

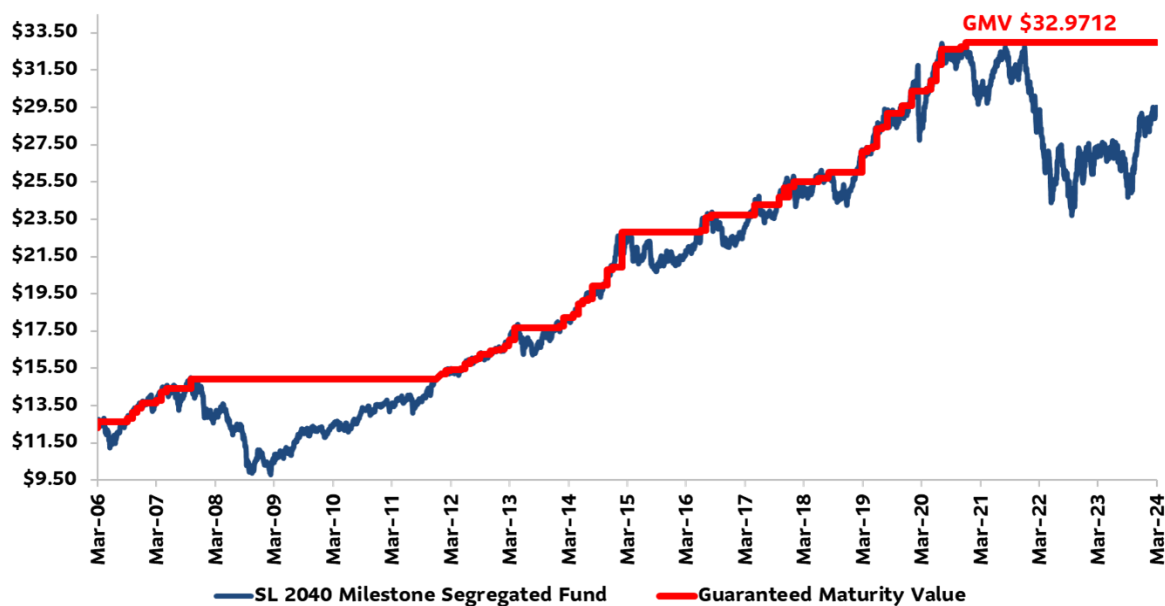
## Sun Life Milestone Target Date Funds (TDFs) Series – Frequently Asked Questions

### 1. Q: What is a Guaranteed Maturity Value that Milestone Funds offer?

A: The Guaranteed Maturity Value (GMV) is the highest month-end unit value over the life of a Milestone Fund.

For example, as of **March 31, 2024**, Milestone 2040's GMV was \$32.9712. This was the highest unit value of Milestone 2040 that was reached on December 30, 2022. Between December 30, 2022 and **March 31, 2024**, the Milestone 2040's unit value has been lower than \$32.9712, therefore the GMV remained at \$32.9712.

If the Milestone 2040's unit value is higher than \$32.9712 in the future, the new value will become the new GMV for Milestone 2040. Whenever the Milestone 2040 reaches a new, higher unit value, the Fund will have a new GMV.



### 2. Q: How does the GMV work?

A: If members continue to hold a Milestone Fund until maturity, they will get either the GMV or the Milestone Fund's value on the maturity date:

- If the Milestone Fund's value is higher than the GMV, they will get the Milestone fund's value.
- If the Milestone Fund's value is lower than the GMV, they will get the GMV.

Thus, the GMV provides protection to members if markets fall significantly when the Funds mature.

***However, members will not receive the GMV if they don't hold Milestone fund(s) until maturity. If members sell their investment in Milestone fund before the maturity date, they will get the value as of the day of the transaction.***

### 3. Q: What does SLGI do to offer the GMV with the Milestone Funds?

A: SLGI monitors the Milestone Funds' value at the end of each month. Whenever a Milestone Fund reaches the new highest unit value at the end of any month (the new GMV), SLGI invests a portion of the Fund in the stripped Canadian government fixed income securities to secure the new GMV.

SLGI allocates the remainder of the Fund to the Sun Life Milestone Global Equity Fund. The Sun Life Milestone Global Equity Fund follows the regional diversification of the MSCI All Country World Index (“benchmark”). SLGI can increase equity exposure up to 1.4x and deviate from the benchmark regional weights by +/-10%.

Thus, Milestone Funds’ asset mix is determined by the need to secure the GMVs when the Funds reach their respective maturity. In contrast, the asset mix of the traditional TDFs (with no GMV) depends primarily on the expected long-term asset classes’ return and risk.

**4. Q: What will happen to members if a plan sponsor continues offering the full suite of Milestone Funds in a plan?**

A: Members who hold the Milestone Funds until maturity will still receive the greater of the market value or their GMV if they hold the Funds until their respective maturity. However, they will likely have a lower return and asset growth over time than if they invest in traditional TDFs. This is due to the high allocations to bonds in the Milestone Funds. From this perspective, as long as equities outperform bonds over the term to maturity, the guarantee likely does not provide better member outcomes.

**5. Q: What will happen to members if a plan sponsor decides to replace all the Milestone Funds with a traditional TDF suite?**

A: Members whose money is moved to another TDF series will lose the GMV. However, they’ll have the opportunity to get potentially higher return and asset growth, especially those who are still far from retirement.

It’s important to note there is no ‘insurance’ aspect to the guarantee. Milestone Funds simply hold enough (zero-coupon) government bonds until they mature.

Members will benefit from the guarantee if they earn less than returns needed to reach the GMV as listed below (based on market values as of March 31, 2024):

- Milestone 2025 – 1.13% (0.90% annualized until Milestone 2025’s maturity)
- Milestone 2030 – 6.47% (1.01% annualized until Milestone 2030’s maturity)
- Milestone 2040 – 11.71% (0.68% annualized until Milestone 2040’s maturity)
- Milestone 2050 – 16.37% (0.58% annualized until Milestone 2050’s maturity)
- Milestone 2060 – 17% (0.43% annualized until Milestone 2060’s maturity)

These returns are lower than what they can get through other secure investments, such as a Money Market fund or Guaranteed Investments (Guaranteed Daily Interest Account (GDIA) or 1-, 3-, 5-year Guaranteed Investments). As a comparison, the yields from GDIA and Money Market fund as of March 31, 2024 are:

- GDIA base rate (annual) = 4.81%
- Money Market 7-day trailing yield = 5.11%

Thus, members will get a better outcome from other investment options that have higher potential returns than the returns needed to reach the GMV, such as another TDF (without the GMV), a Money Market fund or Guaranteed Investments.

**6. Q: What can plan sponsors do if they want to replace Milestone Funds with another TDF series, but they have many members who are close to retirement?**

A: Most of the Clients who previously offered Milestone Funds chose the following actions:

- Retain Milestone 2025 and Milestone 2030 Funds so members who will retire in 2025 and 2030, respectively, can keep the GMV.
- Remove Milestone 2035 up to Milestone 2060 Funds from the line up and transfer the money to the new TDFs.

The benefits of this approach are:

- Members who are close to retirement are still protected if there's a significant market downturn when the Milestone 2025 and 2030 Funds mature.
- Members who are still far from retirement may get potentially higher return through the new TDFs.
- Better member experience, particularly for new members, because the new TDFs are the only TDFs available in the plan.
- Simple administration for plan sponsor since there's only one set of TDFs that members can choose.

**7. Q: What is the maturity process in Milestone funds? For example, what will happen next year when the Milestone 2025 fund matures?**

A: Unlike traditional target date funds, Milestone doesn't have a retirement fund. That means that the maturing fund will transition to either the GDIA or the Money Market fund available in your plan in the maturity year. For Milestone 2025, this means that in 2025, the fund will close and money will move to the GDIA or Money Market fund available in your plan.

If you offer another TDF series in your plan, you may choose to transfer the money in the maturing Milestone Fund to the Retirement Fund in the other TDF series. If you decide to do so, please provide the instruction to your GRS representative.