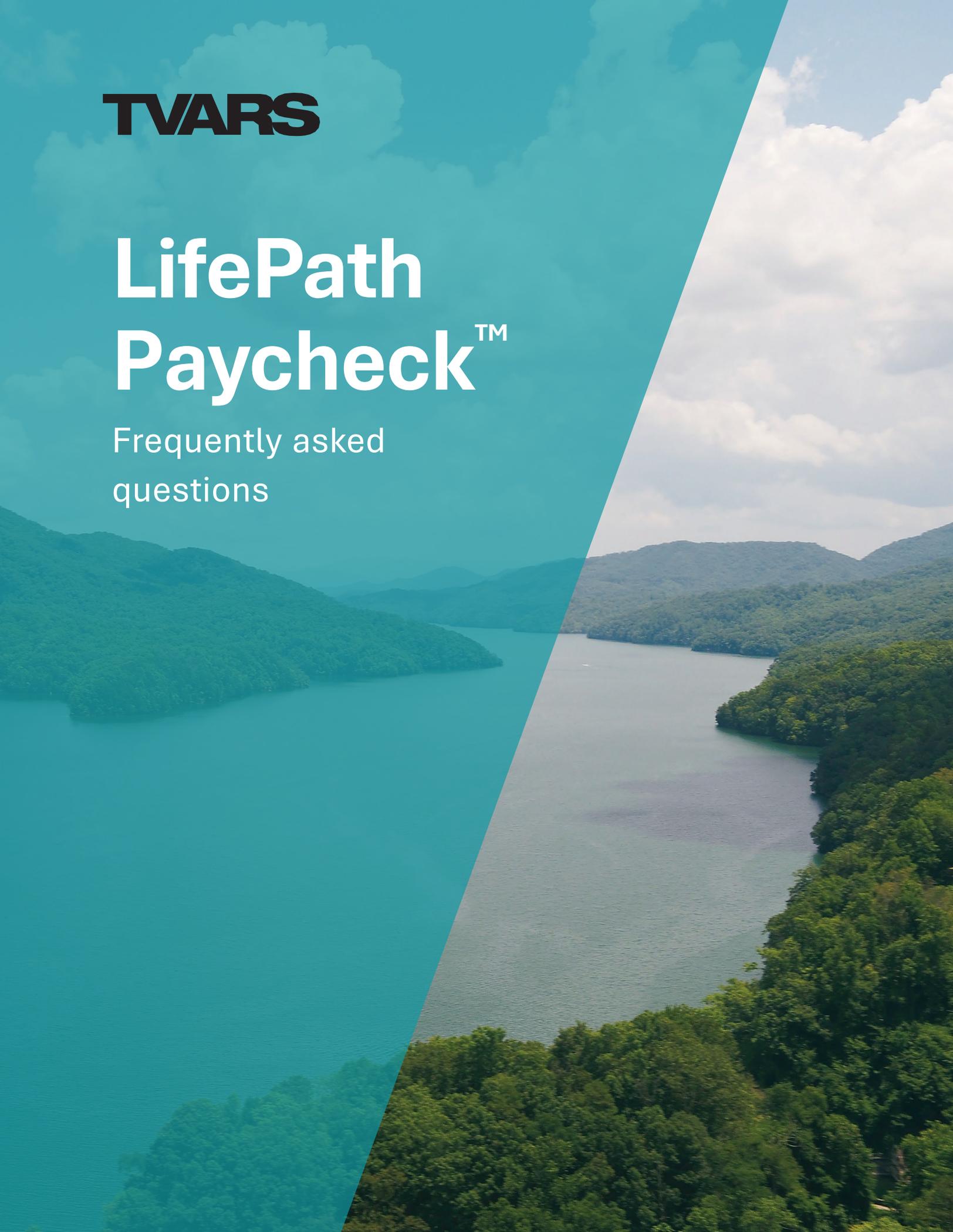


**TVARS**

# LifePath Paycheck™

Frequently asked  
questions



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## General

### **What new option is coming to the 401(k) Plan beginning June 21, 2024?**

A new retirement income option, called LifePath Paycheck, is coming to the Target Retirement Portfolios in the 401(k) Plan. LifePath Paycheck is designed and managed by BlackRock, the nation's largest investment management firm and long-time trusted partner with TVARS.

### **How will LifePath Paycheck and this retirement income option be made available to participants?**

The Target Retirement Portfolios in the 401(k) Plan designed for participants between ages 55 and 71 – which will be called Target Retirement Paycheck Portfolios - will be investing in a new series of innovative target-date products offered by BlackRock that will provide the opportunity to elect to receive a guaranteed lifetime income stream from selected insurers at the time of or following separation of employment.

### **What are the Target Retirement Portfolios?**

For participants who prefer a single, professionally managed investment approach, the 401(k) Plan provides the Target Retirement Portfolios managed by BlackRock. The Target Retirement Portfolios are designed for participants expecting to retire around the year indicated in each Portfolio's name and include a diversified allocation of stocks, bonds, and inflation-sensitive investments that are managed to gradually become more conservative over time. For participants to take advantage of the new lifetime income option through LifePath Paycheck, they will need to invest all or a portion of their 401(k) account in the Target Retirement Paycheck Portfolios.

### **Why is TVARS offering this option for a lifetime income stream from the 401(k) Plan?**

Over the last few years, TVARS has worked closely with Mercer, its 401(k) Plan consultant, to evaluate potential options to provide lifetime retirement income for participants in the 401(k) Plan with a focus on those participants who do not have access to a pension or annuity with TVARS. While many TVA participants are great savers and have large 401(k) balances at retirement, they are unclear on how to turn that balance into monthly income in retirement and address one of their biggest financial fears of outliving their money. LifePath Paycheck can provide participants with a lifetime income stream in the form of a paycheck for life, giving employees a convenient and cost-effective way to achieve a similar outcome to a pension.

## June 21<sup>st</sup> Implementation

### **What is changing on June 21, 2024 and who is impacted?**

The only 401(k) Plan participants who may see changes with the addition of LifePath Paycheck on June 21, are those participants who are currently invested in the Target Retirement Portfolios. Participants under age 55 who are invested in the age-appropriate Target Retirement Portfolio will see no changes. A June 21 Implementation Information document, available on the LifePath Paycheck Resources page of the TVARS website, provides information about which participants invested in the Target Retirement Portfolios will see changes on this date.

### **What is mapping and why are some participants being mapped to other funds?**

Mapping is the action by Fidelity as the recordkeeper of the 401(k) Plan to automatically transfer a participant's balance in one fund to another fund in the 401(k) investment menu. Mapping is required when funds are removed from the investment menu. Mapping is also a best practice for target date funds like the Target Retirement Portfolios to ensure most participants are invested in the appropriate fund based on their anticipated retirement year and to promote education and engagement around the purpose of target date funds.

### **Who will see exchanges in NetBenefits?**

Only participants being mapped to a new or different Target Retirement Portfolio will see an exchange on their account history and quarterly statement. All other participants will see no changes to their account on June 21.

## Fund information

### **Tell me more about the Target Retirement Portfolios**

The overall suite of Target Retirement Portfolios includes:

- *Original Target Retirement Portfolios*: designed for those younger than age 55 years old.
- *New Target Retirement Paycheck Portfolios*: designed for those who are ages 55 to 71 years old.
- *New Target Retirement Income Portfolios*: designed for those in retirement based on retirement income election or for those who desire a diversified, balanced investment strategy.

Each Target Retirement Portfolio has a target date in the name of the fund that is intended to reflect the approximate year that a participant attains age 65.

Date of Birth Range	Age-appropriate Target Retirement Portfolios
1998 and Later	2065 Target Retirement Portfolio
1993 to 1997	2060 Target Retirement Portfolio
1988 to 1992	2055 Target Retirement Portfolio
1983 to 1987	2050 Target Retirement Portfolio
1978 to 1982	2045 Target Retirement Portfolio
1973 to 1977	2040 Target Retirement Portfolio
1970 to 1972 <sup>††</sup>	2035 Target Retirement Portfolio
1967 to 1969	2033 Target Retirement Paycheck Portfolio
1964 to 1966	2030 Target Retirement Paycheck Portfolio
1961 to 1963	2027 Target Retirement Paycheck Portfolio
1958 to 1960	2024 Target Retirement Paycheck Portfolio
1955 to 1957	2021 Target Retirement Paycheck Portfolio
1953 to 1954 <sup>†</sup>	2018 Target Retirement Paycheck Portfolio
1952 and Before	Target Retirement Income 40/60 Portfolio
When Retirement Income Option is Elected <sup>§</sup>	Target Retirement Income 50/50 Portfolio

**Are there investment restrictions for any of the Target Retirement Portfolios?**

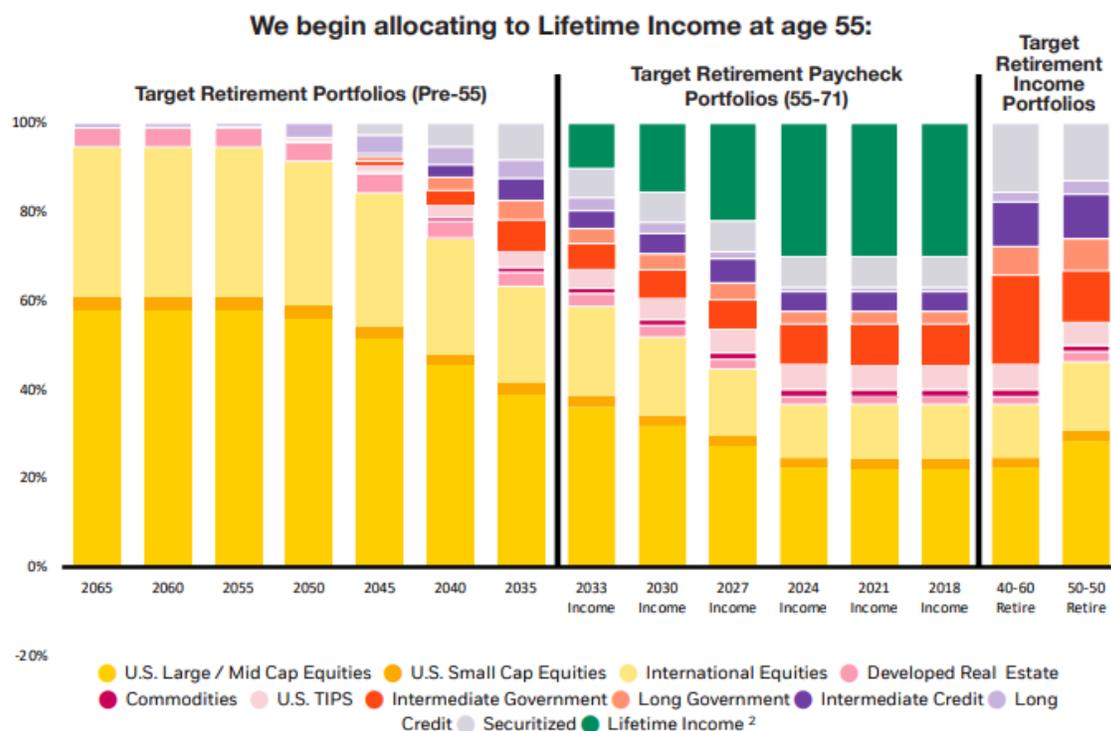
Yes, the Target Retirement Paycheck Portfolios (denoted in orange in the chart above). As a part of the underlying lifetime income unit allocation within these portfolios, there are group annuity contracts issued by insurers. In order for these contracts to be “written”, the insurers require that participants be within a certain age group for the investment and for the age group not to be more than a 3-year range.

Accordingly, the Target Retirement Paycheck Portfolios are set up in 3-year intervals that are restricted to investment by the age-appropriate participants between 55 and 71.

## What is the asset allocation or underlying investments of each Target Retirement Portfolio?

Each Target Retirement Portfolio has a diversified mix of investments in stocks (both U.S. and International), bonds, and inflation-sensitive assets, such as real estate and commodities. The Portfolios are managed to become more conservative over time as participants invested in the fund near retirement at an assumed age of 65. The change in the asset allocation over the life of the funds is referred to as the glidepath. TVARS has worked with both BlackRock and Mercer, its consultant, to model the asset allocation of the Portfolios and their glidepath to ensure that they will provide an appropriate retirement outcome for most participants who invest in the Portfolios throughout their career at TVA. The chart below provides information on the current asset allocation for the Target Retirement Portfolios.

Over time, your investment increases its allocation to lifetime income  
 – targeting approximately 30% of the fund’s portfolio at age 65.



## How are the Target Retirement Paycheck Portfolios different?

For participants in the Target Retirement Portfolios, beginning in the year you turn age 55, your investment will transfer from a Target Retirement Portfolio to a Target Retirement Paycheck Portfolio, which will begin allocating a portion of its investments to the lifetime income asset class. The amount invested in this asset class will initially be 10%, gradually increase over time and, by age 65, the allocation to lifetime income is expected to be approximately 30%.

### **What makes the “lifetime income” asset class so unique?**

The allocation to lifetime income will provide participants with the option to use that money to purchase a lifetime income stream (or annuity) between the ages of 59 ½ and 71 from insurers selected by BlackRock. The lifetime income asset class is valued daily, provides full liquidity, and will behave and perform from a risk and return standpoint similar to a long-term corporate bond.

### **What is the cost of the Target Retirement Portfolios and will the Target Retirement Paycheck Portfolios be more expensive given the allocation to lifetime income units?**

The expense ratio for each of the Target Retirement Portfolios, including each Target Retirement Paycheck Portfolio, will remain at a very low 0.06%. This means that participants will have access to BlackRock’s LifePath Paycheck and the option of lifetime income through the Target Retirement Paycheck Portfolios at no additional cost.

### **What if a participant wants to invest in a different Target Retirement Portfolio based on their retirement plans or risk tolerance?**

Following the implementation on June 21, like any other time, participants are free to go into Fidelity’s NetBenefits and elect different investment options from the 401(k) Plan investment menu, including different Target Retirement Portfolios, with the exception of the Target Retirement Paycheck Portfolios that are restricted based on age.

## **LifePath Paycheck Annuity Option**

### **What is an annuity?**

In general, an annuity is a financial product issued by an insurance company that individuals can purchase via a lump-sum payment (or series of payments over time) in exchange for a steady stream of income payments for life.

### **Why might I want to purchase an annuity?**

401(k) plans are generally designed to help you save for retirement but aren’t necessarily designed to help you manage your spending once you retire. An annuity through the TVA 401(k) Plan can be a useful tool to help you manage your spending in retirement. It can provide you with greater income certainty in the form of a monthly paycheck, which can help you minimize the risk of outliving your savings.

**Is LifePath Paycheck a better annuity option than purchasing an annuity on my own in the retail marketplace?**

Annuities are priced daily and payout rates are subject to market conditions, the biggest factor of which is interest rates. The LifePath Paycheck annuity options are expected to be competitively priced compared to the retail market, but you can always evaluate the retail market to determine the best fit for your situation. You may also wish to speak with a financial advisor when considering purchasing an annuity.

**Are there additional fees for the LifePath Paycheck annuity option?**

No, there are no additional fees for the LifePath Paycheck annuity option. You may explore all options when considering an annuity, including retail annuities outside of the 401(k) Plan, which will sometimes have additional fees and payment as a part of the annuity selection and purchase (i.e., administrative, loads, fund expenses, taxes, commissions and sales charges, etc.).

**Which insurance companies has BlackRock selected?**

Equitable Financial and BrightHouse Financial are the two insurers currently selected by and partnering with BlackRock to provide eligible participants invested in the Target Retirement Paycheck Portfolios with the option to purchase a stream of lifetime income payments.

**How do I get information on my estimated retirement income benefit from the Target Retirement Paycheck Portfolio and initiate the process for selecting an annuity?**

By setting up an account with MyLifePath, which may be accessed through Fidelity's NetBenefits. The LifePath Paycheck Resources page under 401(k) Plan information on the TVARS website provides information on the MyLifePath platform and a step-by-step guide for participants in the Target Retirement Paycheck Portfolios who are interested in exploring the LifePath Paycheck annuity option.

**As I'm exploring the annuity option on MyLifePath, will I see the interest rate used in the estimate calculations?**

MyLifePath will have access to the amount of your investment in the Target Retirement Portfolios, and based on the amount of lifetime income units and your age, will feature projected and estimated dollar amounts that you could anticipate receiving in the event you decide to purchase annuities from the insurers. These figures will be presented in dollars, which are easily understood and with which you can plan and compare to expenses during retirement, versus the interest or conversion rates, which shift based on the "cost" of buying the annuities.

## **Are there any survivor benefits or guarantees with the annuity option?**

Yes. The annuity coverage options will include the following:

- *Lifetime Income for One* is a coverage option just for yourself. Insurers will make Lifetime Income payments to you every month for the rest of your life.
- *Lifetime Income for Two* covers both you and your spouse's for life. Insurers will make Lifetime Income payments to you every month based on your life and the life of your spouse. There are no survivor coverage options available for an individual other than your spouse.

In addition, the following annuity beneficiary options will be available:

- *Guarantee Period of 10 years*: If you (and your spouse if you choose Lifetime income for Two) pass away within 10 years from receiving your first Lifetime Income payment, payments will be made to your beneficiary(ies) for the remainder of that 10-year period.
- *Cash Refund*: If you (and your spouse if you choose Lifetime Income for Two) pass away a lump sum payment of your remaining annuity purchase value at the time of your death (if any) would be made to your beneficiary(ies).

As with any annuity (or pension), optional elections to provide survivor benefits or guarantees will result in actuarial adjustments to the calculation amount of the final annuity amount, which MyLifePath will be able to model for you.

## **How much of my investment in the Target Retirement Paycheck Portfolios is eligible for lifetime income through LifePath Paycheck?**

The allocation to lifetime income units in the Target Retirement Paycheck Portfolios will start at approximately 10% at age 55 and target approximately 30% at age 65. Similar to the other asset classes held in the portfolio, the actual holdings may differ from the target allocation based on market movements and rebalancing policies. The "annuity purchase option" window starts at age 59 ½ and lasts until shortly before the end of the calendar year in which you will turn age 71. Since the amount eligible for the annuity purchase option is your indirect allocation to Lifetime Income, you will annuitize less than 30% if you annuitize earlier than age 65 (participants are eligible to elect the lifetime income option as early as 59 ½ ) as the allocation to Lifetime Income won't yet have reached the target allocation of approximately 30%.

## **Is it possible to annuitize more than 30%?**

The allocation to the lifetime income asset class is fixed and depends on where you are on the glidepath at the time of exercising your annuity purchase option. The allocation to the lifetime income asset class is expected to be approximately 30% of your assets invested in your age-appropriate Target Retirement

Paycheck Portfolio at age 65. To annuitize more than approximately 30% of your assets is therefore not possible, however, you could reallocate your remaining retirement plan savings back into your age-appropriate Target Retirement Paycheck Portfolio after purchasing annuities from the insurers (and assuming you are still within your eligibility window to purchase again; i.e., beginning at age 59 1/2 and ending shortly before the end of the calendar year in which you turn age 71).

### **Who will send out the annuity contract?**

The annuity application that you submit through the MyLifePath platform is completed via PlanConnect which then sends the completed application to the insurers on your behalf (or in the case of paper-based, the paper-based packet is downloaded from the PlanConnect portal, completed & signed by you (and your spouse, if applicable) and mailed to PlanConnect, who then sends the completed packet to the insurers on your behalf).

### **How will I receive the lifetime income stream from the insurers?**

When you apply for a lifetime income stream via PlanConnect, you may elect to receive a physical check or may elect to receive the lifetime income stream electronically. You will receive at least two checks or direct deposits each month from the insurers: one from Equitable and one from BrightHouse. However, the total number of checks or direct deposits from each insurer is dependent on the number of fund sources (i.e., Pre-Tax, Roth, After-Tax) in the account.

### **How long will it take to receive the first payment after annuitizing?**

This is an immediate annuity option, and payments are expected to be paid within one to two weeks after completion of the annuity purchase agreement.

### **What happens if my investment in the Target Retirement Paycheck from which I elect the lifetime income options includes more than one source, such as Roth or After-Tax, in addition to Pre-Tax?**

If you elect to purchase lifetime income and your investment includes multiple sources, the annuities are funded pro-rata across all your money sources that are invested in your age-appropriate Target Retirement Paycheck Portfolio. As a result, you would receive from each insurer each month a payment tied to each source of funds, i.e., a payment for the annuity funded by Pre-Tax dollars that is fully subject to tax and a payment for the annuity funded by Roth dollars that is not subject to tax.