergreen Fundamental Large Cap Fund effective April 18, 2005. The International Growth II Fund of VALIC Company II changed its name to the International Small Cap Equity Fund effective October 12, 2004. Vanguard Long-Term Corporate Fund changed its name to the Vanguard Long-Term Investment-Grade Fund on August 19, 2004.

## **Purchase Period**

The Purchase Period begins when your first Purchase Payment is made and continues until you begin your Payout Period. This period may also be called the accumulation period, as you save for retirement. Changes in the value of each Fixed and Variable Account Option are reflected in your overall Account Value. Thus, your investment choices and their performance will affect the total Account Value that will be available for the Payout Period. The amount, number, and frequency of your Purchase Payments may be determined by the retirement plan for which your Contract was purchased. The Purchase Period will end upon death, upon surrender, or when you complete the process to begin the Payout Period.

## **Account Establishment**

You may establish an account through a financial advisor. Initial Purchase Payments must be received by VALIC either with, or after, a completed application. If part of an employer-sponsored retirement plan, your employer is responsible for remitting Purchase Payments to us. The employer is responsible for furnishing instructions to us (a premium flow report) as to the amount being applied to your account (see below). Purchase Payments can also be made by you for IRAs and certain nonqualified Contracts (“individual contracts”).

The maximum single payment that may be applied to any account without prior Home Office approval is \$1,000,000.00. Minimum initial and subsequent Purchase Payments are as follows:

<u>Contract Type</u>	<u>Initial Payment</u>	<u>Subsequent Payment</u>
Periodic Payment . . . . .	\$ 30	\$ 30
Single Payment . . . . .	\$1,000	-0-

Periodic Payment minimums apply to each Periodic Payment made. The Single Payment minimum applies to each of your accounts.

Purchase Payments are received in VALIC's Home Office. When an initial Purchase Payment is accompanied by an application, within 2 Business Days we will:

- Accept the application and establish your account. We will also apply your Purchase Payment by crediting the amount, on the date we accept your application, to the Fixed or Variable Account Option selected; or
- Reject the application and return the Purchase Payment; or
- Request additional information to correct or complete the application. In the case of an individual variable annuity Contract, we will return the Purchase Payments within 5 Business Days if the requested information is not provided, unless you otherwise so specify. Once you provide us with the requested information, we will establish your account and apply your Purchase Payment, on the date we accept your application, by crediting the amount to the Fixed or Variable Account Option selected.

If we receive Purchase Payments from your employer before we receive your completed application or enrollment form, we will not be able to establish a permanent account for you. If this occurs, we will take one of the following actions:

*Return Purchase Payments.* If We do not have your name, address or Social Security Number ("SSN"), we will return the Purchase Payment to your employer unless this information is immediately provided to us; or

*Employer-Directed Account.* If we have your name, address and SSN and we have an Employer-Directed Account Agreement with your employer, generally we will deposit your Purchase Payment in an "Employer-Directed" account invested in a Money Market Division, or other investment option chosen by your employer. If your employer chooses another investment option other than a Money Market Division, the value of your investment may fluctuate and you could lose money. You may not transfer these amounts until VALIC has received a completed application or enrollment form; or

*Starter Account.* If we have your name, address and SSN, but we do not have an Employer-Directed Account Agreement with your employer, we will deposit your Purchase Payment in a "starter" account invested in the Money Market Division option available for your plan. We will send you follow-up letters requesting the information necessary to complete the application, including your allocation instructions. You may not transfer these amounts until VALIC has received a completed application or enrollment form.

If mandated under applicable law, we may be required to reject a Purchase Payment. We may also be required to block a Contract Owner's account and thereby refuse to pay any request for transfers, withdrawals, surrenders, loans or death benefits, until instructions are received from the appropriate regulator.

**When Your Account Will Be Credited**

Depending on your retirement plan, Purchase Payments may be made by your employer for your account or by you for an IRA or certain nonqualified Contracts. It is the employer's or the individual's responsibility to ensure that the Purchase Payment can be promptly posted to the appropriate account(s).

A Purchase Payment must be "in good order" before it can be posted to your account. "In good order" means that all required information and/or documentation has been supplied and that the funds (check, wire, or ACH) are properly authorized and clearly identify the individual SSN or Group Number to which they are to be applied. To ensure efficient posting for Employer-Directed accounts, Purchase Payment information must include complete instructions, including the group name and number, each employee's name and SSN, contribution amounts (balanced to the penny for the total purchase) and the source of the funds (for example, employee voluntary, employer mandatory, employer match, transfer, rollover or a contribution for a particular tax year). Purchase Payments for individual accounts must include the name, SSN, and the source of the funds (for example, transfer, rollover, or a contribution for a particular tax year).

If the Purchase Payment is in good order as described and is received at our Home Office by 4:00 p.m. Eastern time, the appropriate account(s) will be credited the Business Day of receipt. Purchase Payments in good order received at our Home Office after 4:00 p.m. Eastern time will be credited the next Business Day.

Please note that if the Purchase Payment is not in good order, the employer or individual will be notified promptly. No amounts will be posted to any accounts until all issues with the Purchase Payment have been resolved. If a Purchase Payment is not received in good order, the purchase amounts will be posted effective the date all required information is received.



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## Purchase Units

A Purchase Unit is a unit of interest owned by you in your Variable Account Option. Purchase Unit values are calculated each Business Day at the close of regular trading of the NYSE, currently 4:00 p.m. Eastern time. Note that the NYSE is closed on New Year's Day, Martin Luther King, Jr. Day, Presidents' Day, Good Friday, Memorial Day, Independence Day, Labor Day, Thanksgiving Day, and Christmas Day. Purchase Units may be shown as "Number of Shares" and the Purchase Unit Values may be shown as "Share Price" on some account statements. *See "Purchase Unit Value" in the SAI for more information and an illustration of the calculation of the unit value.*

## Calculation of Value for Fixed Account Options

The Fixed Account Plus and the Short-Term Fixed Accounts are part of the Company's general assets. The Multi-Year Option may be invested in either the general assets of the Company or in a separate account of the Company, depending upon state requirements. You may allocate all or a portion of your Purchase Payment to the Fixed Account Options listed in the "General Information" section in this prospectus. Purchase Payments you allocate to these Fixed Account Options are guaranteed to earn at least a minimum rate of interest. Interest is paid on each of the Fixed Account Options at declared rates, which may be different for each option. With the exception of a market value adjustment, which generally will be applied to withdrawals or transfers from a Multi-Year Option prior to the end of an MVA term, we bear the entire investment risk for the Fixed Account Options. All Purchase Payments and interest earned on such amounts in your Fixed Account Option will be paid regardless of the investment results experienced by the Company's general assets. The minimum amount to establish each new Multi-Year Option guarantee period (MVA Band), as described in the Contract, may be changed from time to time by the Company.

The value of your Fixed Account Option is calculated on a given Business Day as shown below:

$$\begin{aligned} & \text{Value of Your Fixed Account Options*} \\ = & \text{ (equals)} \\ & \text{All Purchase Payments made to the Fixed Account Options} \\ + & \text{ (plus)} \\ & \text{Amounts transferred from Variable Account Options to the} \\ & \text{Fixed Account Options} \\ + & \text{ (plus)} \\ & \text{All interest earned} \\ - & \text{ (minus)} \\ & \text{Amounts transferred or withdrawn from Fixed Account} \\ & \text{Options (including applicable fees and charges)} \end{aligned}$$

\* This value may be subject to a market value adjustment under the Multi-Year Option.

## Calculation of Value for Variable Account Options

You may allocate all or a portion of your Purchase Payments to the Variable Account Options listed in this prospectus as permitted by your retirement program. An overview of each of the Variable Account Options may be found in the "General Information, Variable Account Options" section in this prospectus and in each Mutual Fund's prospectus. The Purchase Unit Value of each Variable Account Option will change daily depending upon the investment performance of the underlying Mutual Fund (which may be positive or negative) and the deduction of the Separate Account Charges. *See "Fees and Charges."* Your account will be credited with the applicable number of Purchase Units. If the Purchase Payment is in good order as described and is received at our Home Office by 4:00 p.m. Eastern time, the appropriate account(s) will be credited the Business Day of receipt and will receive that Business Day's Purchase Unit value. Purchase Payments in good order received at our Home Office after 4:00 p.m. Eastern time will be credited the next Business Day and will receive the next Business Day's Purchase Unit value. The Purchase Unit value of each Variable Account Option will change each Business Day depending upon the investment performance of the Mutual Fund (which may be positive or negative) and the deduction of the separate account charges. *See "Fees and Charges."* Because Purchase Unit values for each Mutual Fund change each Business Day, the number of Purchase Units your account will be credited with for subsequent Purchase Payments will vary. Each Variable Account Option bears its own investment risk. Therefore, the value of your account may be worth more or less at retirement or withdrawal.

## Stopping Purchase Payments

Purchase Payments may be stopped at any time. Purchase Payments may be resumed at any time during the Purchase Period. The value of the Purchase Units will continue to vary, and your Account Value will continue to be subject to charges. The Account Value will be considered surrendered when you begin the Payout Period. You may not make Purchase Payments during the Payout Period.

If both your Account Value and Purchase Payments (less any withdrawals) fall below \$300, and you do not make any Purchase Payments for at least a two year period, we may close the account and pay the Account Value to the Participant. We will not assess a surrender charge in this instance. Any such account closure will be subject to applicable distribution restrictions under the Contract and/or under your employer's plan.

## Transfers Between Investment Options

You may transfer all or part of your Account Value between the various Fixed and Variable Account Options in Portfolio Director without a charge. Transfers may be made during the Purchase Period or during the Payout Period, subject to certain restrictions. **We reserve the right to limit the number, frequency (minimum period of time between transfers) or dollar amount of transfers you can make and to restrict the method and manner of providing or communicating transfers or reallocation instructions.** You will be notified of any changes to this policy through newsletters or information posted on [www.aigvalic.com](http://www.aigvalic.com). Your employer's plan may also limit your rights to transfer.

### During the Purchase Period — Policy Against Market Timing and Frequent Transfers

VALIC has a policy to discourage excessive trading and market timing. Therefore, during the Purchase Period, you may make up to 15 transfers per calendar year between Account Options. These transfers may be submitted via the internet or by telephone. Multiple transfers between Account Options on the same day will be counted as a single transfer for purposes of applying this limitation. Transfers in excess of this limit may be required to be submitted in writing by regular U.S. mail and/or you may be restricted to one transfer every 30 days. Transfers resulting from your participation in the Guided Portfolio Services<sup>SM</sup> Portfolio Manager Program administered by VALIC Financial Advisors, Inc. will not count against these transfer limitations.

The Contracts and Account Options are not designed to accommodate short-term trading or "market timing" organizations or individuals engaged in trading strategies that include programmed transfers, frequent transfers or transfers that are large in relation to the total assets of an underlying Mutual Fund. These trading strategies may be disruptive to the underlying Mutual Funds by diluting the value of the fund shares, negatively affecting investment strategies and increasing portfolio turnover, as well as raising recordkeeping and transaction costs. Further, excessive trading harms fund investors, as the excessive trader takes security

The Fixed Account Options are subject to additional restrictions:

<u>Fixed Account Option</u>	<u>Value</u>	<u>Frequency</u>	<u>Other Restrictions</u>
Fixed Account Plus:	Up to 20% per Participant Year	At any time	If you transfer assets from Fixed Account Plus to another investment option, any assets transferred back into Fixed Account Plus within 90 days may receive a different rate of interest than your new Purchase Payments.(1)
Short-Term Fixed Account:	100% Up to 100%	At any time At any time	If Account Value is less than or equal to \$500. After a transfer into the Short-Term Fixed Account, you may not make a transfer from the Short-Term Fixed Account for 90 days.(2)
Multi-Year Option(3):	Up to 100%	At any time	Withdrawals or Transfers subject to market value adjustment if prior to the end of an MVA term. Each MVA Band will require a minimum transfer amount, as described in the Contract.(4)

(1) Your employer may further limit or expand the restrictions. We may charge for those modified restrictions if specified in your employer's retirement plan.

(2) VALIC may change this holding period at any time in the future, but it will never be more than 180 days.

(3) The Multi-Year Option may not be available unless it has been selected as an option for your employer's retirement plan.

(4) The minimum transfer amount may be changed from time to time by the Company.

profits intended for the entire fund, in effect forcing securities to be sold to meet redemption needs. The premature selling and disrupted investment strategy causes the fund's performance to suffer, and exerts downward pressure on the fund's price per share. If we determine, in our sole discretion, that your transfer patterns among the Account Options reflect a potentially harmful strategy, we will require that transfers be submitted in writing by regular U.S. mail, to protect the other investors.

Regardless of the number of transfers you have made, we will monitor and may restrict your transfer privileges, if it appears that you are engaging in a potentially harmful pattern of transfers. We will notify you in writing if you are restricted to mailing transfer requests to us via the U.S. mail service. Some of the factors we will consider when reviewing transfer activities include:

- the dollar amount of the transfer;
- the total assets of the Variable Account Option involved in the transfer;
- the number of transfers completed in the current calendar quarter; or
- whether the transfer is part of a pattern of transfers to take advantage of short-term market fluctuations.

We intend to enforce these frequent trading policies uniformly for all Contract Owners and Participants. We make no assurances that all the risks associated with frequent trading will be completely eliminated by these policies and/or restrictions. If we are unable to detect or prevent market timing activity, the effect of such activity may result in additional transaction costs for the Variable Account Options and dilution of long-term performance returns. Thus, your Account Value may be lower due to the effect of the extra costs and resultant lower performance. We reserve the right to modify these policies at any time.

Contracts issued in connection with certain plans or programs may have different transfer restrictions due to the higher interest rates offered on Fixed Account Plus. From time to time we may waive the 20% transfer restriction on Fixed Account Plus for transfers to the Multi-Year Option or to other investment options.

### Communicating Transfer or Reallocation Instructions

Transfer instructions may be given by telephone, through the internet (AIG VALIC Online), using the self-service automated phone system (AIG VALIC by Phone), or in writing. We encourage you to make transfers or reallocations using AIG VALIC Online or AIG VALIC by Phone for most efficient processing. We will send a confirmation of transactions to the Participant within five days from the date of the transaction. It is your responsibility to verify the information shown and notify us of any errors within 30 calendar days of the transaction.

Generally, no one may give AIG VALIC telephone instructions on your behalf without your written or recorded verbal consent. AIG VALIC financial advisors or authorized AIG VALIC employees who have received client permission to perform a

### Transfers During the Payout Period

During the Payout Period, transfer instructions must be given in writing and mailed to our Home Office. Transfers may be made between the Contract's investment options subject to the following limitations:

<u>Payout Option</u>	<u>% of Account Value</u>	<u>Frequency</u>
Variable Payout:	Up to 100%	Once every 365 days
Combination Fixed and Variable Payout:	Up to 100% of money in variable option payout	Once every 365 days
Fixed Payout:	Not permitted	N/A

## Fees and Charges

By investing in Portfolio Director, you may be subject to five basic types of fees and charges:

- Account Maintenance Charge
- Surrender Charge
- Premium Tax Charge
- Separate Account Charges
- Other Tax Charges

These fees and charges are applied to the Fixed and Variable Account Options in proportion to the Account Value as explained below. Unless we state otherwise, we may profit from these fees and charges. *For additional information about these fees and charges, see the "Fee Tables."* In addition, certain charges may apply to the Multi-Year Option, which are discussed at the end of this section. More detail regarding Mutual Fund fees and expenses may be found in the prospectus for each Mutual Fund, available at [www.aigvalic.com](http://www.aigvalic.com).

client-directed transfer of value via the telephone or internet will follow prescribed verification procedures.

When receiving instructions over the telephone or online, we follow appropriate procedures to provide reasonable assurance that the transactions executed are genuine. Thus, we are not responsible for any claim, loss or expense from any error resulting from instructions received over the telephone or online. If we fail to follow our procedures, we may be liable for any losses due to unauthorized or fraudulent instructions. We reserve the right to modify, suspend, waive or terminate these transfer provisions at any time.

### Effective Date of Transfer

The effective date of a transfer will be:

- The date of receipt, if received in our Home Office before the close of regular trading of the Exchange on a day values are calculated. Normally, this will be 4:00 p.m. Eastern time; otherwise,
- The next date values are calculated.

### Account Maintenance Charge

During the Purchase Period an account maintenance charge of \$3.75 will be deducted on the last Business Day of each calendar quarter if any of your money is invested in the Variable Account Options. We will sell Purchase Units from your account to pay the account maintenance charge. If all your money in the Variable Account Options is withdrawn, or transferred to a Fixed Account Option, the charge will be deducted at that time. The charge will be assessed equally among the Variable Account Options that make up your Account Value. We do not charge an account maintenance charge during the Payout Period.

The account maintenance charge is to reimburse the Company for our administrative expenses. This includes the expense for establishing and maintaining the record keeping for the Variable Account Options.

### Surrender Charge

When you withdraw money from your account, you may be subject to a surrender charge that will be deducted from the amount withdrawn. *For information about your right to surrender, see "Surrender of Account Value" in this prospectus.*

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It is assumed that the most recent Purchase Payments are withdrawn first. No surrender charge will be applied unless an amount is actually withdrawn. We consider all Purchase Payments to be withdrawn before earnings are withdrawn.

Amounts exchanged from other contracts issued by the Company may or may not be subject to a surrender charge. After the exchange, it is assumed that any new Purchase Payments are withdrawn before the exchanged amount. *For more information, see "Exchange Privilege" in the Statement of Additional Information.*

### **Amount of Surrender Charge**

A surrender charge will be the lesser of:

- Five percent (5%) of the amount of all Purchase Payments received during the past 60 months; or
- Five percent (5%) of the amount withdrawn.

### **10% Free Withdrawal**

In any Participant Year, up to 10% of the Account Value may be withdrawn without a surrender charge. The surrender charge will apply to any amount withdrawn that exceeds this 10% limit. The percentage withdrawn will be determined by dividing the amount withdrawn by the Account Value just prior to the withdrawal. If more than one withdrawal is made during a Participant Year, each percentage will be added to determine at what point the 10% limit has been reached.

These 10% withdrawals without charge do not reduce Purchase Payments for the purpose of computing the surrender charge. If a surrender charge is applied to all or part of a Purchase Payment, no surrender charge will be applied to such Purchase Payment (or portion thereof) again. There may be a 10% premature distribution tax penalty for taking a withdrawal prior to age 59½. *See "Federal Tax Matters" for more information.*

### **Exceptions to Surrender Charge**

No surrender charge will be applied:

- To money applied to provide a Payout Option;
- To death benefits;
- If no Purchase Payments have been received during the 60 months prior to the date of surrender;
- If your account has been in effect for 15 years or longer;
- If your account has been in effect for 5 years or longer, and you have attained age 59½;
- To "No Charge Systematic Withdrawals";
- Under certain contracts, to withdrawals under the No Charge Minimum Distribution provisions;

- If you have become totally and permanently disabled, defined as follows: you are unable, due to mental or physical impairment, to perform the material and substantial duties of any occupation for which you are suited by means of education, training or experience; the impairment must have been in existence for more than 180 days; the impairment must be expected to result in death or be long-standing and indefinite and proof of disability must be evidenced by a certified copy of a Social Security Administration determination or a doctor's verification; or
- If you are at least 55 years old, are no longer employed by the employer that established the plan, and your account under the plan was established at least 5 years prior to the date of surrender.

We may waive any otherwise applicable surrender charge if you reinvest the surrender proceeds in another AIG VALIC product. You will, however, be subject to a surrender charge, if any, in the newly acquired product under the same terms and conditions as the original product. For purposes of calculating any surrender charge due, you will be considered to have acquired the new product as of the date you acquired the original product.

### **Premium Tax Charge**

Premium taxes are imposed by some states, cities, and towns. The rate will range from 0% to 3½%, depending on whether the Contract is qualified or nonqualified. Such tax will be deducted from the Account Value when annuity payments are to begin. We will not profit from this charge.

### **Separate Account Charges**

The Separate Account charges for each Variable Investment Option are shown in the Fee Tables of this prospectus. The charges range from 0.75% to 1.25% of the average daily net asset value of VALIC Separate Account A. The exact rate depends on the Variable Account Option selected. This charge is guaranteed and cannot be increased by the Company. These charges are to compensate the Company for assuming certain risks under Portfolio Director. The Company assumes the obligation to provide payments during the Payout Period for your lifetime, no matter how long that might be. In addition, the Company assumes the obligation, during the Purchase Period, to pay an interest guaranteed death benefit. The Separate Account charges also may cover the costs of issuing and administering Portfolio Director and administering and marketing the Variable Account Options, including but not limited to enrollment, participant communication and education. Separate Account Charges are applied to Variable Account Options during both the Purchase Period and Payout Period.

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The Separate Account charges may be reduced if issued to certain types of plans that are expected to result in lower costs to VALIC, as discussed below.

### Other Tax Charges

We reserve the right to charge for certain taxes that we may have to pay. This could include federal income taxes. Currently, no such charges are being made.

### Separate Account Expense Reimbursements or Credits

Some of the Mutual Funds or their affiliates have an agreement with the Company to pay the Company for administrative and shareholder services it provides to the underlying Fund. The Company may, in its discretion, apply some or all of these payments to reduce its charges to the Division investing in that Fund. We receive payments for the administrative services we perform, such as account recordkeeping, proxy mailing and tabulation, mailing of Fund related information and responding to inquiries about the Funds. Currently, these payments range from 0.00% to 0.375% of the market value of the assets invested in the underlying Fund as of a certain date, usually paid at the end of each calendar quarter. We may also receive what is referred to as “12b-1 fees” from some of the Funds themselves. These fees are designed to help pay for our direct and indirect distribution costs. These fees are generally equal to 0.25% of the daily market value of the assets invested in the underlying Fund. **We use these fees received to directly reduce the Separate Account Charges; thus, the net separate account charges are reflected in the Fee Tables.** The Separate Account Charges are guaranteed and may not be increased for the life of the Contracts. From time to time some of these fund

## Payout Period

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The Payout Period begins when you decide to retire or otherwise withdraw your money in a steady stream of payments. If your employer’s plan permits, you may apply any portion of your Account Value to one of the types of payout options listed below. You may choose to have your payout option on either a fixed, a variable, or a combination payout basis. When you choose to have your payout option on a variable basis, you may keep the same Variable Account Options in which your Purchase Payments were made, or transfer to different ones.

### Fixed Payout

Under a fixed payout, you will receive payments that are fixed and guaranteed by the Company. The amount of these payments will depend on:

- Type and duration of payout option chosen;
- Your age or your age and the age of your survivor (1);

arrangements may be renegotiated so that we receive a greater payment than previously paid. These fee arrangements do not result in any additional charges to Contract Owners or Participants.

### Market Value Adjustment (“MVA”)

Under the Multi-Year Option, you may establish one or more new Multi-Year Option guarantee periods (MVA Bands) with a minimum amount, as described in the Contract, per MVA Band in states in which the Multi-Year Option has been approved. The Company may change the minimum from time to time. Each MVA Band will be guaranteed to receive a stated rate of interest through the end of the selected MVA term. We guarantee your Multi-Year Option will earn at least the lowest minimum interest rate applicable to any of the fixed interest options in the Contract. A withdrawal will generally be subject to a surrender charge if it exceeds the amount of any free withdrawal amount permitted under your Contract. Withdrawals or transfers from an MVA Band prior to the end of the MVA term will be subject to a market value adjustment, unless an exception applies. This adjustment may be positive or negative, based upon the differences in selected interest rates at the time the MVA Band was established and at the time of the withdrawal. This adjustment will not apply upon the Owner’s death, or if the Contract Owner is not a natural person, upon the death of the Annuitant. This adjustment applies independently from surrender charges, and can apply to a 10% free withdrawal. The market value adjustment may be waived for distributions that are required under your Contract. It will also be waived for 30 days following the end of an MVA term. Loans are not available from the Multi-Year Option. Please review your Contract for additional information on the Multi-Year Option.

- Your gender or your gender and the gender of your survivor (1) (IRAs and certain nonqualified Contracts);
- The portion of your Account Value being applied; and
- The payout rate being applied and the frequency of the payments.

(1) This applies only to joint and survivor payouts.

If the benefit would be greater, the amount of your payments will be based on the current payout rate the Company uses for immediate annuity contracts.

### Assumed Investment Rate

An “Assumed Investment Rate” or “AIR” is the rate used to determine your first monthly Payout Payment per thousand dollars of account value in your Variable Account Option. When you decide to enter the Payout Period, you will select your

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Payout Option, your Annuity Date, and the AIR. You may choose an AIR ranging from 3.5% to 5% (as prescribed by state law). If you choose a higher AIR, the initial Annuity Payment will be higher, but later payments will increase more slowly during periods of good investment performance, and decrease faster during periods of poor investment performance. The dollar amount of the variable income payments stays level if the net investment return equals the AIR. Your choice of AIR may affect the duration and frequency of payments, depending on the Payout Option selected. For example, a higher AIR will generate a higher initial Payout Payment, but as Payout Payments continue they may become smaller, and eventually could be less than if you had initially selected a lower AIR. The frequency of the Payout Payments may lessen to ensure that each Payout Payment is at least \$25 per month.

### Variable Payout

With a variable payout, you may select from your existing Variable Account Options. Your payments will vary accordingly. This is due to the varying investment results that will be experienced by each of the Variable Account Options you selected. The Payout Unit value is calculated just like the Purchase Unit value for each Variable Account Option except that the Payout Unit value includes a factor for the AIR you select. *For additional information on how Payout Payments and Payout Unit Values are calculated, see the Statement of Additional Information.*

In determining your first Payout Payment, an AIR of 3½% is used (unless you select a higher rate as allowed by state law). If the net investment experience of the Variable Account Option exceeds your AIR, your subsequent payments will be greater than your first payment. If the investment experience of the Variable Account Option is lower than your AIR, your subsequent payments will be less than your first payment.

### Combination Fixed and Variable Payout

With a combination fixed and variable payout, you may choose:

- From your existing Variable Account Options (payments will vary); with a
- Fixed payout (payment is fixed and guaranteed).

### Partial Annuitization

A Participant may choose to annuitize a portion of the Account Value. This will, in essence, divide the Account Value into two parts. The current non-annuitized part would continue as before, while the annuitized part would effectively be moved to a new Payout Payment account. Thus, the death benefit in such a situation would be reduced to the value of the amount remaining in the account minus the amount applied to Payout

Payments. Depending on the payout option selected, there may also be a death benefit from the annuitized portion of the account, such as a payout for a guaranteed period.

### Payout Date

The payout date is the date elected by you on which the annuity Payout Payments will start. The date elected must be the first of any month. A request to start payments must be received in our Home Office on a form approved by VALIC. This request must be received by VALIC by at least the fifteenth (15th) day of the month prior to the month you wish your annuity payments to start. Your account will be valued ten days prior to the beginning of the month in which the Payout Payments will start.

The following additional rules also apply when determining the payout date:

- The earliest payout date for a nonqualified contract, an IRA, or a Roth IRA, is established by the terms of the contract, and generally can be any time from age 50 to age 75, and may not be later than age 75 without VALIC's consent.
- The earliest payout date for all other qualified contracts is generally subject to the terms of the employer-sponsored plan (including 403(b) plans and programs) under which the contract is issued and the federal tax rules governing such contracts and plans.
- Distributions from qualified contracts issued under employer-sponsored retirement plans generally are not permitted until after you stop working for the employer sponsoring the plan, unless you have experienced a qualifying financial hardship (or in the case of a 457(b) plan, an unforeseeable emergency) or unless you have become disabled.
- In certain cases, and frequently in the case of your voluntary deferrals to a 403(b) or a 401(k) plan, you may begin taking distributions when you attain age 59½ even if you are still working for the employer sponsoring the plan.
- Except in the case of nonqualified contracts, IRAs, and Roth IRAs, distributions generally must begin no later than April 1 following the calendar year you reach age 70½ or the calendar year in which you retire, if later. Similar rules apply to IRAs, however distributions from those contracts may not be postponed until after retirement.
- All contracts require distributions to commence within a prescribed period after the death of the Contract Owner/Participant, subject to the specific rules which apply to the type of plan or arrangement under which the contract is issued.

- The Contract may also impose minimum amounts for annuity payments, either on an annual or on a more frequent periodic basis.

For additional information on plan-level distribution restrictions and on the minimum distribution rules that apply to payments under 403(b), 401, 403(a) and 457 plans, simplified employee plans (“SEPs”) or IRAs, see “Federal Tax Matters” in this prospectus and in the SAI.

### Payout Options

You may specify the manner in which your Payout Payments are made. You may select one of the following options:

1. **Life Only** — payments are made only to you during your lifetime. Under this option there is no provision for a death benefit for the beneficiary. For example, it would be possible under this option for the Annuitant to receive only one Payout Payment if the Annuitant died prior to the date of the second payment, or two if the Annuitant died before the third payment.
2. **Life with Guaranteed Period** — payments are made to you during your lifetime, but if you die before the guaranteed period has expired, your beneficiary can receive payments for the rest of your guaranteed period, or take a lump-sum distribution.
3. **Life with Cash or Unit Refund** — payments are made to you during your lifetime. These payments are based upon your life expectancy and will continue for as long as you live. If you do not outlive the life expectancy calculated for you, upon your death, your Beneficiary may receive an additional payment. The payment under a Fixed Annuity, if any, is equal to the Fixed Annuity value of the Participant’s Account at the time it was valued for the Payout Date, less the Payout Payments. The payment under a Variable Annuity, if any, is equal to the Variable Annuity value of the Participant’s Account as of the date we receive Proof of Death, less the Payout Payments.
4. **Joint and Survivor Life** — payments are made to you during the joint lifetime of you and a second person. Upon the death

of one, payments continue during the lifetime of the survivor. This option is designed primarily for couples who require maximum possible variable payouts during their joint lives and are not concerned with providing for beneficiaries at the death of the last survivor. For example, it would be possible under this option for the joint Annuitants to receive only one payment if both Annuitants died prior to the date of the second payment, or for the joint Annuitants to receive only one payment and the surviving Annuitant to receive only one payment if one Annuitant died prior to the date of the second payment and the surviving Annuitant dies prior to the date of the third payment.

5. **Payment for a Designated Period** — payments are made to you for a select number of years between five and 30. Upon your death, payments will continue to your beneficiary until the designated period is completed.

### Payout Information

Once your Payout Payments have begun, the option you have chosen may not be stopped or changed. Any one of the Variable Account Options may result in your receiving unequal payments during the Payout Period. If payments begin before age 59½, you may suffer unfavorable tax consequences, in the form of a penalty tax, if you do not meet an exception under federal tax law. See “Federal Tax Matters.”

Under certain retirement plans, federal pension law may require that payments be made under the joint and survivor life payout option.

Most Payout Payments are made monthly. The first Payout Payment must total at least \$25, and the annual payment must be at least \$100. If the amount of a payment is less than \$25, we reserve the right to reduce the frequency of payments so that each payment is at least \$25, subject to any limitations under the Contract or plan.

*For more information about payout options or enhancements of those payout options available under the Contract, see the Statement of Additional Information.*

## Surrender of Account Value

### When Surrenders Are Allowed

You may withdraw all or part of your Account Value at any time before the Payout Period begins if:

- allowed under federal and state law; and
- allowed under your employer’s plan.

For Purchase Payments that are contributions made under your employer’s plan, such as a 401(a) or (k) qualified cash or

deferred arrangement or a 403(b) plan, surrenders are subject to the terms of the plan, in accordance with the Code. Qualified plans often require certain conditions to be met before a distribution or withdrawal may take place. See “Surrender Restrictions” below.

*For an explanation of charges that may apply if you surrender your Account Value, see “Fees and Charges” in this prospectus. Additionally, you may incur a 10% federal tax penalty for partial or total surrenders made before age 59½.*

*Delay required under applicable law.* We may be required under applicable law to block a request for a surrender until we receive instructions from the appropriate regulator, due to the USA Patriot Act.

### Surrender Process

If you are allowed to surrender all or a portion of your Account Value during the Purchase Period as noted above, then you must complete a surrender request form and mail it to our Home Office. We will mail the surrender value to you within seven calendar days after we receive your request if it is in good order. Good order means that all paperwork is complete and signed or approved by all required persons, and any necessary supporting legal documents or plan forms have been received in correct form.

We may be required to suspend or postpone payments if redemption of an underlying Fund's shares have been suspended or postponed. See your current Fund(s)' prospectuses for a discussion of the reasons why the redemption of shares may be suspended or postponed.

We may receive a surrender for a Purchase Payment that has not cleared the banking system. We may delay payment of that portion of your surrender value until the check clears.

### Amount That May Be Surrendered

The amount that may be surrendered during the Purchase Period can be determined as follows:

$$\begin{array}{r} \text{Allowed} \\ \text{Surrender} \\ \text{Value} \end{array} = \text{(equals)} \begin{array}{r} \text{Your Account Value(1)} \\ - \text{(minus)} \\ \text{Any Applicable} \\ \text{Surrender Charge} \end{array}$$

(1) Equals the Account Value next computed after your properly completed request for surrender is received in our Home Office.

There is no guarantee that the surrender value in a Variable Account Option will ever equal or exceed the total amount of your Purchase Payments received by us.

### Surrender Restrictions

Generally, Code section 403(b)(11) permits total or partial distributions from your voluntary contributions to a 403(b) contract only on account of hardship (employee contributions only without accrued interest), attainment of age 59½, separation from service, death or disability. Similar restrictions apply to any amount transferred to a 403(b) contract from a 403(b)(7) custodial account.

Under the **Texas State Optional Retirement Program**, no surrender or partial surrender will be allowed except upon attainment of age 70½, retirement or other termination of employment or death.

Under the **Florida State Optional Retirement Program**, no surrender or partial surrender of Purchase Payments made by the employer will be allowed except upon termination of employment, retirement or death. Benefit payments based on payments from the employer may not be paid in a lump sum or for a period certain, but must be paid under a life contingency option, except for:

- death benefits; and
- certain small amounts approved by the State of Florida.

Under the **Louisiana Optional Retirement Plan** retirement benefits must be paid in the form of a lifetime income, and except for death benefits, single sum surrenders and partial surrenders out of the plan are not permitted, unless they are rollovers to another qualified plan or IRA.

Other employer-sponsored plans may also impose restrictions on the timing and form of surrenders from the Contract.

### Partial Surrenders

You may request a partial surrender of your Account Value at any time during the Purchase Period, subject to any applicable surrender restrictions. A partial surrender plus any surrender charge will reduce your Account Value. Partial surrenders will be paid from the Fixed Account Options first unless otherwise specified by you.

The reduction in the number of Purchase Units credited to your Variable Account Option Account Value will equal:

$$\begin{array}{r} \text{The amount surrendered} \\ \text{from the Variable} \\ \text{Account Option} \\ + \text{(plus)} \\ \text{Any surrender charge} \end{array} \div \begin{array}{r} \text{(divided} \\ \text{by)} \end{array} \begin{array}{r} \text{Your Purchase Units} \\ \text{next computed after the} \\ \text{written request for} \\ \text{surrender is received at} \\ \text{our Home Office} \end{array}$$

The surrender value will be reduced by the full quarterly account maintenance charge in the case of a full surrender during a quarter.

### Systematic Withdrawals

You may elect to withdraw all or part of your Account Value under a systematic withdrawal method as described in your Contract ("No Charge" systematic withdrawals). There will be no surrender charge for withdrawals using this method, which provides for:

- Payments to be made to you; and



- Payment over a stated period of time, but not less than five years; and
- Payment of a stated yearly dollar amount or percentage (the amount or percentage may not exceed 20% of your Account Value at the time election is made).

We may require a minimum withdrawal amount under this method. The portion of your account that has not been withdrawn will continue to receive the investment return of the Variable Account Options that you selected. You may select the specific Investment Option(s) from which to take distributions for most payment options, or you may elect to have your payment distributed proportionally across all the funds in which you are invested, including the Multi-Year Option. A market value adjustment may apply to systematic withdrawals unless you choose the Fixed Interest Only payment option. Once begun, a “No Charge” systematic withdrawal election may not be changed, but can be revoked at no charge. If revoked, a “No Charge” systematic withdrawal may not be elected again. Systematic withdrawals that are not “No Charge” systematic withdrawals can be changed, revoked, and/or reinstated. No more than one systematic withdrawal election may be in effect

## Exchange Privilege

We issue other fixed and/or variable annuity contracts (other contracts) in addition to Portfolio Director. These other contracts are listed below. We will allow you, under certain conditions, to exchange from one of these other contracts to Portfolio Director. If you elect to exercise one of these exchange offers, you should contact your financial advisor. An exchange may require the issuance of a Contract or may be subject to any other requirements that the Company may impose.

### Restrictions on Exchange Privilege

We will impose certain general restrictions and rules on the exchange privileges.

- Partial exchanges are not permitted.
- Exchanges from Portfolio Director to other contract forms are not permitted, except at the discretion of the Company.
- This exchange privilege is only available for those other contracts listed below.

Additionally, if you have your money in a fixed account of one of the other contracts listed below, you must exchange directly into the Fixed Account Options of Portfolio Director. You will be subject to all of the rules that apply to the Fixed Account Options in Portfolio Director. For example, you will be subject to the rules concerning transfers among investment options as stated in the Transfers Between Investment Options section in

at any one time. We reserve the right to discontinue any or all systematic withdrawals or to change the terms, at any time.

### Distributions Required by Federal Tax Law

There will be no surrender charge on a minimum distribution required by federal tax law (known as “No Charge” Minimum Distribution), if the withdrawal:

- Is made payable to you; and
- Does not exceed the amount required under federal tax law as determined by the values in your Portfolio Director Contract and VALIC.

You may select the specific investment option(s) from which to take distributions for most payment options, or you may elect to have your payment distributed proportionally across all the funds in which you are invested, including the Multi-Year Option. This Contract feature will not be available in any year that an amount has been withdrawn under the “No Charge” systematic withdrawal method. *See “Federal Tax Matters” for more information about required distribution rules imposed by the Internal Revenue Service (“IRS”).*

this prospectus. We may, at our option, waive any transfer restrictions for a stated period of time. If we waive these transfer restrictions, you will be allowed to exchange to any investment option available in Portfolio Director.

**WE RESERVE THE RIGHT TO TERMINATE, MODIFY OR SUSPEND THESE EXCHANGE PRIVILEGES AT ANY TIME.**

### Taxes and Conversion Costs

We will impose no fee or charge for these exchanges. Please read the “Federal Tax Matters” section in this prospectus for information about the federal income tax treatment of Portfolio Director.

### Surrender Charges

We will generally not impose existing surrender charges as a result of your electing to exchange from one of the other contracts.

For purposes of determining surrender charges, We often consider time in the contract. For SPQ-181 and SPQ-181-1 Contracts, the contract date for determining surrender charges under Portfolio Director will be the SPQ-181 and SPQ-181-1 contract date plus one year. For example, if you have an SPQ181 contract with a contract date of January 1, 1993, upon exchange into Portfolio Director, the contract date for surrender charges purposes becomes January 1, 1994.

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For any other contract, the contract date for determining surrender charges under Portfolio Director will be the same date as the other contract, but no earlier than January 1, 1982. (The effect of this is to potentially shorten the charge period for Purchase Payments subsequently made to Portfolio Director.)

If there is no surrender charge on assets within another contract, we will not impose charges on those assets as a result of an exchange. If surrender charges are to be based on Purchase Payments within a contract, we will consider Purchase Payments in the other contract to have been transferred to Portfolio Director for purposes of calculating the surrender charge. The effective dates of these Purchase Payments will also be retained for surrender charge purposes.

The Portfolio Director surrender charge is calculated assuming the most recent Purchase Payments are removed first. This policy may cause exchanged funds to be accessible only after charges are imposed.

### **Exchange Offers for Contracts Other Than Portfolio Director**

The following other contracts may be exchanged.

- V-Plan Contracts (IFA-582 and GFA-582 Contracts)
- Compounder Contracts (C-1-75 and IFA-78 Contracts)
- Independence Plus Contracts (UIT-585 and UITG-585 Contracts)
- Impact Contracts (UIT-981 Contracts)
- SA-1 or SA-2 (GUP-64, GUP-74 and GTS-VA Contracts)
- FSPA-75, FSPA-73-3, FSPA-779 Contracts
- SPQ-181, SPQ-181-1 Contracts
- CTA 978 Contract
- TFA-379 Contract
- SDA-578, SDA-773-T Contract
- IRA-579 Contracts

## **Death Benefits**

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The Contracts will pay death benefits during either the Purchase Period or the Payout Period. The death benefit provisions may vary from state to state.

### **The Process**

VALIC requires that complete and acceptable documentation and paperwork be received from the beneficiary in order to begin the death benefit payment process. First, Proof of Death is required. Proof of Death is defined as a certified copy of the

Portfolio Director will have the same Account Value (called Accumulation Value in the other contracts) as the other contracts.

### **Comparison of Contracts**

You should carefully compare the features, charges and restrictions of the other contracts to those of Portfolio Director. A more detailed comparison of the features, charges, and restrictions between each above listed other contract and Portfolio Director is provided in the Statement of Additional Information.

For the V-Plan and Compounder Contract you should refer to the terms of the contract or certificate. For the other contracts please refer to the other contract's most recently dated prospectus for a complete description of the contract terms and conditions.

### **Features of Portfolio Director**

In deciding whether you want to exercise these exchange privileges, you should consider the following features of Portfolio Director.

- Portfolio Director has more investment options from which to select.
- Portfolio Director has several publicly available mutual funds as variable account options.
- The Portfolio Director surrender charge is calculated assuming the most recent Purchase Payments are removed first. This policy may cause exchanged funds to be accessible only after charges are imposed.
- Portfolio Director has an Interest Guaranteed Death Benefit.
- Portfolio Director's Fund fees and charges are different than the other contracts and in some cases may be higher.
- Different series of Portfolio Director may charge fees higher or lower than other series of Portfolio Director.
- Portfolio Director's guaranteed annuity rates and guaranteed interest rates may be less favorable than the other contracts.

death certificate, a certified copy of a decree of a court of competent jurisdiction as to death, a written statement by an attending physician, or any other proof satisfactory to VALIC. Additionally, the Beneficiary must include an election specifying the distribution method and any other form required by VALIC or a regulator to process the claim. The account will not be valued and any payments will not be made until all paperwork is complete and in a form acceptable to VALIC. Your Beneficiary may contact a financial advisor at 1-800-448-2542 with any

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questions about required documentation and paperwork. Death benefits are paid only once per Contract.

### **Beneficiary Information**

The Beneficiary may receive death benefits:

- In a lump sum;
- In the form of an annuity under any of the Payout Options stated in the Payout Period section of this prospectus subject to the restrictions of that Payout Option; or
- In a manner consistent with Code section 401(a)(9) or 72(s).

Payment of any death benefits must be within the time limits set by federal tax law and by the plan, if any.

### **Spousal Beneficiaries**

A spousal Beneficiary may receive death benefits as shown above; or

*In the case of a qualified Contract,*

- may delay any distributions until the Annuitant would have reached age 70½; or
- may roll the funds over to an IRA or certain retirement plans in which the spousal Beneficiary participates;

*In the case of a nonqualified Contract,*

- may continue the Contract as Contract Owner.

### **Beneficiaries Other Than Spouses**

If the Beneficiary is not the spouse of the Annuitant, death benefits must be paid:

- In full within 5 years after the year of the Annuitant's death; or
- By payments beginning within 1 year after the year of the Annuitant's death under:
  1. A life annuity;
  2. A life annuity with payments guaranteed to be made for at least a specified fixed period; or
  3. An annuity or other stream of payments for a designated period not exceeding the Beneficiary's life expectancy.

If the Annuitant dies before the beginning of the Annuity Period, the named Beneficiary may receive the payout.

Payments for a designated or fixed period and guarantee periods for a life annuity cannot be for a greater period of time than the Beneficiary's life expectancy. After choosing a payment option, a Beneficiary may exercise many of the investment options and other rights that the Participant or Contract Owner had under the Contracts.

### **Special Information for Individual Nonqualified Contracts**

It is possible that the Contract Owner and the Annuitant under a nonqualified Contract may not be the same person. If this is the case, and the Contract Owner dies, there will be no death benefit payable since the death benefit is only due in the event of the Annuitant's death. However, the Contract will be transferred to the contingent owner, if any, or to the Beneficiary if there is no contingent owner or to the contract owner's estate, if there is no Beneficiary. Such transfers may be considered a taxable event by the IRS. In general, payments received by your Beneficiaries after your death are taxed in the same manner as if you had received the payments. *See "Federal Tax Matters."*

### **During the Purchase Period**

Two types of benefits are available if death occurs during the Purchase Period: interest guaranteed death benefit and standard death benefit. The Beneficiary will receive the greater of these two benefits. The interest guaranteed death benefit ensures that the Beneficiary receives at least a minimum death benefit under the Contracts, even if invested in Variable Account Options, while the standard death benefit guarantees the return of Purchase Payments less any prior withdrawals.

As indicated above, a Participant may elect to annuitize only a certain portion and leave the remaining value in the account. The death benefit in such situations would include the value of the amount remaining in the account minus the amount applied to Payout Payments. Depending on the payout option selected, there may also be a death benefit from the annuitized portion of the account.

### **Interest Guaranteed Death Benefit**

The interest guaranteed death benefit is payable when death occurs prior to your reaching the age of 70. This Contract provision is not available in some states, including New York and Florida. This interest guarantee is sometimes referred to as one of the insurance features or benefits under the Contract. However, unlike insurance generally, this feature is directly related to the performance of the Variable Account Options that you select. Its purpose is to help guarantee that your Beneficiary(ies) will receive a minimum death benefit under the Contract.

The amount payable under the interest guaranteed death benefit will be at least equal to the sum of your Account Value in the Fixed Account Option(s) and the Variable Account Option(s) on the date VALIC receives all paperwork, including satisfactory proof of death, complete and in a form acceptable to VALIC.

The interest guaranteed death benefit is generally calculated as is shown below. The calculation becomes more complex based upon the transfers between available investment options or product exchanges. Thus, the death benefit may only be calculated for a Beneficiary once VALIC receives all paperwork, including satisfactory proof of death, complete and in a form acceptable to VALIC.

**Step 1:** Determine your Fixed Account Option Value by taking the greater of:

- Value of Fixed Account Option on date all paperwork is complete and in a form acceptable to VALIC
- or**
- 100% of Purchase Payments invested in Fixed Account Option
- **(minus)**
- Amount of all prior withdrawals, charges and any portion of Account Value applied under a Payout Option

**Step 2:** Determine your Variable Account Option Value by taking the greater of:

- Value of Variable Account Option on date all paperwork is complete and in a form acceptable to VALIC
- or**
- 100% of Purchase Payments invested in Variable Account Options
- **(minus)**
- Prior withdrawals (out of) or transfers (out of) the Variable Account Option
- + **(plus)**
- Interest at an annual rate as specified in your Contract

**Step 3:** Add step 1 + 2 = *Death Benefit*

For purposes of this calculation amounts transferred into the Variable Account Option will be treated as Purchase Payments.

### Standard Death Benefit

The standard death benefit is payable if death occurs on or after age 70, or at any age in New York and Florida, or any other state where the interest guaranteed death benefit is not available.

The standard death benefit will be the greater of:

- Your Account Value on the date all paperwork is complete and in a form acceptable to VALIC
- or**
- 100% of Purchase Payments (to Fixed and/or Variable Account Options)
- **(minus)**
- Amount of all Prior Withdrawals, Charges and any portion of Account Value applied under a Payout Option

**Death Benefit Endorsement** — The information below is applicable to you only if you received a Death Benefit Endorsement with your Contract or certificate.

If the total amount of any death benefit payable from the Fixed and Variable Account Options under the Contract exceeds the Account Value as of the date all paperwork is complete and in a form acceptable to VALIC, then the total death benefit paid may be adjusted to limit the death benefit due to withdrawals. An Adjusted Purchase Payment Amount will be calculated, on the

date all paperwork is complete and in a form acceptable to VALIC, determined as follows:

- A. 100% of Purchase Payments
- **(minus)**
- B. Gross Withdrawals (see below) and any portion of Account Value applied under a Payout Option
- + **(plus)**
- C. Interest on the result of A minus B at the rate of up to 3% annually (see below).

Each “Gross Withdrawal” is calculated by multiplying the Account Value by a fraction. The numerator of the fraction is the amount of the withdrawal plus any associated fees and charges. The denominator of the fraction is the Account Value immediately prior to the withdrawal. Thus, each Gross Withdrawal will proportionately reduce the Account Value. The interest adjustment in C. above is added only if you are under age 70 at the time of death and if your Contract was not issued in New York or Florida. Please see the Death Benefit Endorsement for the interest rate to be applied.

The Contract death benefit and the Adjusted Purchase Payment Amount are compared. The lesser benefit is then compared to the Account Value, and the beneficiary will receive the greater of those two amounts.

### During the Payout Period

If death occurs during the Payout Period, the Beneficiary may receive a death benefit depending on the payout option selected. The amount of death benefit will also depend on the payout option that you selected. The payout options available are described in the “Payout Period” section of this prospectus.

- If the life only option or joint and survivor life option was chosen, there will be no death benefit.
- If the life with guaranteed period option, joint and survivor life with guaranteed periods option, life with cash or unit refund option or payment for a designated period option was chosen, and the entire amount guaranteed has not been paid, the Beneficiary may choose one of the following within 60 days after death benefits are payable:
  1. Receive the present value of any remaining payments in a lump sum; or
  2. Receive the remaining payments under the same terms of the guaranteed period option chosen by the deceased Annuitant; or
  3. Receive the present value of any remaining payments applied under the payment for a designated period option for a period equal to or shorter than the period remaining. Spousal Beneficiaries may be entitled to more favorable treatment under federal tax law.

## Other Contract Features

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### Changes That May Not Be Made

The following terms in the Contracts may not be changed once your account has been established:

- The Contract Owner (except for an individual nonqualified Contract);
- The Participant; and
- The Annuitant.

### Change of Beneficiary

The Beneficiary (if not irrevocable) may usually be changed at any time.

Under some retirement programs, the right to name a Beneficiary other than the spouse or change a Beneficiary is subject to approval by the spouse. Also, the right to name a Beneficiary other than the spouse may be subject to certain laws and regulations applicable to the plan.

If the Annuitant dies, and there is no Beneficiary, any death benefit will be payable to the Annuitant's estate, except in the case of a nonqualified Contract where the Contract Owner and Annuitant are different, in which case the death benefit is paid to the Contract Owner or the Contract Owner's estate.

If a Beneficiary dies while receiving payments, and there is no co-Beneficiary to continue to receive payments, any amount still due will be paid to the Beneficiary's estate.

### Contingent Owner

The Contract Owner may name a contingent owner under an individual nonqualified Contract. During the Purchase Period, the contingent owner may be changed.

### Cancellation — The 20 Day “Free Look”

The Contract Owner of a group Contract (employer) or individual Contract Owner may cancel a Contract by returning it to the Company within 20 days after it is received. (A longer period will be allowed if required under state law.) The free look does not apply to Participant certificates except in a limited number of states. We will allocate Purchase Payments as instructed during the “free look” period. To cancel the Contract, the Contract Owner must send a written request for cancellation and return the Contract to us at our Home Office before the end of the “Free

Look” period. A refund will be made to the Contract Owner within seven days after receipt of the Contract within the required period. The amount of the refund will be equal to all Purchase Payments received or, if more, the amount required under state law. The Contract will be void once we issue a refund.

### We Reserve Certain Rights

We may amend the Contracts to comply with changes in federal tax, securities, or other laws. We may also make changes to the Variable Account Options offered under the Contracts. For example, we may add new Variable Account Options to expand the offerings for an asset class. We may stop accepting allocations and/or investments in a particular Variable Account Option if the shares of the underlying Fund are no longer available for investment or if, for example, further investment would be inappropriate. We may move assets and re-direct future premium allocations from one Variable Account Option to another in accordance with federal and state law and, in some cases, with SEC approval. The new Variable Account Option offered may have different Fund fees and expenses.

We will not make any changes to the Contracts without Contract Owner and Participant permission except as may be allowed by federal or state law. We may add endorsements to the Contracts that would apply only to new Contract Owners and Participants after the effective date of the changes. These changes would be subject to approval by the Company and may be subject to approval by the SEC.

We reserve the right to operate VALIC Separate Account A as a management investment company under the applicable securities laws, and to deregister VALIC Separate Account A under applicable securities laws, if registration is no longer required.

### Relationship to Employer's Plan

If the Contract is being offered under a retirement plan through your employer, you should always refer to the terms and conditions in your employer's plan when reviewing the description of the Contracts in this prospectus.

Plan loans from the Fixed Account Options may be allowed by your employer's plan. Refer to your plan for a description of charges and other information concerning plan loans. We reserve the right to charge a fee of up to \$60 per loan (if permitted under state law) and to limit the number of outstanding loans.

## Voting Rights

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As discussed in the “About VALIC Separate Account A” section of this prospectus, VALIC Separate Account A holds, on your behalf, shares of the Mutual Funds that comprise the Variable Account Options. From time to time, the Funds may be required to hold a shareholder meeting to obtain approval from their shareholders for certain matters.

### Who May Give Voting Instructions

During the Purchase Period, subject to any contrary provisions in the plan, the Contract Owner, Participant, or Beneficiary will have the right to give voting instructions to VALIC Separate Account A for the shareholder meetings, except as noted below. Proxy material and a form on which voting instructions may be given before the shareholder meeting is held will be mailed in advance of any shareholder meeting. Please vote each card received.

Participants in a nonqualified unfunded deferred compensation plan will not have the right to give voting instructions.

### Determination of Fund Shares Attributable to Your Account

#### *During the Purchase Period*

The number of Fund shares attributable to your account will be determined on the basis of the Purchase Units credited to your account on the record date set for the Fund shareholder meeting.

## Federal Tax Matters

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The Contracts provide tax-deferred accumulation over time, but are subject to federal income and excise taxes, mentioned below. Refer to the Statement of Additional Information for further details. Section references are to the Code. We do not attempt to describe any potential estate or gift tax, or any applicable state, local or foreign tax law. Remember that future legislation could modify the rules discussed below, and always consult your personal tax advisor regarding how the current rules apply to your specific situation.

### Types of Plans

Tax rules vary, depending on whether the Contract is offered under your employer’s tax-qualified retirement program, an IRA, or is instead a nonqualified Contract. The Contracts are used under the following types of retirement arrangements:

- Section 403(b) annuities for employees of public schools and Section 501(c)(3) tax-exempt organizations;
- Section 401(a), 403(a) and 401(k) qualified plans (including plans of self-employed individuals);
- Section 408(b) traditional IRAs;
- Section 408A Roth IRAs;
- Section 457 deferred compensation plans of governmental and tax-exempt employers;

### *During the Payout Period or after a Death Benefit Has Been Paid*

The number of Fund shares attributable to your account will be based on the liability for future variable annuity payments to your payees on the record date set for the Fund shareholder meeting.

### How Fund Shares Are Voted

VALIC Separate Account A will vote all of the shares of the Funds it holds based on, and in the same proportion as, the instructions given by all Participants invested in that Fund entitled to give instructions at that shareholder meeting. VALIC Separate Account A will vote the shares of the Funds it holds for which it receives no voting instruction in the same proportion as the shares for which voting instructions have been received.

In the future, we may decide how to vote the shares of VALIC Separate Account A in a different manner if permitted at that time under federal securities law.

- Section 408(k) SEPs; and
- Section 408(p) SIMPLE retirement accounts.

Contributions under one of these retirement arrangements generally must be made to a qualifying annuity contract or to a qualifying trust or custodial account, in order for the contributions to receive favorable tax treatment as pre-tax contributions. Contracts purchased under these retirement arrangements are “Qualified Contracts.” Certain series of the Contracts may also be available for a nondeductible Section 408A “Roth” individual retirement annuity (“Roth IRA”).

Note that the specific terms of the governing employer plan may limit rights and options otherwise available under a Contract.

For years beginning in 2002 (and in one specific case, retroactive to 2000), the Economic Growth and Tax Relief and Reconciliation Act of 2001 (“EGTRRA”) increased the amount of allowable contributions to, and expanded the range of eligible rollover distributions that may be made among, employer-sponsored plans and IRAs, and enacted other important changes to the rules governing employer-sponsored plans and IRAs. The laws of some states do not recognize all of the benefits of EGTRRA, for purposes of applying state income tax laws. The provisions of EGTRRA will terminate on December 31, 2010, unless Congress enacts legislation to extend the provisions or to make them permanent.

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In addition, the Contracts are also available through “nonqualified Contracts.” Such nonqualified Contracts generally include unfunded, nonqualified deferred compensation plans, as well as individual annuity contracts issued outside of the context of any formal employer retirement plan or arrangement. nonqualified Contracts generally may invest only in Fixed Account Options and in mutual funds that are not available to the general public outside of annuity contracts or life insurance contracts.

### **Tax Consequences in General**

Purchase Payments, distributions, withdrawals, transfers and surrender of a Contract can each have a tax effect, which varies with the governing retirement arrangement. Please refer to the detailed explanation in the Statement of Additional Information, the documents (if any) controlling the retirement arrangement through which the Contract is offered, and your personal tax advisor.

Purchase Payments under the Contracts can be made as contributions by employers, or as pre-tax or after-tax contributions by employees, depending on the type of retirement program. After-tax employee contributions constitute “investment in the Contract.” All Qualified Contracts receive deferral of tax on the inside build-up of earnings on invested Purchase Payments, until a distribution occurs. *See the Statement of Additional Information for a discussion of the taxation of distributions, including upon death, and special rules, including those applicable to taxable, non-natural owners of nonqualified Contracts.*

Transfers among investment options within a variable annuity contract generally are not taxed at the time of such a transfer. However, in 1986, the IRS indicated that limitations might be imposed with respect to either the number of investment options available within a contract, or the frequency of transfers between investment options, or both, in order for the contract to be treated as an annuity contract for federal income tax purposes. If imposed, VALIC can provide no assurance that such limitations would not be imposed on a retroactive basis to contracts issued under this prospectus. However, VALIC has no present indications that the IRS intends to impose such limitations, or what the terms or scope of those limitations might be. In addition, based upon published guidance issued by the IRS in 1999, it appears likely that such limitations, if imposed, would only apply to nonqualified Contracts.

Distributions are taxed differently depending on the program through which the Contracts are offered and the previous tax characterization of the contributions to which the distribution relates. Generally, the portion of a distribution that is not considered a return of investment in the Contract is subject to income tax. For annuity payments, investment in the Contract is recovered ratably over the expected payout period. Special recovery rules might apply in certain situations. Non-periodic payments such as partial withdrawals and full surrenders during the Purchase Period are referred to as “amounts not

received as an annuity” in the Code. These types of payments are generally taxed to the extent of any gain existing in the Contract at the time of withdrawal.

Amounts subject to income tax may also incur excise or penalty taxes, under certain circumstances. Generally, taxable distributions received before you attain age 59½ are subject to a 10% penalty tax in addition to regular income tax, unless you make a rollover, in the case of a Qualified Contract, to another tax-deferred investment vehicle or meet certain exceptions. And, if you have to report the distribution as ordinary income, you may need to make an estimated tax payment by the due date for the quarter in which you received the distribution, depending on the amount of federal tax withheld from the distribution. When calculating your tax liability to determine whether you need to make an estimated tax payment, your total tax for the year should also include the amount of the 10% additional tax on early distributions unless an exception applies. Please see your tax advisor concerning these exceptions, tax reporting, and the tax-related effects of an early distribution. Required tax withholding will vary according to the type of program, type of payment and your tax status. In addition, amounts received under all Contracts may be subject to state income tax withholding requirements.

It is the opinion of VALIC and its tax counsel that a Qualified Contract described in section 403(a), 403(b), 408(b) or 408A of the Code does not lose its deferred tax treatment if Purchase Payments under the Contract are invested in publicly available mutual funds. In 1999, the IRS confirmed this opinion, reversing its previous position by modifying a contrary ruling it had issued in 1981.

In its ruling in 1981, the IRS had taken the position that, where purchase payments under a variable annuity contract are invested in publicly available mutual funds, the contract owner should be treated as the owner of the mutual fund shares, and deferred tax treatment under the contract should not be available. In the opinion of VALIC and its tax counsel, the 1981 ruling was superseded by subsequent legislation, section 817(h), which specifically exempts these Qualified Contracts, and the IRS had no viable legal basis or reason to apply the theory of the 1981 ruling to these Qualified Contracts under current law.

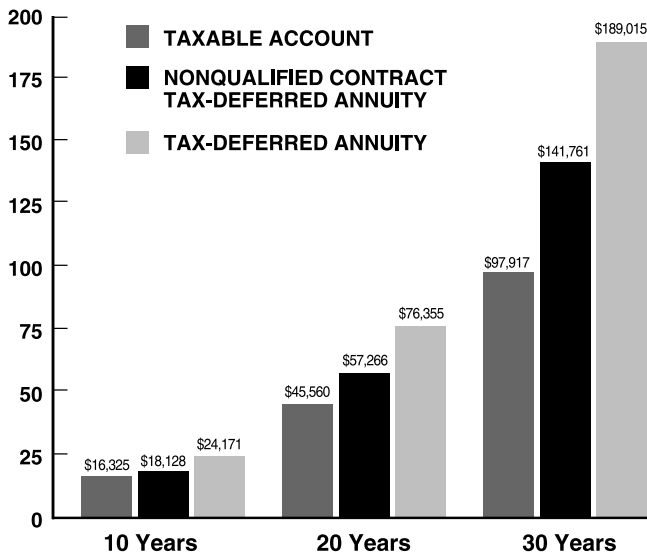
It is also the opinion of VALIC and its tax counsel that for each other type of Qualified Contract an independent exemption provides tax deferral regardless of how ownership of the Mutual Fund shares might be imputed for federal income tax purposes.

Investment earnings on contributions to nonqualified Contracts that are not owned by natural persons (except for trusts as agent for an individual) will be taxed currently to the Contract Owner and such Contracts will not be treated as annuities for federal income tax purposes.

## Effect of Tax-Deferred Accumulations

The chart below compares the results from contributions made to:

- A Contract issued to a tax-favored retirement program purchased with pre-tax contributions (Purchase Payments);
- A nonqualified Contract purchased with after-tax contributions (Purchase Payments); and
- Taxable accounts such as savings accounts.



This hypothetical chart compares the results of (1) contributing \$100 per month to a conventional, non-tax-deferred plan (shown above as “Taxable Account”); (2) contributing \$100 to a nonqualified, tax-deferred annuity (shown above as “Nonqualified Contract Tax-Deferred Annuity”); and (3) contributing \$100 per month (\$133.33 since contributions are made before tax) to an annuity purchased under a tax-deferred retirement program (shown above as “Tax-Deferred Annuity”). The chart assumes a 25% tax rate and an 8% annual rate of return. Variable options incur separate account charges and may also incur account maintenance charges and surrender charges, depending on the contract. The chart does not reflect the deduction of any such charges, and, if reflected, would reduce the amounts shown. Federal withdrawal restrictions and a 10% tax penalty may apply to withdrawals before age 59½. This information is for illustrative purposes only and is not a guarantee of future return for any specific investment.

Unlike taxable accounts, contributions made to tax-favored retirement programs and nonqualified Contracts generally provide tax-deferred treatment on earnings. In addition, contributions made to tax-favored retirement programs ordinarily are not subject to income tax until withdrawn. As shown above, investing in a tax-favored program may increase

the accumulation power of savings over time. The more taxes saved and reinvested in the program, the more the accumulation power effectively grows over the years.

To further illustrate the advantages of tax-deferred savings using a 25% federal tax bracket, an annual return (**before the deduction of any fees or charges**) of 8% under a tax-favored retirement program in which tax savings were reinvested has an equivalent after-tax annual return of 6% under a taxable program. **The 8% return on the tax-deferred program will be reduced by the impact of income taxes upon withdrawal.** The return will vary depending upon the timing of withdrawals. The previous chart represents (without factoring in fees or charges) after-tax amounts that would be received.

By taking into account the current deferral of taxes, contributions to tax-favored retirement programs increase the amount available for savings by decreasing the relative current out-of-pocket cost (referring to the effect on annual net take-home pay) of the investment, regardless of which type of qualifying investment arrangement that is selected. The chart below illustrates this principle by comparing a pre-tax contribution to a tax-favored retirement plan with an after-tax contribution to a taxable account:

### Paycheck Comparison

	Tax-Favored Retirement Program	Taxable Account
Annual amount available for savings before federal taxes	\$2,400	\$2,400
Current federal income tax due on Purchase Payments	0	\$ (600)
Net retirement plan Purchase Payments	\$2,400	\$1,800

This chart assumes a 25% federal income tax rate. The \$600 that is paid toward current federal income taxes reduces the actual amount saved in the taxable account to \$1,800 while the full \$2,400 is contributed to the tax-qualified program, subject to being taxed upon withdrawal. Stated otherwise, to reach an annual retirement savings goal of \$2,400, the contribution to a tax-qualified retirement program results in a current out-of-pocket expense of \$1,800 while the contribution to a taxable account requires the full \$2,400 out-of-pocket expense. The tax-qualified retirement program represented in this chart is a plan type, such as one under section 403(b) of the Code, which allows participants to exclude contributions (within limits) from gross income. This chart is an example only and does not reflect the return of any specific investment.



## Legal Proceedings

There are no pending legal proceedings affecting the Separate Account. The Company and its subsidiaries are parties to various kinds of litigation incidental to their respective business operations. In management's opinion, these matters are not material in relation to the financial position of the Company.

AIG, the Company's ultimate parent, delayed filing its Annual Report on Form 10-K for the year ended December 31, 2004 to allow AIG's Board of Directors and new management adequate time to complete an extensive review of AIG's books and records. The review includes issues arising from pending investigations into non-traditional insurance products and

certain assumed reinsurance transactions by the Office of the Attorney General for the State of New York and the Securities and Exchange Commission and from AIG's decision to review the accounting treatment of certain additional items. Circumstances affecting AIG can have an impact on the Company. For example, the recent downgrades and ratings actions taken by the major rating agencies with respect to AIG resulted in corresponding downgrades and ratings actions being taken with respect to the Company's ratings. Accordingly, we can give no assurance that any further changes in circumstances for AIG will not impact us.

## Financial Statements

Financial statements of VALIC Separate Account A are included in the SAI, which is available upon request. For additional information about the Contracts, you may request a copy of the SAI. We have filed the SAI with the SEC and have incorporated it by reference into this prospectus. You may obtain a free copy of the SAI if you write us at our Home Office, located at 2929 Allen Parkway, Houston, Texas, 77019 or call us at 1-800-428-2542 (press 1, then 3).

Information about the Separate Account, including the SAI, can also be reviewed and copied at the SEC's Public Reference

Room in Washington, DC. Inquiries on the operations of the Public Reference Room may be made by calling the SEC at 1-202-942-8090. Reports and other information about the Separate Account are available on the SEC's Internet site at <http://www.sec.gov> and copies of this information may be obtained, upon payment of a duplicating fee, by writing the Public Reference Section of the SEC, 450 Fifth Street, N.W., Washington DC. 20549-2102.

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## VALIC Financial Advisors, Inc. - Business Continuity Statement

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The scope of VALIC Financial Advisors' (VFA) business continuity planning today entails certain key VFA business operations and data center locations. Business continuity planning is the process which defines the procedures employed to ensure the timely and orderly resumption of a company's business, through its ability to execute plans with minimal or no interruption to time-sensitive business operations. Specific plans have been developed and teams have been identified for each time-sensitive business operation. Each plan prioritizes the critical business functions and states a strategy for recovery within a specified timeframe. VFA's ultimate parent company, the American International Group, Inc. (AIG) maintains the AIG Business Continuity Planning Department which has primary responsibility for the guidelines, methodologies, and the framework to support the strategies for recovery for all subsidiary companies including VFA. The AIG Business Continuity Planning infrastructure is responsible for developing and maintaining the plans.

### VFA Business Continuity Planning Objectives:

The objectives of the VFA Business Recovery Continuity Plan are to:

- ◆ Avoid or minimize deaths and injuries.
- ◆ Control and terminate incidents as quickly as possible.
- ◆ Prevent a minor incident from becoming a major disaster.
- ◆ Minimize commercial and reputation damage.
- ◆ Protect VFA assets and financial position.
- ◆ Minimize the risk of legal liabilities.
- ◆ Resume and recover any disrupted business function or operation rapidly and effectively.
- ◆ Ensure compliance with all applicable laws and regulations.
- ◆ Maintain the confidence and good relations with public safety and regulatory agencies customers, service providers, and other official parties.
- ◆ Satisfy the interests and concerns of VFA programs and other related business entities.

### VFA Business Continuity Guidelines:

The VFA Business Continuity Plans were developed in accordance with established methodology defined by American International Group, Inc. (AIG) following Business Continuity Planning best practices. Each business unit followed documented enterprise-wide guidelines for contingency planning and disaster recovery for various scenarios. These guidelines included the following:

- **Risk Assessment** – There are numerous risks to any business. From natural to man-made these risks can be, or may become, threats to VFA's business. VFA threats with the greatest probability include storms or hurricanes, high water or flooding, fire, bomb threats, terrorist attacks, breach of security and general service interruption. A risk assessment was performed by VFA Facilities/Property Management for each VFA facility. Each business unit then assessed any additional risks that would pertain to that unit's specific operation.
- **Business Impact Analysis** – Each VFA business unit is required to identify the time criticality of each business function, as well as the resources that the function needs to successfully recover. Additionally, each unit must review annually the time criticality of all business functions.
- **Business Contingency Plan** – VFA business units document and update annually a contingency plan to support the business unit's needs. Contingency plans include event management procedures, employee communication strategies, alternate site requirements, and procedures for notification to clients, recovery management, and alternate site preparation checklists.
- **Plan Testing**– Once the recovery plan documentation is complete, it is tested regularly to ensure that recovery capability remains viable. At least one full-scale recovery simulation, or a series of logically organized, segmented exercises representing a full exercise, is conducted annually. In addition to full-scale recovery simulation tests, an annual tabletop/walkthrough exercise of the plan is conducted to gauge each participant's understanding of individual roles and responsibilities.

### VFA Recovery Strategies:

Threats that materialize can cause varying degrees of outages that can be classified as short-term, intermediate-term, or long-term. Day-to-day emergencies are addressed at VFA through emergency response/escalation procedures that are used when needed. VFA Business Continuity Plans have been developed to address a variety of disaster categories. The categories are defined as follows:

- **Short-Term:** Workplace Damaged or Inaccessible
- **Intermediate Term:** Building Damaged or Campus Inaccessible
- **Long-Term:** Worst Case Scenario (Local or City-wide Evacuation)

### VFA Disaster Recovery:

AIG currently contracts with a third party vendor for recovery services. This third party vendor provides a recovery location for the Houston campus and many of the remote VFA branch offices. AIG also contracts for mainframe operations, which includes a recovery option for mainframe restoration. In the event of a disaster, VFA's third party vendor will restore the mainframe at a SunGard remote facility. Once the mainframe is restored, business units will be able to access mainframe applications through a designated Disaster Recovery circuit. All business units currently accessing the mainframe through our local network will be able to access the mainframe during a disaster situation. When the AIG Houston main campus declares a disaster, the Technical Recovery Teams immediately send the required personnel and all back up tapes to the designated vendor recovery center to restore open systems. The Technical Recovery Team restores the infrastructure that allows for the recovery and restoration of critical business databases and applications to the most current recovery point as dictated by business requirements. Business users will be relocated to the end user recovery site or another appropriate location. Operations using Open Systems will continue at the hot site for 6 weeks or until the damaged facility is repaired or a suitable alternate facility is acquired. In the event VFA ceases operations, customers can call the customer service line at 800-572-1980. Contact Marian\_Wendeline@aigvalic.com for questions regarding the business continuity plan.

VFA and its clearing firm, National Financial Services, LLC, (NFS), have an agreement in which NFS may provide trade execution, clearing, and other related services for your brokerage account. NFS backs up VFA's important records in a geographically separate area. While every emergency situation poses unique problems based on external factors, such as time of day and the severity of the disruption, VFA has been advised by NFS that its objective is to restore its own operations and be able to complete existing transactions and accept new transactions and payments in a timely manner. Your orders and requests for funds and securities could be delayed during this period.

AIG VALIC ONLINE  
*Account Access*

*You must establish a  
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Number (PIN) before  
using the automated  
account services.  
  
Your PIN is valid for  
both AIG VALIC by Phone  
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and AIG VALIC Online.*

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- View, download or print account and transaction confirmation statements
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- View your financial adviser's contact information
- Update or reset your Personal Identification Number (PIN)
- Change your contact information such as telephone, address or e-mail
- Initiate account transactions including:
  - >Allocation changes
  - >Transfer money among investment options
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- Click “**I am a new user**”
- Enter the information required to establish a new PIN
- Click “**I Agree**” to accept AIG VALIC's access agreement (required)
- Verify and/or update your address, e-mail and telephone number information
- Click “**Continue**” to update your record and proceed to the Client Summary screen.

Your PIN setup is complete when the Client Summary screen appears.

This PIN is valid for both **AIG VALIC by Phone** at **1-800-428-2542** and **AIG VALIC Online**.

**AIG VALIC by Phone** is AIG VALIC's toll-free automated phone line providing 24-hour access to your account.



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- Go to [www.aigvalic.com](http://www.aigvalic.com).
- Click “**AIG VALIC Online**” in the Login section.
- Enter your Social Security number or account number and PIN (refer to the inside back cover if you do not have a PIN).
- Click the “**E-mail Delivery**” menu option.
- Enter your e-mail address, enter again for verification and click “**Continue**”.
- You are now enrolled!

**Please note:**

- The e-mail notification will apply only to certain VALIC annuity contracts.
- This feature is provided by AIG VALIC at no charge, though you may have to pay Internet service provider fees to access the Internet or to receive e-mails.

**Sign up today – visit [www.aigvalic.com](http://www.aigvalic.com)**

Securities and investment advisory services are offered by VALIC Financial Advisors, Inc., member NASD, SIPC and an SEC-registered investment advisor.

AIG VALIC is the marketing name for the group of companies comprising VALIC Financial Advisors, Inc.; VALIC Retirement Services Company; and The Variable Annuity Life Insurance Company (VALIC); each of which is a member company of American International Group, Inc.

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