FAQs about LifeStage Retirement Income

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What is LifeStage Retirement Income?

LifeStage Retirement Income is a program that manages monthly retirement income payments from Wespath-administered **defined contribution (DC)** retirement accounts. The program automatically adjusts for annual cost-of-living increases, and is based on the participant age, remaining account balance and other factors, with the goal of providing monthly payments for the participant's lifetime and survivor's lifetime, if applicable. The investment of LifeStage Retirement Income funds is managed by LifeStage Investment Management.

Is LifeStage Retirement Income—Is LifeStage Retirement Income right for me?

LifeStage Retirement Income modeling in Benefits Access can help participants decide if LifeStage is the right choice for managing their retirement income. The calculation is pre-loaded with data held by Wespath, which includes Social Security eligibility and existing account balances. When participants enter the correct information applicable to their situation, the modeling tool can provide an accurate estimate of their monthly LifeStage Retirement Income benefits—as well as the available options to maximize their benefits.

Participants can:

- Learn how their account balance translates into their lifetime income.
- Experiment with how much of their Wespath retirement savings they want to include in LifeStage
- Determine if they are eligible for and/or include sufficient funds to elect the options of a Social Security bridge and/or longevity income protection
- See the impact of using the LifeStage Social Security bridge (if they have not opted out of Social Security)
- Review the effect of including longevity income protection with LifeStage

Participants can review and change their options as many times as they want before finalizing their setup and enrolling in LifeStage.

Wespath strongly encourages participants to enlist EY Financial Planning Services to walk through the LifeStage Retirement Income online model and explore its features. EY financial planners are available Monday-Friday, 8:00 a.m. to 7:00 p.m., Central time.

What about my defined benefits (DB)—can they be managed by LifeStage Retirement Income?

LifeStage Retirement Income is available only for defined contribution (DC) account balances. Retirement benefits from defined benefit (DB) plans are usually based on pre-established formulas using years of service and other factors to determine monthly retirement income payments for life. However, legislation passed during the postponed 2020 General Conference (in May 2024) allows the option for 65% of the MPP account balance to be paid in monthly payments through LifeStage Retirement Income, rather than being annuitized. Unlike other LifeStage Retirement Income funds, these funds are not eligible to be transferred back to UMPIP (or rolled over any other defined contribution plan) while the participant is still living.

Who is eligible to apply for LifeStage Retirement Income?

The following participants can apply for LifeStage Retirement Income:

- Active Clergy who have:
  - communicated their intention to retire, or
  - reached age 61½, or
  - attained at least 29½ years of service
- Active Lay employees who have reached age 61½
- Retired Clergy and Lay employees of any age
- Terminated Clergy and Lay employees who have reached age 61½
- Surviving spouses of any age
- Alternate payees who have reached age 61½

Participants must be retired or have left employment as of the date they request their first monthly retirement income payment. If the participant is still employed on their requested first payment date, or is not yet age 62 after terminating employment, the application will be cancelled. Alternate payees must be age 62 as of their requested first payment date or the application will be cancelled.

Accountholders are eligible to purchase Longevity Income Protection in the form of the deferred annuity if they have sufficient funds to support it and are between the ages of 55 and 74.

Who is eligible to <u>begin receiving payments</u> from LifeStage Retirement Income?

- Active participants who intend to retire (must be retired when payments commence)
- Terminated participants and alternate payees (must be at least age 62 when payments commence)
- Surviving spouses of any age

How is LifeStage Retirement Income funded?

Participants who enroll in LifeStage Retirement Income will have their DC accounts combined into a United Methodist Personal Investment Plan (UMPIP) account. They decide how much of this balance will be included in LifeStage. If there is a remaining account balance in UMPIP, they can decide how they would like that money to be invested – it does not have to be managed by LifeStage Investment Management. They can also choose when to withdraw funds or add additional funds to LifeStage Retirement Income. Participants can transfer money between LifeStage Retirement Income and their UMPIP account at any time.

If the participant has an MPP balance and made the choice to include 65% of their MPP account balance in LifeStage Retirement Income instead of annuitize that amount, those funds must remain in LifeStage Retirement Income as long as the participant is living, and the funds cannot be transferred back to UMPIP or rolled over elsewhere.

Do I pay for LifeStage Retirement Income?

Costs for LifeStage Retirement Income are included in Wespath’s operating expenses that are paid for by the funds.

What are the benefits of LifeStage Retirement Income?

LifeStage manages the distribution of participant retirement accounts so that participants don't have to, once they set up monthly retirement income payments for themselves and their surviving spouse. Its customizable features aim to help participants:

- Optimize their lifetime income
- Minimize the effect of market fluctuations on their monthly retirement income payments
- Minimize the risk of outliving their funds

What are the features of LifeStage Retirement Income I should know about?

LifeStage has three important features:

- The **retirement income payment "safety zone,"** which calculates monthly payments to avoid significant changes in monthly income.

- The **Social Security Bridge**, which "bridges" the financial gap that would occur if a participant chose to delay the start date of their Social Security benefits—a decision that could boost their Social Security benefits by 8% each year they delay. This decision would apply a larger portion of their balance as income early on, then reduce the amount paid from LifeStage as Social Security starts.

- **Longevity Income Protection**, a deferred insurance annuity contract provided by a Wespath-approved insurance company, that guarantees income starting at age 80, regardless of how long participants and/or their spouse lives.

How does <u>the safety zone</u> work?

LifeStage Retirement Income automatically determines the monthly retirement income payments. We use industry data as a guide to make sure a participant's annual income/withdrawal stays in what we call the "safety zone." To avoid significant changes to the monthly payments, we automatically provide an annual cost-of-living adjustments if it's safe to do so—and we will maintain or slightly reduce the monthly payments if it isn't. This process is monitored annually.

How does the <u>Social Security Bridge</u> work?

- Once the participant decides to enroll in LifeStage Retirement Income, they can elect to have a portion of their LifeStage account fund a "bridge' to a delayed Social Security starting date.
- If the participant retires before age 70 and agrees to delay applying for Social Security benefits, LifeStage pays out what they would normally get from Social Security until the expected beginning date for Social Security benefits.
- At the expected beginning date for Social Security benefits, any remaining funds previously allocated to the bridge are shifted back into the general LifeStage Retirement Income funds.

The larger guaranteed income source from Social Security minimizes the impact of market fluctuations on their monthly retirement income payments.

Who is eligible to elect the Social Security Bridge?

Participants are eligible to select the Bridge if:

- They are not already receiving Social Security
- They did not opt out of Social Security
- They have enough money in LifeStage Retirement Income to support it
- They are younger than 70 years old

How does the Social Security Bridge affect my asset allocation?

We adjust the participant's allocation automatically to reflect the short-term investment period of the Bridge. Assets are invested in the Stable Value Fund.

How does the Longevity Income Protection work?

Participants can use a portion of their LifeStage Retirement Income funds when they are enrolling in the program to purchase longevity income protection in the form of a deferred annuity known by the IRS as a Qualified Longevity Annuity Contract (QLAC). The purchase price of the annuity is deducted from a participant's account on the first day of the month on which LifeStage Retirement Income payments begin. This annuity is available from and will be administered by a Wespath-approved insurance company. Monthly payments from the annuity begin when they reach age 80. Purchasing the deferred annuity protects against the risk of outliving one's savings.

Who is the Wespath-approved insurance company?

Pacific Life administers the deferred annuity.

Are the deferred annuity benefits available to surviving spouses?

Yes, 70% of the participant's monthly payment from the deferred annuity are available to the surviving spouse, provided the participant was married to the surviving spouse at the time of purchase.

Do I have to pay taxes on the deferred annuity now?

No, taxes will be withheld once the participant's monthly annuity payments begin.

How long do the deferred annuity payments last?

As long as either the participant or their spouse is alive.

Who is eligible to purchase the deferred annuity?

Accountholders are eligible to purchase the deferred annuity if:

- They are active, terminated, or alternate payee participants aged 61½
- They are younger than the age for required minimum distributions
- They have sufficient funds to support it
- If married, the spouse's age is no more than 10 years greater or less than the participant's age
- They are a retiree or surviving spouse at least 55 years old

Participants can use the model to determine if they are including enough money in LifeStage to support the purchase of the deferred annuity.

What if I and my spouse pass away before the deferred annuity payments start?

The deferred annuity contract does not include a refund of premium for the participant's or surviving spouse's death before the payments start.

What are my options if my marital status changes after I purchase the deferred annuity?

- **When the participant is married** when the deferred annuity is purchased:
    - If a divorce occurs during the deferral period, the joint life policy of the deferred annuity will be *converted to a single life policy for the participant only in the absence of a Qualified Domestic Relation Order (QDRO).*
    - If a separate interest QDRO is received that seeks to divide the benefits paid by the deferred annuity, the QDRO will be honored and two separate deferred annuities will be issued to the two individuals over their single lifetimes, with the division percentages being based on the QDRO language. Wespath will administer the QDRO and provide direction to PacLife on how to divide the deferred annuity. (i.e., division percentages).
- **When the participant is single at the time the deferred annuity is purchased:**
    - If the participant gets married during the deferral period, the deferred annuity cannot be reissued over joint lifetimes. It will remain a single life policy for the participant only.

Can I cancel the deferred annuity contract if I change my mind?

No, the purchase is final, and the contract cannot be revoked.

How do I sign up?

To use the LifeStage Retirement Income modeling tool and enroll, log in to **benefitsaccess.org**, click on "**Distributions**," then "**LifeStage Retirement Income**."

What happens if I enroll in LifeStage Retirement Income and I don't like the program?

- Participants can move funds out of LifeStage Retirement Income, maintain and monitor their own investments, and set up their own distribution schedule.
- Participants may need to apply for Social Security benefits earlier in their retirement because cancelling LifeStage Retirement Income will negate the Social Security bridge.
- Participants will retain longevity income protection; its purchase at the time of enrollment is final and cannot be refunded.
- Participants choosing to include 65% of their MPP balance in LifeStage Retirement Income cannot transfer these funds to UMPIP; they must remain in LifeStage Retirement Income as long as the participant is still living.

Should I gather any documentation before I start looking at LifeStage?

- Participants should look up their Social Security income projection in their **my Social Security** account at ssa.gov. If they don't have a **my Social Security** account, they'll need to create their account with a login and password. Participants should allow some time to create the account due to the security questions at ssa.gov.

- Participants should verify their spouse's data in Benefits Access. If corrections are needed, they should call Wespath at 1-800-851-2201, Monday-Friday, 8:00 a.m.to 6:00 p.m., Central time.
- Participants can consider rolling over other defined contribution accounts outside of Wespath (401(k)s, IRAs, etc.) to UMPIP to increase their possible LifeStage Retirement Income funds. It would be helpful to have this account information close at hand.

I'm already enrolled in LifeStage Retirement Income and receiving payments. Can I take advantage of these new features?

Those enrolled in LifeStage Retirement Income before April 2, 2022 and receiving payments will continue to receive their payments but will not automatically be enrolled in any new features. As these new features become available, Benefits Access will be updated to show these new options and provide information on how to enroll.