

Decumulation

Investment Options for Retirement Income Plans



Objective & assumptions

Objective

To provide sponsors, consultants and advisors with funds and asset classes that retirees may want to consider for a decumulation-focused plan.

Assumptions

- Investment options discussed are potential options in addition to core bond and equities or funds already available within Capital Accumulation Plans (CAP)
- Current advice model applies to retired members
 - As with CAP plans, members are responsible for getting advice through the channel of their choice
- Assume that the optimal decumulation portfolio will be personalized based on the individual risk tolerances and income sources available to each member
 - There are no assumptions related to what would be an optimal decumulation portfolio for a member
- Members staying with Sun Life also have access to fixed annuities for additional longevity protection

Investment options retirees may consider for Retirement Income Plans



These are investment themes that sponsors may wish to consider as part of Retirement Income Plans or in addition to an existing CAP lineup.

Asset category	Inflation protection	Income oriented	Volatility reducing	Diversification	Guaranteed	Growth exposure
Retirement and Target risk funds	✓			✓		✓
Diversified income	✓	✓		✓		✓
Guaranteed					✓	
Short-term bond			✓			
Canadian core plus bond		✓		✓		
Global bond		✓		✓		
Low vol equity	✓		✓			✓
Real assets	✓	✓		✓		✓

Investment options and asset classes will be reassessed based on new innovations available through the Core Platform.

Investment options for Retirement Income Plans

Help Me Do It solutions provide retirees diversified portfolios that provides exposure to a variety of asset classes (e.g. fixed income, equities) and geographic regions (e.g. North America and non-North America which may include Emerging Markets etc.). These solutions also benefits from the additional diversification from embedded specialty exposures and professional management, improving their risk/return tradeoff.

Plans can continue to offer the Retirement Fund of the Target Date solution within a decumulation focused plan.

Retirement Funds (available as single fund or series)

- BlackRock LifePath Retirement
- Fidelity ClearPath Income
- MFS Life Plan Retirement
- Granite Retirement

Target Risk series provide members access to multiple risk tolerances. It can be used to obtain a specific asset mix or a specific place on the risk/return spectrum.

Target Risk Funds

- BlackRock Balanced Index
- MFS Allocation
- SL Granite Target Risk

Diversified income funds invest in diversified portfolios of yield and dividend producing securities, including corporate bonds, REITs and other income trusts and dividend paying equities to give investors a source of diversified income.

Diversified Income Funds

- CC&L Group Income & Growth
- Sun Life Dynamic Strategic Yield
- Sun Life Granite Income
- Sun Life Granite Enhanced Income

Investment options for Retirement Income Plans

Guaranteed Accounts and Short-Term Bonds may provide members with certainty of income and/or lower volatility in order to help retirees reduce risks within the Fixed Income component of their portfolio, or act as the cash component of a portfolio.

Given the short-term nature of the securities they invest in, short-term bonds are less volatile than universe bond funds.

Guaranteed options

- Sun Life Guaranteed Daily Interest Account (GDIA)
- Sun Life Assurance Guaranteed Funds (1, 2, 3, 4, and 5 year terms)

Short-Term Bond Fund

- PH&N Short Core Plus Bond

Core Plus and Global bonds may provide members with an income focus and more diversification within the Fixed Income portion of their portfolio. Core Plus invests a portion of a fund's assets in Fixed Income securities outside of Canada. Global Bond invests all of its assets in Fixed Income securities from around the world.

Canadian Core Plus Bond Funds

- AlphaFixe Return Plus
- BlackRock Core Plus Bond
- MFS Canadian Core Plus Fixed Income
- PH&N Core Plus Bond
- PIMCO Canada Canadian CorePLUS
- SLC Management Core Fixed Income Plus
- Sun Life Multi-Strategy Core Plus Bond
- TDAM Canadian Core Plus Bond

Global Bond Funds

- Sun Life Opportunistic Fixed Income (sub-advised by Wellington)
- PIMCO Canada Monthly Income

Investment options for Retirement Income Plans

Low volatility funds would provide retirees with options that target returns in line with equity benchmarks but with lower volatility. These options may be appropriate in portfolios to reduce market risk within the equity component of their portfolio while keeping the equity exposure.

Low Volatility Equity Funds

- MFS Low Volatility Canadian Equity
- WindWise Canadian Managed Volatility
- TDAM Low Volatility U.S. Equity
- Sun Life MFS Low Volatility International Equity
- MFS Low Volatility Global Equity
- TDAM Low Volatility Global Equity

Real Estate and Infrastructure (toll roads, airports, etc) aim to provide investors with returns that are not correlated with broader market returns, an income focus and long-term inflation protection.

Real Assets

- BGO Canadian Real Estate Plus*
- Franklin Real Assets*
- Invesco Global Real Estate– Listed
- Lazard Global Listed Infrastructure
- Sun Life Multi-Strategy Real Assets

*These funds have special operational requirements.

