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Understanding LifeStage Retirement Income

This document provides an in-depth description of LifeStage Retirement Income. Financial advisors may wish to review this information so they can help participants make the appropriate choices for their financial situation.

LifeStage Retirement Income provides an efficient algorithm for participants near or in retirement who wish to use their accumulated Wespath-administered defined contribution balances to receive consistent lifetime income. LifeStage Retirement Income manages the distribution of retirement account balances, automatically computing a monthly payment that improves the likelihood that their defined contribution account balance will last throughout their lifetime. LifeStage Investment Management manages the asset allocation and specific investments.

Participant Balances

Participants can choose how much or how little of their account balances they want to include in LifeStage Retirement Income. These account balances may include Clergy Retirement Security Program Defined Contribution (CRSP DC), United Methodist Personal Investment Plan (UMPIP), the Horizon 401(k) Plan, 35% of the Ministerial Pension Plan (MPP) account balance, and other outside amounts which were previously rolled into their Wespath accounts, such as IRAs and 401(k) accounts. All these account balances are consolidated into one UMPIP account when a participant enrolls in LifeStage Retirement Income.

Participants can transfer into or out of LifeStage Retirement Income at any time. When money is transferred into or out of LifeStage Retirement Income, the next monthly retirement income payment will be adjusted to reflect the transaction. Prior to making the transaction effective, the current and future retirement income payments will be displayed along with the next payment date.

Any balance remaining in LifeStage Retirement Income after the participant’s death is transferrable to the participant’s beneficiaries.

With a proven track record of caring for those who serve, Wespath offers features of LifeStage Retirement Income that can be tailored to a participant’s unique financial situation.

Payment Safety Zone

Wespath uses industry data as a guide to make sure the monthly payments stay in what we call the “safety zone.” This safety zone concept was created by investment professionals and actuaries who routinely analyze how best to manage assets in retirement. The payment safety zone is a range of payment amounts that a participant can receive based on the probability of running out of money.

For this purpose, “running out of money” is not defined as having completely depleted the account balance. It is defined as no longer having an account balance large enough to purchase a theoretical annuity at age 85, or 10 years from current age if older. The payment safety zone is that range of payments that fall between a one in 50 chance of “running out of money” and a one in three chance of “running out of money.” The participant’s initial payment amount will be the amount in the middle of the payment safety zone.

Annual Review of Payments

Each year, a participant's monthly payment is compared to an updated safety zone. Simulations of 5,000 possible future market conditions and investment returns for various asset classes are used to determine the payment safety zone. Once the zone is calculated, the participant's balance and monthly payments are confidentially reviewed annually to determine if an adjustment to the participant's monthly payment is necessary. Wespath and external experts perform an audit on the outcomes. This review has four potential outcomes. Each outcome is referred to by a guardrail color on the table below; each has a different impact on the monthly payment for the following year.

Potential Outcomes from Annual Review	
Guardrail color	**Impact to next calendar year's payment**
	The participant's monthly payment **will be reduced** because the ongoing payment is projected to be at risk of not being sustainable for the remainder of the participant's lifetime.
	The participant's monthly payment **will remain the same**. Due to investment performance, or perhaps a modest withdrawal of funds by the participant, the cost-of-living increase cannot be supported.
	The participant's monthly payment will **increase by the cost-of-living** index. Due to investment performance, or perhaps a modest transfer of funds into the LifeStage Retirement Income account by the participant, the cost-of-living increase can be supported.
	The participant's monthly payment will **increase above the cost-of-living** index. Due to investment performance, or perhaps a modest transfer of funds into the LifeStage Retirement Income account by the participant, an increase above the cost-of-living index can be supported.

Optional Customizable Features

Retirees may be worried that they won't have enough income to live out their retirement dreams. They may also be concerned about having enough funds to support their spouse if they die before their spouse does. As a result, retirees might settle for an unnecessarily low standard of living. Or they might spend too much in the first years of retirement, not thinking about how many years their money needs to last.

In many cases retirees apply for Social Security benefits before age 70, thereby reducing the maximum monthly Social Security benefit payment they could have received by waiting to apply.

LifeStage Retirement Income addresses these concerns with two optional and customizable features: the **Social Security Bridge** and **Longevity Income Protection.**

Social Security Bridge

LifeStage Retirement Income can help participants maximize their Social Security benefits while reducing their investment risk with the Social Security Bridge feature. This optional feature uses a portion of the retiree's LifeStage Retirement Income account to supplement their income in the early years of retirement so they can delay applying for Social Security benefits, possibly until age 70.

> By applying for Social Security after full retirement age, Social Security retirement benefits increase annually by 8% up to age 70.

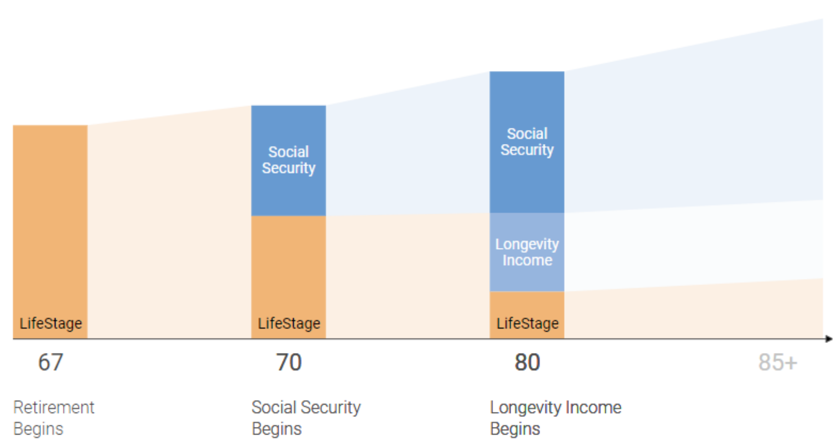
In other words, if a retiree's balance supports it, LifeStage provides the same level of income that Social Security will provide participants at the end of the Bridge period, adjusted for inflation. When participants are expected to begin receiving their Social Security benefits (at the later age indicated when LifeStage was set up), LifeStage reduces its payment amounts to balance out to a similar total retirement income. With a larger guaranteed income source from Social Security, overall retirement income is more consistent and less subject to market fluctuations.

The default target Social Security deferral age is age 70; however, a participant may select a Bridge length shorter than the default. To determine the annual withdrawal for the Bridge, the participant must provide an estimate of his or her Full Retirement Age Social Security benefit (or current benefit, if older) from the Social Security Administration or a Social Security Retirement Statement. The amount of money needed to fund the Social Security Bridge is determined when LifeStage Retirement Income is set up and invested in the Stable Value Fund through the length of the Bridge.

If the participant selects the Social Security Bridge, their LifeStage Retirement Income balance at retirement is first allocated to the Bridge for as long of a Bridge period as their balance can support, up to a cap of 90% of the total balance. The remaining account balance is then available for the purchase of the optional Longevity Income Protection and/or remains in LifeStage. Any shortfalls in Bridge funding are supported by assets in LifeStage. Excess Bridge funding at the end of the Bridge period is reallocated to LifeStage.

Participants who opt out of Social Security or participants who have already commenced Social Security are not eligible to select a Bridge.

Example: How LifeStage Retirement Income Payments Adjust to Maximize Retirement Income Using Optional Features.



Longevity Income Protection

At the time of enrollment in LifeStage Retirement Income, the participant has the option of using a portion of their account balance, as defined by the algorithm, to purchase a deferred annuity in the form of a Qualified Longevity Annuity Contract (QLAC) with an insurer selected by Wespath. Currently, the insurer is Pacific Life.

Longevity Income Protection:

- Provides consistent payments starting at age 80
- Protects assets from market fluctuations
- Addresses concerns about outliving assets

This deferred annuity guarantees consistent monthly payments for life beginning at age 80. Because the annuity contract complies with IRS regulations, participants can defer paying taxes on its purchase price until the longevity income payments begin. Payments are made for as long as the participant (and surviving spouse, if applicable) are alive. The surviving spouse (if applicable) receives 70% of the participant's monthly payment. If both the participant and spouse (if applicable) die prior to the participant attaining age 80, no longevity income payments will be made.

The participant must have enough funds available in LifeStage Retirement Income to elect the purchase of Longevity Income Protection.

For participants who purchase Longevity Income Protection, the LifeStage Retirement Income payment amount is designed to provide annual income that smoothly transitions the total retirement income to the time when payments from the deferred annuity contract commence at age 80.

Please refer to the **Assumptions and Methodology** for more information on this feature. All balances included in LifeStage Retirement Income are invested and managed professionally by LifeStage Investment Management. For information on this investment service, refer to the **Understanding Your Investment Options** brochure.