THE BENCHMARK REPORT ON
CAPITAL ACCUMULATION PLANS
IN CANADA

Designed for Savings 2023

Sun Life

Life's brighter under the sun

Summary

The world has undergone dramatic change since the publication of our *2021 Designed for Savings report*. COVID-19 vaccinations had only just begun to be administered across Canada a few months earlier. The economic impact of what lay ahead was highly uncertain. After a steep drop in February and March on the S&P/TSX Composite Index, Canada's main stock index had recovered all its losses by year-end. Still, the world seemed in a tenuous state.

Since that time, we've seen a war in Ukraine, stubborn supply chain issues and a sharp rise in the cost of living. By June 2022, Canada's inflation rate had reached a peak of 8.1%. Central banks around the world implemented multiple interest rate hikes in what – so far – appears to be a successful effort to bring inflation under control.

We're all feeling the pinch – Canadians and their employers. Our 2023 report delivers valuable data and analysis on how all of this is affecting workplace savings programs. We have insights to share on plan design, member behaviour, account balances, decumulation trends and more.

A CAP Industry Benchmark

Our Clients and partners regularly tell us that this flagship report serves as a benchmark report for the industry. We've sharpened our focus on plan outcomes this year. You'll find additional data points you can compare your plan design with.

The overarching trend in 2023 among group plans is one of consistency and resilience in the face of a challenging environment.

Plan Design

Not surprisingly, core Capital Accumulation Plan (CAP) product offerings remain consistent with previous reports. Defined Contribution Pension Plans (DCPP) and Group Registered Retirement Savings Plans (RRSP) continue to play a foundational role. Employee Profit Sharing Plans (EPSP) and Non-Registered Savings Plan (NREG) are also popular among sponsors with high asset levels within their programs.

The percentage of CAP sponsors offering a 100% match on member contributions is holding firm at 67%. A dollar-for-dollar match is the kind of straightforward message that cuts through the complexities of CAP design and motivates plan members to save. However, nearly 25% of members are not taking full advantage of the employer match, leaving money on the table.

Investments

2022 was a challenging investment environment, the rare occurrence where both bonds and equities had negative returns. In the face of these markets, target date funds remain the default investment option for the majority of plans.

The marketplace for target date funds has evolved since their introduction, to the point where plan sponsors have options that didn't previously exist. While target date fund returns were inferior to some other asset classes in 2022, a five-year rolling analysis for those members invested exclusively in target date funds outperformed those who built their own portfolios, in most periods since 2014.

Plan sponsors would prefer to see more members review their options and actively choose their investments. But while we continue to make a concerted effort to engage CAP members, many members land on the default fund. That raises the importance of picking an appropriate default fund, and more sponsors have been gravitating towards target date funds as their default. If the appropriate defaults were selected, we often see that when members call to get guidance among the options available in their plans, they in fact stay with the default.

We are tracking additional investment trends, not all of which have shown up in the data yet.

Fixed income diversification has become more prevalent. An expanded opportunity set (such as high yield bonds and emerging market debt) are gaining attention among plan sponsors.

As well, exposure to real assets - in the form of real estate and infrastructure - is more accessible than ever, which better positions members to mitigate both inflation and longevity risk.

We're seeing increasing commitments to sustainability considerations in group savings investments. The sustainability journey for sponsors can be varied, as they look to incorporate Environmental, Social and Governance (ESG) considerations into investment management decisions – beyond branded, Sustainability Focused or Divestment funds.

Member behaviour

After a brief spike in transactions following the initial COVID-19 lockdowns in 2020, member behaviour has since returned to normal. Only a small minority, about 4% of members, moved money between funds in the last year. This compares to roughly 8% of members who made interfund changes in 2019. About half (48%) of interfund assets transferred were risk-neutral. One-quarter (25%) of assets transferred moved into higher-risk investments, and 27% went into lower-risk investments. This represents less de-risking than we saw in the market gyrations of 2020.

We're not surprised by these low numbers, given the popularity of *set-it-and-forget-it* options like target date funds.

Decumulation

It is estimated that some five million Canadians will retire in the decade ahead. Many continue to do so before the traditional retirement age of 65.

In the years following the credit crisis, there was a view among many working Canadians that they would work past 65, for both financial and lifestyle reasons. Some certainly have, but not enough to drive the average retirement age up significantly – at least not yet.

Sun Life plan members retire 1.5 years earlier than the average Canadian. They did so with an average balance of $184,050, and drawing from their plan an average retirement income of $10,110. That is, naturally, in addition to whatever assets they hold with other administrators or personal accounts, and other sources of income they may have.

Two additional notes on decumulation.

There have been moves in the U.S. to push back the age at which Americans are required to withdraw funds from their 401(k) plans. We're aligned with other industry groups in the belief that similar changes would help Canadians with both longevity and higher costs of living.

We also continue to advocate for employment legislation that would allow for auto features. Members often decide what they can afford to save early in their career, and then never revisit that decision. Allowing them to agree to automatic increases over time would have a positive impact on decumulation planning.

On a personal note, this year's *Designed for Savings* report is dedicated to two extraordinary colleagues.

Kim Duxbury, who retired from Sun Life this spring after a 42-year career with us. Among her many accomplishments over that time was the founding of this report, back in 2014.

John Hallett, who was a much-loved Sun Life veteran and contributor to both the Association of Canadian Pension Management and the Canadian Pension & Benefits Institute before his passing last year. Our sincere condolences to Cathy and the rest of John's family.

Eric Monteiro
Senior Vice-President
Group Retirement
Services

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PLAN ABBREVIATIONS

AUA	Assets Under Administration
CAP	Capital Accumulation Plan*
DBPP	Defined Benefit Pension Plan
DCPP	Defined Contribution Pension Plan
DPSP	Deferred Profit Sharing Plan
EPSP	Employee Profit Sharing Plan
ESPP	Employee Share Purchase Plan
GDIA	Guaranteed Daily Interest Account
GIA	Guaranteed Interest Account
LIF	Life Income Fund
LIRA	Locked-In Retirement Account
NREG	Non-Registered Savings Plan
OAS	Old Age Security
PRPP	Pooled Registered Pension Plan
QPP	Quebec Pension Plan
RRIF	Registered Retirement Income Fund
RRSP	Registered Retirement Savings Plan
TFSA	Tax Free Savings Account
VRSP	Voluntary Retirement Savings Plan

* This report refers to CAP as an umbrella term, which includes defined contribution pension plans, group RRSPs, etc.

Future-ready plans

Having navigated two global crises in recent years – the COVID-19 pandemic and the credit crisis – we have a clearer picture than ever of what constitutes best practices for CAP sponsors and members. We know more about what sponsors can do to drive improved outcomes, and how members respond to plan design elements in good times and bad.

Three key themes have emerged: digitization, saving incentives and sound decumulation support.

Digitization

The number of CAP sponsors providing digital enrolment continues to rise – to 29% of sponsors, as of the end of 2022. It's prevalent among the country's largest plans. Those sponsors represent about 75% of plan members served by Sun Life. When we make it easier for members to do business with us, we drive improved engagement and higher savings rates. The rise we're seeing in voluntary plan participation is at least partly a result of convenience and a positive member experience.

Saving incentives

We can encourage plan members to save in many ways, besides digital or auto-enrolment. Employer match may fluctuate among some sponsors during difficult times, but they have a clearly positive effect on member outcomes. A strong majority of sponsors (67%) provide a one-to-one match. That happens primarily within DCPPs and RRSPs, but not exclusively.

More plan sponsors offer voluntary products as savings alternatives: Tax Free Savings Accounts (TFSA) grew by 8% and DPSPs by 18%. Member participation in these plans also grew for TFSAs (up 30%, relative to two years ago), RRSPs (up 11%) and ESPPs (up 6%).

All of this has contributed to rising sponsor-and-member contributions. What's more, despite the market volatility associated with both COVID-19 and the previous credit crisis, relatively few CAP members moved their money into less risky products.

Decumulation support

Finally, the industry's greater focus on CAP member decumulation is having a strongly positive effect on retirement outcomes. A strong case can be made for the value of professional advice on this front. We're regularly asked by plan members for something more than just information and education.

Annuity sales, for example, have begun to come back as a result of rising interest rates. We believe that annuities will regain their place in decumulation plans, as a useful hedge against longevity risk. But their complexity, along with a tendency among many people to believe they're giving up a measure of control by annuitizing too much of their savings, makes it difficult for many members to make the purchase. Professional advice can help.

Inflation emerged as a key consideration for retirees in 2022. As retired members approach age 71 - when they are required to make minimum withdrawals from their registered retirement income fund (RRIF), 23% withdrew more than the minimum payments from their plans. More than one-third (36%) of members 70 to 74 did the same. The percentage of retirees 75 to 79 taking more than the minimum out of their RRIF nearly doubled in the last two years, to 21% in 2022. The rising cost of living has affected all segments of the population.

01 Demographics, eligibility and employer-matching contributions

The steady rise in DCPP assets continues around the world. In fact, DCPP assets in the world's seven largest pension markets have grown 9% in the last 10 years, a rate almost twice that of defined benefit pension plans.

While roughly 54% of pension assets in those seven markets are in DCPPs, the percentage in Canada is 40%. That puts the national DCPP market at approximately $1.9 trillion.[1]

Demographics

Despite the continued, steady growth of DCPPs, capital market conditions drove asset levels across the Canadian industry down about 7% relative to the previous year. As of June 30, 2022, the top 20 providers of capital accumulation plans in the country were administering $250.4 billion on behalf of about 75,000 group plans and 7.5 million plan members.[2]

Sun Life leads that list as the country's top provider of CAP administration services.

Designed for Savings 2023 is based on Sun Life Client data, representing roughly 1.4 million members over 7,500 group plans in our proprietary CAP database. As the Canadian market-share leader among group retirement savings record keepers, our database provides an unparalleled look at the state of Canadian retirement.[3] Sun Life represents 36% of total CAP assets and 40% of defined contribution assets under administration.[4]

Unless otherwise stated, our data is as of December 31, 2022. For more on the *Designed for Savings 2023* methodology, see page 55.

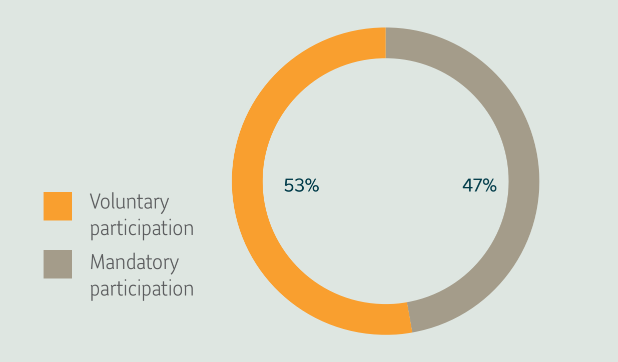
SUN LIFE CAP DATABASE

6,900+	CLIENTS
7,500+	PLANS
1.4+ million	PARTICIPATING MEMBERS
$105+ billion	ASSETS UNDER ADMINISTRATION

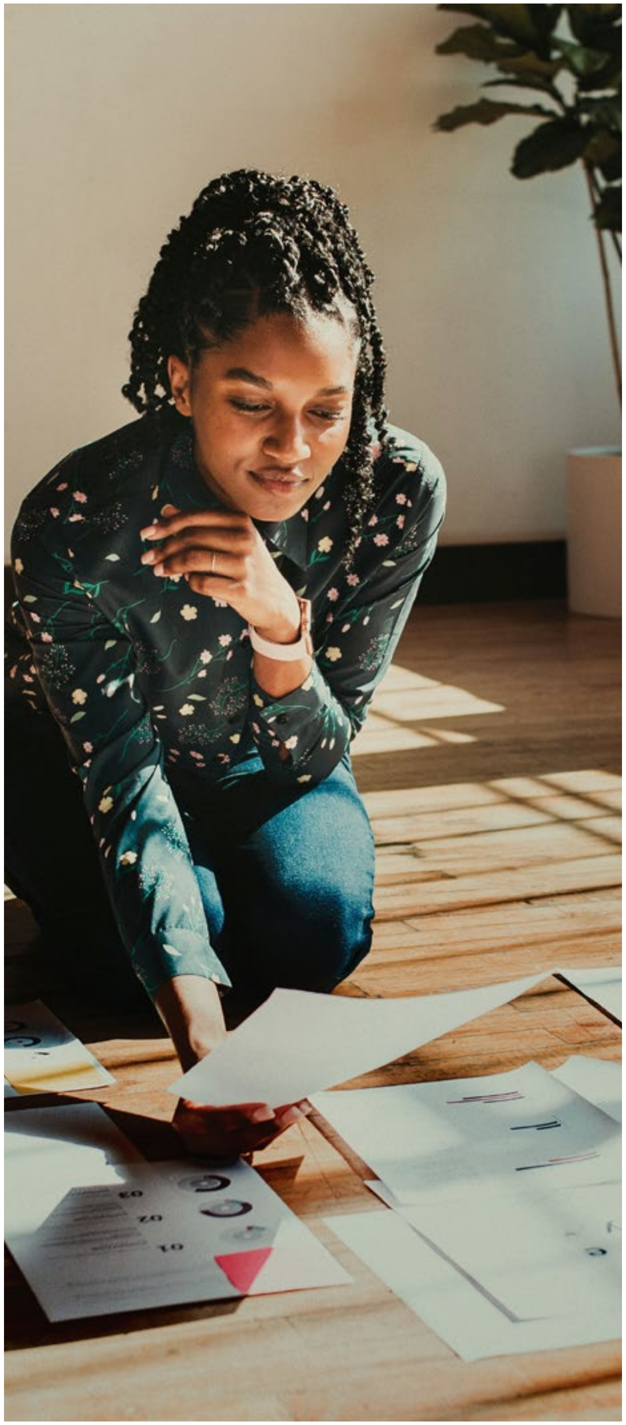
Eligibility and employer-matching contributions

Similar to our past report, roughly half of Sun Life Clients make participation in their CAP voluntary. The split this year is 53% voluntary, 47% mandatory.

FIG 1.0: OVERALL PLAN ELIGIBILITY



That split is fairly consistent across industries. We see just two outliers. Seventy per cent of plan sponsors in the recreation sector have plans that are voluntary. Eighty per cent of sponsors in telecommunications services have mandatory plans in place.



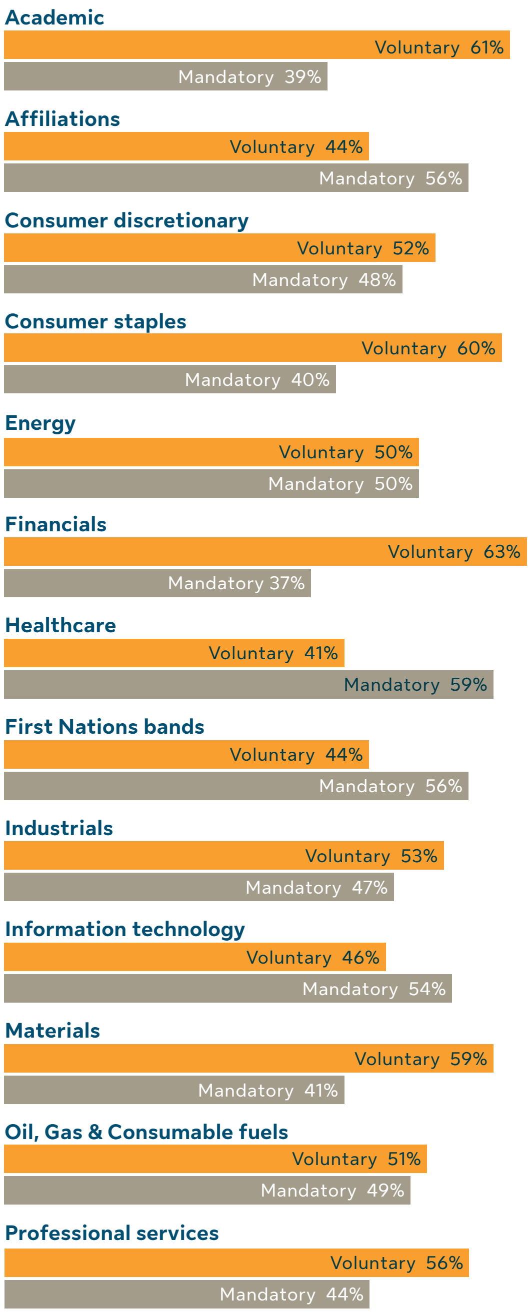
[1] *Global Pension Assets Study 2022*, Willis Towers Watson Thinking Ahead Institute. The seven largest pension markets include Australia, Canada, Japan, Netherlands, Switzerland, UK and US. Collectively, they represent 92% of global pension assets.

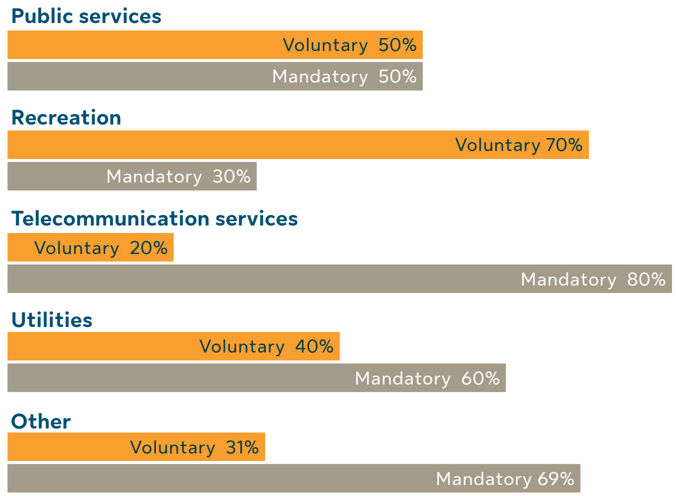
[2] *2022 CAP Suppliers Report*, Benefits Canada. Data as of June 30, 2022. Based on data supplied by providers for: defined contribution plans, group registered retirement savings plans, deferred profit-sharing plans and employee profit-sharing plans administered assets.

[3] Group Retirement Savings and Pensions Report—Canada Record-keepers Update, Investor Economics, 2021 update

[4] *2022 CAP Suppliers Report*, Benefits Canada.

FIG 1.1: PLAN ELIGIBILITY BY INDUSTRY

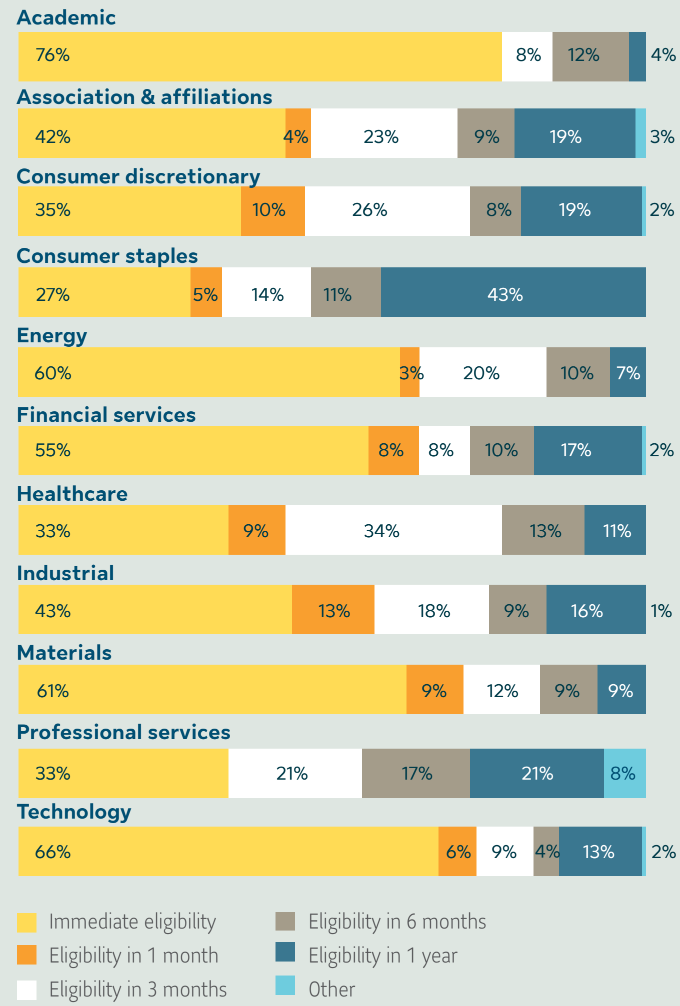




As we reported in *Designed for Savings 2021*, a significant number of plans – across multiple industries – provide new employees immediate plan eligibility.

It's most common in the academic, technology, materials and energy industries. It's least common among consumer staples, healthcare and professional services employers. One-third or fewer plans in each of those sectors provide immediate eligibility.

FIG 1.2: EMPLOYEE ELIGIBILITY BY INDUSTRY[5]



[5] 2020 Sun Life data uses different definitions of industries and associations.

We know that plan members respond positively to employer offers to match their contributions. Consistent messaging on this plan feature has had an effect.

The percentage employees are required to contribute in order to secure the maximum level of employer match varies rather widely. Across all industries, roughly 50% require a contribution of less than 5%. The rest ask for 5% or more. There is little difference between this year's findings and what we reported two years ago on this count.

FIG 1.3 EMPLOYEE CONTRIBUTION REQUIRED FOR MAXIMUM EMPLOYER MATCH BY INDUSTRY

Industry	<3%	3%	4%	5%	6%	7%	8+%
Academic	-	-	-	100%	-	-	-
Affiliations	8%	17%	8%	17%	33%	-	17%
Consumer discretionary	8%	28%	17%	21%	17%	6%	3%
Consumer staples	21%	18%	18%	22%	14%	1%	5%
Energy	-	14%	18%	32%	23%	5%	9%
Financials	16%	15%	22%	19%	26%	2%	-
Health care	9%	23%	19%	19%	13%	4%	13%
First Nation bands	-	-	50%	50%	-	-	-
Industrials	13%	20%	23%	27%	13%	3%	2%
Information technology	14%	9%	17%	25%	23%	6%	5%
Materials	9%	18%	23%	16%	27%	5%	2%
Oil, gas & consumable fuels	10%	8%	15%	36%	21%	-	10%
Professional services	5%	16%	11%	53%	16%	-	-
Recreation	100%	-	-	-	-	-	-
Telecommuni-cation services	-	-	-	-	50%	-	50%
Utilities	3%	34%	13%	38%	9%	3%	-
Other	13%	17%	25%	21%	17%	4%	4%
Total	**11%**	**19%**	**19%**	**24%**	**18%**	**4%**	**4%**

What constitutes a maximum employer match also varies. About seven in 10 match employee contributions dollar for dollar, which includes plans which match above 100%.

FIG 1.4 OVERALL EMPLOYER MATCHING CONTRIBUTION RATE

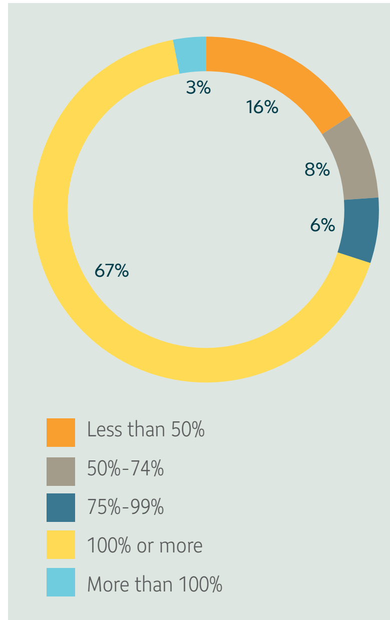
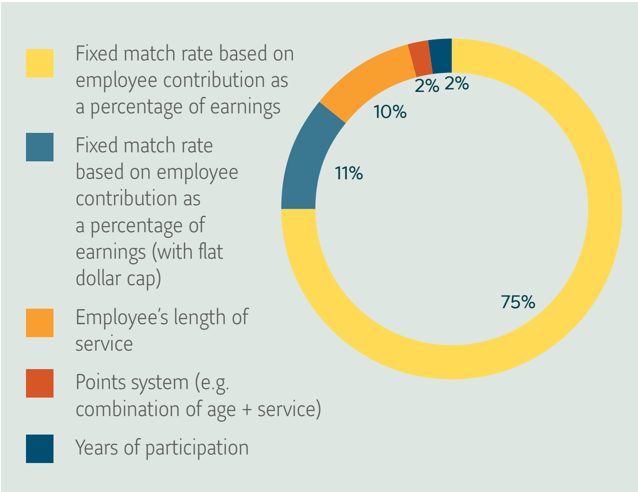


FIG 1.5 EMPLOYER MATCHING CONTRIBUTION RATE BY INDUSTRY

Industry	Less then 50%	50% to 74%	75% to 99%%	100%	100% or more
Academic	25%	25%	25%	25%	-
Affiliations	21%	25%	25%	29%	-
Consumer discretionary	25%	24%	18%	31%	1%
Consumer staples	26%	24%	17%	30%	3%
Energy	27%	25%	16%	30%	2%
Financials	26%	24%	21%	28%	2%
Health care	27%	24%	20%	28%	1%
First Nation bands[6]	20%	20%	20%	40%	-
Industrials	25%	24%	18%	30%	3%
Information technology	27%	22%	20%	30%	1%
Materials	28%	22%	18%	31%	1%
Oil, gas & consumable fuels	28%	22%	19%	29%	3%
Professional services	31%	24%	14%	31%	-
Recreation	-	-	-	100%	-
Telecommuni-cation services	25%	25%	25%	25%	-
Utilities	31%	22%	13%	33%	-
Other	27%	25%	14%	29%	4%
Total	**26%**	**24%**	**18%**	**30%**	**2%**

[6] First Nation Bands were previously included in the Affiliations category.

FIG 1.6 DETERMINING EMPLOYER MATCHING CONTRIBUTION



Of course, there are multiple factors that go into an employer-matching decision.

As we reported two years ago, three-quarters (75%) of plan sponsors have a fixed match rate in place, based on employee contributions as a percentage of earnings. One in 10 (11%) make the same calculation, but also apply a flat dollar cap.

Ten per cent of sponsors base the matching calculation on employee tenure, 2% on years of plan participation and another 2% on a points system combining age and service.

FIG 1.7 EMPLOYER AUTOMATIC CONTRIBUTION RATE WHERE NO EMPLOYEE CONTRIBUTION IS REQUIRED

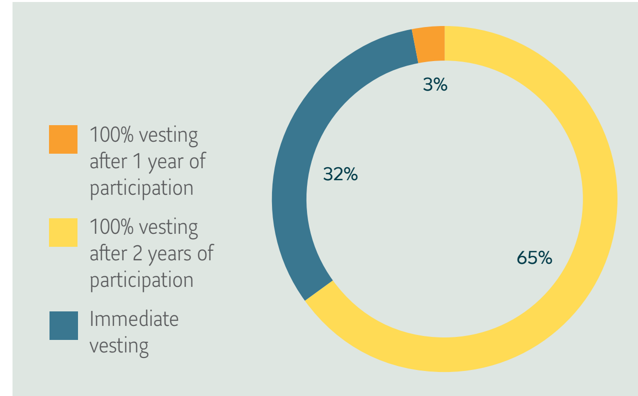
Automatic sponsor contribution rate %	% of plans*
1%	6%
2%	15%
3%	19%
4%	17%
5%	19%
6%	18%
7%	3%
8%	2%
9%	1%
10%+	2%

**The percentage shown is based on the approximately one in five plans that offer an automatic contribution*

Some plan sponsors will contribute to a group plan, even if the member chooses not to.

Among those who require no employee contribution, about two in five (40%) provide a contribution rate between 1% and 3.9% of income. Another 36% offer between 4% and 5.9%.

FIG 1.8 VESTING PERIOD FOR DPSP[7]



One-third of deferred profit sharing plan (DPSP) sponsors provide immediate vesting to new members. The remainder ask members to wait a year or two.

A solid majority (65%) of these plans are designed to vest two years from the coverage date.

When considering the correlation of member tenure, age and vesting periods, we observe minimally higher tenure for members with a longer vesting period.

Among members 60 to 64, those who vested after a two-year wait have an average 19-year tenure, versus the 18-year average tenure among those who vested without delay.

The implication for younger workers is that a sponsor's decision to delay vesting is likely to have little impact on expected tenure.

[7] Fig1.8 excludes the small number of Clients who may use other vesting periods

02 Plan types commonly offered

The idea of choice is central to the success of CAPs in Canada. These plans resonate with sponsors who recognize the value in empowering employees to make their own long-term retirement savings decisions. Plan members benefit from the ability to choose what works for them.

The country's largest plan sponsors are more likely than their smaller counterparts to offer multiple products to choose from. Close to one-third (29%) of those with 1,000 or more plan members offer a DCPP, group RRSP and group TFSA. The same is true of 28% of sponsors with between 500 and 999 members.

Fewer sponsors in the 200 to 499 member category offer the same three plan choices – 18% of them do so.

Access to non-registered (NREG) group savings plans is similarly skewed. Eight per cent of sponsors with 200 to 499 members offer NREGs, along with their DCPPs, group RRSPs and group TFSAs. The same is true of 12% of plans with 500 to 999 members and 13% of plans with 1,000 or more members.

FIG 2.0: TOP PLAN TYPE COMBINATIONS BASED ON PLAN MEMBERSHIP SIZE

Plan membership size	Top 5 plan types offered				
1-99	RRSP 57%	DCPP 15%	RRSP, DPSP 13%	RRSP, TFSA 4%	DCPP, RRSP 3%
100-199	RRSP 19%	DPSP, RRSP 13%	DCPP 12%	RRSP, DCPP 12%	-
200-499	DCPP, RRSP 13%	RRSP 11%	DCPP, RRSP, TFSA 10%	DCPP, RRSP, TFSA, NREG 8%	RRSP, DPSP 8%
500-999	DCPP, RRSP, TFSA 16%	DCPP, RRSP, TFSA, NREG 12%	DPSP, RRSP 9%	RRSP, DPSP 8%	RRSP 6%
1,000+	DCPP, RRSP, TFSA 16%	DCPP, RRSP, TFSA, NREG 13%	DCPP, RRSP 11%	DCPP 9%	-

The data is more nuanced when considered by asset size.

Plans with less than $5 million in assets are most likely to sponsor just one product – a group RRSP.

That's true of 62% of plans with less than $2 million in assets, and 26% of those with between $2 million and $5 million.

Among plans with $5 million or more in assets, the most common plan combination features an employee profit sharing plan (EPSP) or NREG plan.

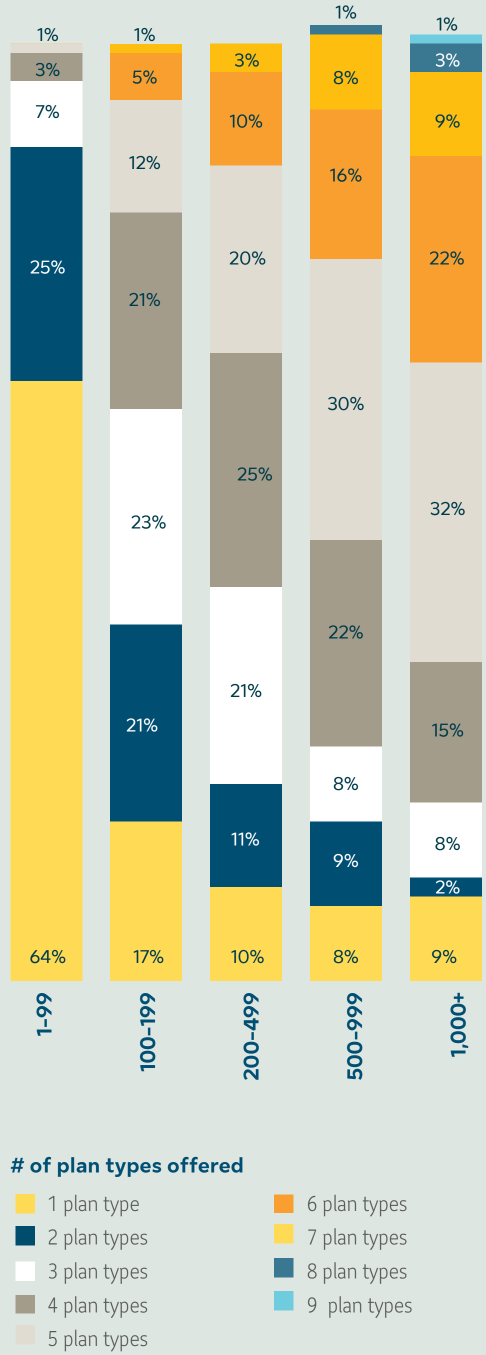
Despite the popularity of TFSAs, there is no asset-size category in which more than one-third of plans offer one. Among plans with $5 million or more, the percentage ranges from 23% to 28%. This is expected to change in the coming years, as it is expected to be the savings vehicle which will see the most rapid growth among Canadians.[8]

FIG 2.1: PLAN TYPES COMMONLY HELD BASED ON GROUP PLAN ASSET SIZE

Plan type	Less than $2M	$2M-$5M	$5M-$10M	$10M-$25M	$25M-$50M	$50M-$100M	$100M+
RRSP Only	62%	26%	16%	10%	4%	3%	-
RRSP, DPSP	14%	12%	10%	9%	7%	3%	1%
DCPP Only	14%	22%	18%	9%	8%	5%	9%
DCPP, RRSP	2%	11%	14%	13%	12%	10%	9%
NREG or EPSP	2%	9%	19%	30%	40%	48%	57%

[8] Investor Economics, Group Retirement Savings and Pension Report 2022 Update.

FIG 2.2: NUMBER OF PLAN TYPES OFFERED BASED ON PLAN MEMBERSHIP SIZE

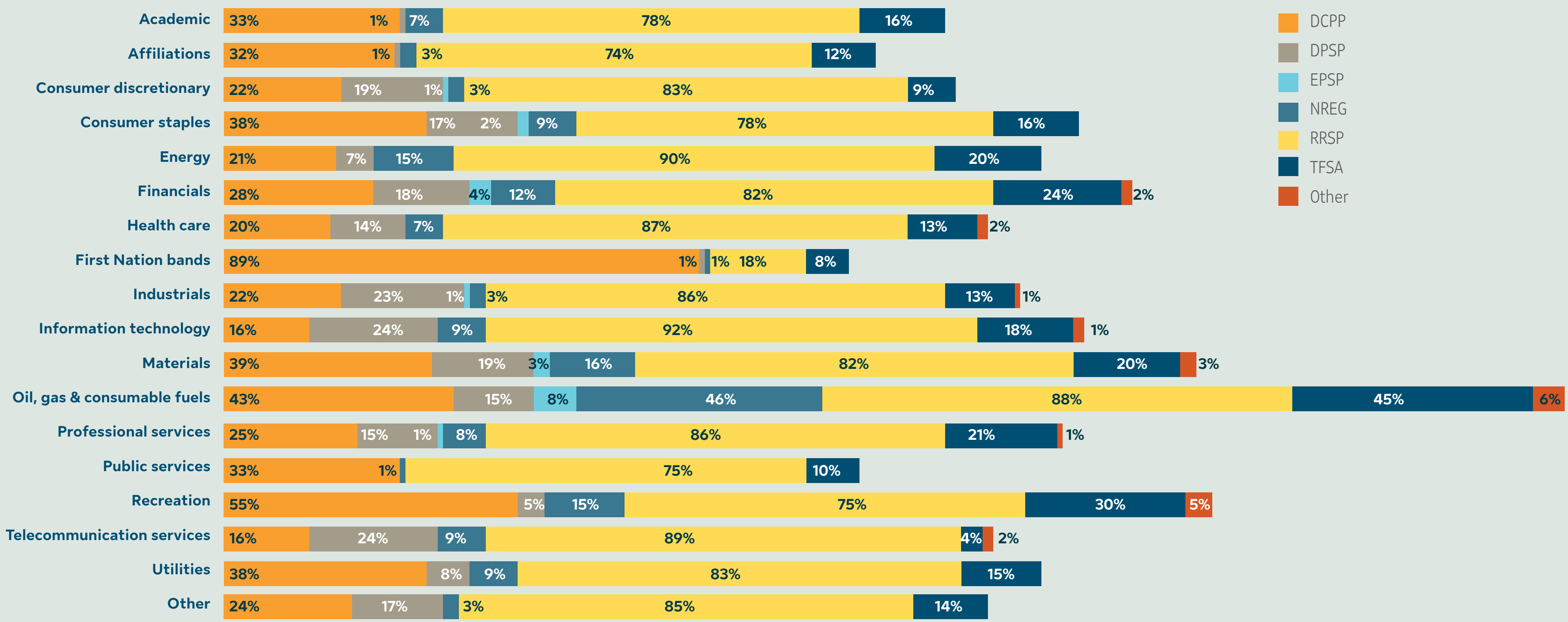


Nearly 70% of plan sponsors with 500 or more members offer four, five or six plan types for members to choose from.

Smaller groups tend to have somewhat fewer plan options. Two-thirds of sponsors with between 200 and 499 members offer three, four or five plans. About the same percentage of sponsors with 100 to 199 members have two, three or four plans.

Among sponsors with fewer than 100 members, 64% offer just one plan.

FIG 2.3: PLAN TYPES OFFERED BY INDUSTRY



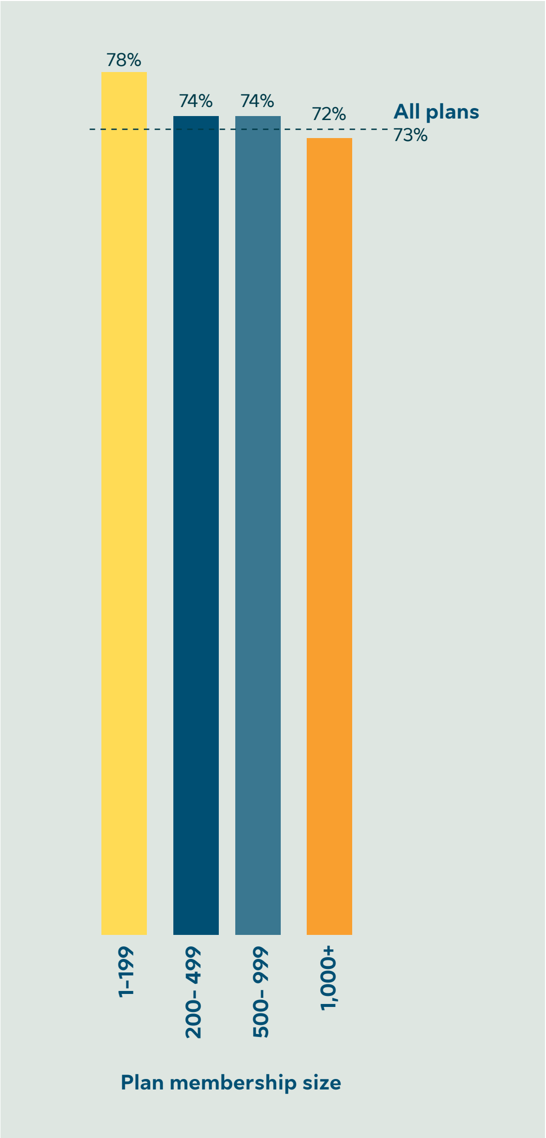
Across multiple industries, the most popular plan type offered is the group RRSP, with DCPP being the second most common offering.

03 Employee participation rates

Participation is voluntary in about half of CAPs – meaning that many employees must make an active choice to join their workplace plan.

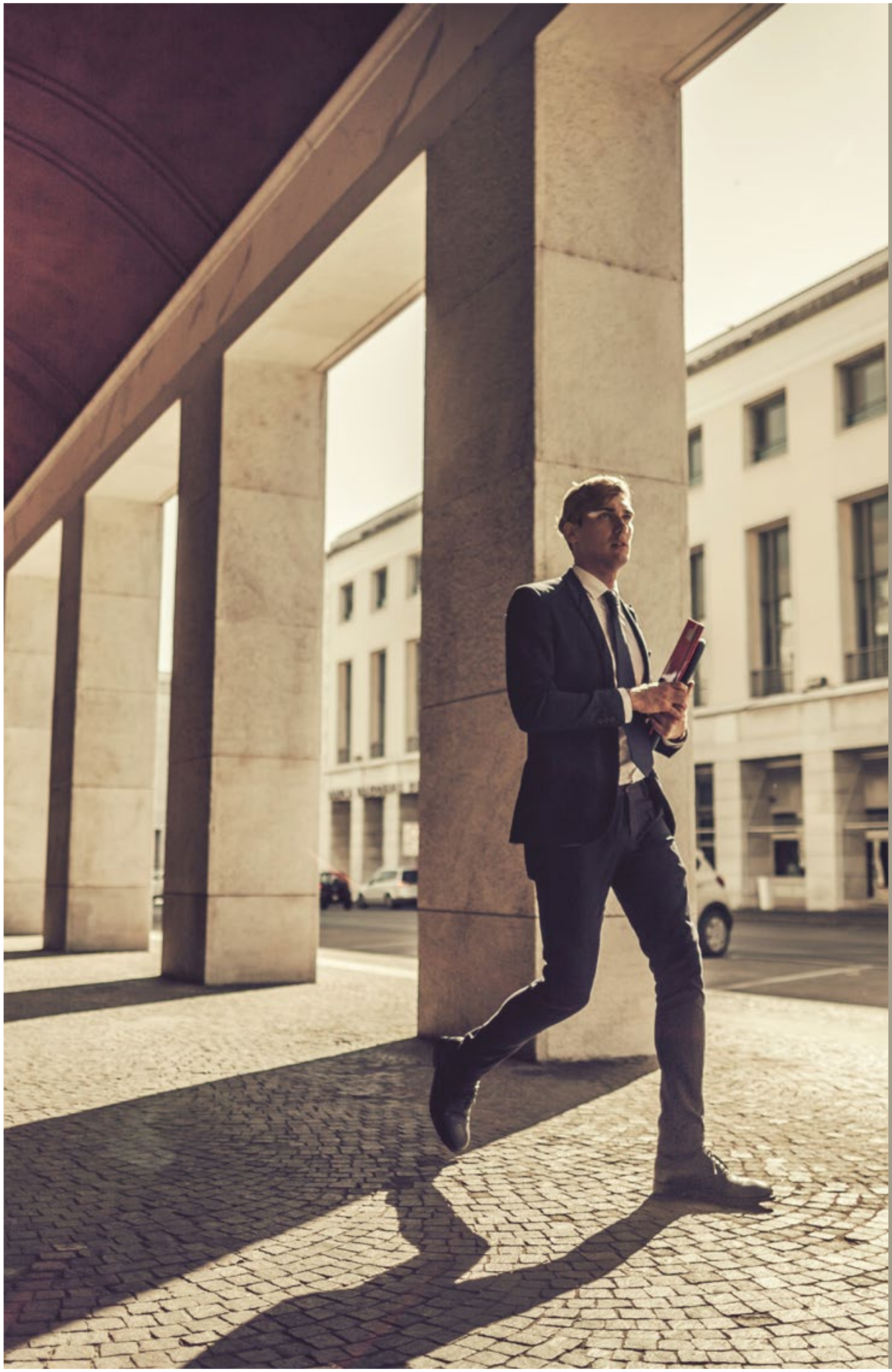
While participation in 53% of CAPs is voluntary, 73% of qualified members have enrolled in the plans we studied.

FIG 3.0 EMPLOYEE PARTICIPATION BY PLAN MEMBERSHIP SIZE



Viewed by plan member size, the results are more consistent than we found two years ago.

The lowest participation rate is among plans with 1,000 or more eligible employees– the rate in that category is 72%. The highest is at the other end of the spectrum. Among all plans, participation has not shifted materially from an overall participation rate of 74% in the 2021 report.



04 Investments

While 2022 was a tumultuous one for markets, group plan investment options continue to show long term resiliency.

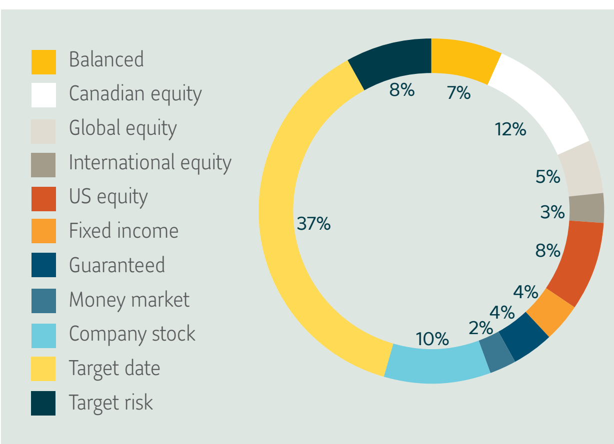
Target date funds continue to grow in popularity among CAP members.

Target date funds continue to maintain their popularity among CAP members. As recently as 2018, these options made up 29% of total assets. Two years later, that number was 35%. In 2022, target date funds represent 37% of CAP assets and 50% of member contributions (figure 4.4).

Expect that number to continue rising. Eighty percent of members in consultant-supported plans use a target date as an investment option. By comparison, 87% of members in advisor-supported plans can say the same. More than two-thirds (68%) of sponsors have chosen a target date fund as their default investment option (Note: Refer to figure 4.16).

That last data point is key.

FIG 4.0: OVERALL PLAN ASSET BREAKDOWN BY INVESTMENT ASSET CLASS



We know that many CAP members don't make investment choices. Even during tumultuous times, more than nine in 10 members don't make investment changes. For example, only 4% of members served by Sun Life made an interfund transfer in 2022.

We also know that too many members don't make any investment selections at all. It is exceedingly important that sponsors have a default investment option in place that serves plan members well for the long-term.

Target date funds do this by leaving asset allocation decisions to professional managers. Members select one or two funds that align with their planned retirement date, and in doing so, gain access to a portfolio that evolves as they get closer to retirement. These members benefit further from dollar-cost averaging, in good markets and bad.

While the numbers of investment options in the retail and institutional space continue to grow, simplifying options and avoiding choice overload is a consideration increasingly being raised by sponsors.

Fundamentally, it's a question of the value of professional asset management. Last year provided a useful example in this regard. As the cost of living increased over the course of 2022, it became clear that we can no longer assume that we're living in a low-inflation, low-interest rate world. That insight, paired with an understanding of the continued risk of plan member longevity, has led some target date fund managers to gradually increase the equity exposures within their glidepaths. That's happening even as bond yields are rising. We are also starting to see target date managers introduce more real assets -such as real estate and infrastructure- to diversify portfolios and protect against inflation risks.

Can we reasonably expect even a minority of CAP members in standalone funds to understand these risks on their own, and rebalance their portfolios to mitigate them? That's doubtful.

None of this is to suggest that target date funds are the right default option in all cases. In the case of Non-Registered assets, sponsors will want members engaged and in a position to manage the tax implications. Group TFSAs are another potential outlier, given their suitability for short-term savings goals.

A large plurality of member assets continue to be in target date funds – 37% in fact. In 2010, target date funds held just 12% of member assets.

The rate of adoption of target date funds continues to increase. It is a testament to the continued popularity of this investment choice, selected by the majority of plan sponsors as their default option.

Evolving trends

There are other, emerging trends that we've begun to track. These are early-stage developments which may not yet be apparent in the data which follow. We expect them to grow in influence in the future.

Real assets and alternatives

Greater numbers of members are beginning to gain the diversification benefits of alternative investments, whether inside a target date fund or as a standalone option. Real estate, infrastructure, mortgages and private fixed income are now easier to access in a CAP plan. These alternative assets can provide diversification opportunities and mitigate inflation and longevity risks. Alternatives including real assets can improve the risk-reward profile of investments. With appropriate disclosures and communication of any additional risks that come with alternatives (e.g. liquidity risk), members outcomes can improve over the long-term.

Historically, sponsors have worried about offering access to alternatives on a standalone basis. Understandably so, as there's nothing to stop members from overexposure. With appropriate governance models and disclosures, alternatives can be a better fit within target date, target risk or balanced funds. For standalone alternatives options, Sun Life does offer sponsors the ability to limit the exposure their members have to certain investment options.

Sustainable Investing

We're seeing an important development in the evolution of how environmental, social and governance (ESG) considerations are embedded in investing. A gradual movement – one that we believe is expanding industry-wide – has begun to incorporate ESG considerations into all investment management decisions. While there will still be a place for ESG specialty funds (such as Sustainability Focused or Divestment funds), in time, most, investments will incorporate ESG considerations to some extent, in order to manage risks and/or find opportunities.

Plan sponsors have received little guidance on how they, as fiduciaries, should design their investment line-up with ESG considerations in mind. With this in mind, Sun Life contributed to the Canadian Association of Pension Supervisory Authorities' (CAPSA) draft guidelines on ESG and ACPM's fiduciary ESG guidance, both published in 2022.[9]

Both CAPSA and ACPM generally acknowledge:

- When it comes to ESG vs. fiduciary duty of plan administrators, the primary purpose of a pension plan is to provide lifetime retirement income. When administering and investing pension plan assets, plan administrators must act in accordance with their fiduciary duty in fulfilling this purpose. If ESG factors impact the long-term financial returns of investments, they should be considered.
- The structure of a plan - including governance, whether investments are direct or via third party funds, plan size, - affects how ESG decisions are considered.

Fund managers are driving the trend as much as their Clients. Managers have taken on commitments that require them to incorporate ESG considerations across most or all of their products. Communications and fund information which includes how ESG factors are integrated should help plan member make informed decisions.

CAP administrators, leaning on the support of their providers, have an opportunity to educate plan members on a variety of key ESG issues. The solution can't simply lie in the launch of new investment options or offering ESG funds. If ESG factors affect the risk or return profile of an investment, they need to be considered in all traditional funds.

[9] "CAPSA Guideline: Environmental, Social and Governance Considerations in Pension Plan Management," *Canadian Association of Pension Supervisory Authorities*, June 9, 2022.

Fixed Income diversification

CAP sponsors now have access to more diversified Fixed Income options, outside of target date or target risk funds. Some Fixed Income funds can access high yield bonds and emerging market debt, for example. Sun Life Clients had approximately $1.5 billion invested in Core Plus funds at the end of 2022. Five years earlier, that number was zero. While it has been a long bull market for credit, active management has added value over benchmarks in the fixed income market. Core Plus managers have performed particularly well.

FIG 4.1: PERCENTAGE OF PLANS WITH ACCESS TO EACH ASSET CLASS BY PLAN ASSET SIZE

Asset class	Less than $2M	$2M -$5M	$5M -$10M	$10M -$25M	$25M -$50M	$50M -$100M	$100M+
Guaranteed	37%	82%	83%	90%	90%	80%	79%
Money market	13%	65%	72%	64%	61%	59%	59%
Fixed income	31%	91%	94%	99%	98%	99%	98%
Balanced	16%	70%	64%	61%	46%	46%	40%
Target risk	13%	48%	45%	32%	21%	23%	21%
Target date	81%	67%	77%	86%	93%	93%	89%
Canadian equity	42%	96%	98%	99%	98%	99%	98%
US equity	37%	90%	93%	96%	91%	88%	91%
Global equity	28%	81%	85%	82%	81%	82%	79%
International equity	27%	81%	86%	92%	88%	88%	91%
Company stock	<1%	1%	3%	2%	6%	11%	23%
Real estate / Alternatives	3%	19%	22%	18%	25%	21%	22%

Despite a small drop in the percentage of overall assets, the number of employers offering company stock is up across all plan sizes.

Target risk is the only other asset class with a similar degree of movement, albeit in the opposite direction.

FIG 4.2A: ACTIVE VS. PASSIVE INVESTMENT OFFERINGS (CONSULTANT-SUPPORTED PLANS)

Asset class	Active Only	Active and Passive	Passive Only
Fixed income	22%	41%	37%
Balanced	83%	13%	4%
Target risk	35%	<1%	64%
Target date	37%	1%	62%
Canadian equity	54%	42%	4%
Foreign equity	14%	77%	9%
Real estate / Alternatives	100%	-	-

Note: "Foreign equity" includes US and International.

FIG 4.2B: ACTIVE VS. PASSIVE INVESTMENT OFFERINGS (ADVISOR-SUPPORTED PLANS)

Asset class	Active Only	Active and Passive	Passive Only
Fixed Income	35%	43%	22%
Balanced	85%	15%	1%
Target risk	83%	<1%	17%
Target date	89%	<1%	10%
Canadian equity	63%	32%	5%
Foreign equity	20%	58%	22%
Real estate / Alternatives	100%	-	-

FIG 4.3: FOREIGN EQUITY FUNDS OFFERED BY PLAN ASSET SIZE

Asset class	Less than $2M	$2M -$5M	$5M -$10M	$10M -$25M	$25M -$50M	$50M -$100M	$100M+
US equity only	6%	2%	<1%	-	-	-	-
International equity only	1%	<1%	-	-	-	-	-
Global equity only	5%	5%	6%	4%	6%	10%	7%
US and International equity	7%	12%	13%	16%	15%	17%	18%
US and Global equity	6%	7%	6%	4%	4%	1%	–
Global, international and US equity	17%	69%	73%	76%	72%	70%	73%
International and Global equity	1%	<1%	-	-	-	1%	-
No foreign equity	57%	4%	2%	1%	2%	1%	2%

Note: "International" refers to Non-North American.

Almost all plans with assets greater than $2 million offer at least one stand alone foreign equity option in their line-up.

A strong majority of plans with $2 million or more in assets offer a combination of global, international and U.S. equity fund options. That's true of 69% of plans with between $2 million and $5 million in assets, and 70% or higher of plans in each of the larger asset categories. Our findings are consistent with data from both 2020 and 2018.

FIG 4.4: PLAN MEMBER INVESTMENT ALLOCATIONS (2022 CONTRIBUTIONS)

Asset class	2022	2018	% change
Guaranteed	3%	3%	-
Money market	2%	6%	-67%
Fixed income	3%	5%	-40%
Balanced	5%	8%	-38%
Target risk	10%	8%	+25%
Target date	50%	34%	+47%
Canadian equity	6%	10%	-40%
US equity	6%	6%	-
Global equity	3%	4%	-25%
International equity	2%	3%	-33%
Company stock	8%	11%	-27%
Real estate / Alternatives	2%	-	-

Figure 4.4 demonstrates that over the past four years, members have continued to move away from contributing to single asset class funds - and towards target date.

Messages aimed at CAP members to take a long-term view – and not overreact to capital market conditions – have been a constant refrain throughout the industry's history.

FIG 4.5: PLAN MEMBER INVESTMENT ALLOCATION (ACCOUNT BALANCES)

Asset class	2022	2018	% change
Guaranteed	4%	3%	+33%
Money market	2%	6%	-67%
Fixed income	4%	5%	-20%
Balanced	7%	8%	-13%
Target risk	8%	8%	-
Target date	37%	34%	+9%
Canadian equity	12%	10%	+20%
US equity	8%	6%	+33%
Global equity	5%	4%	+25%
International equity	3%	3%	-
Company stock	10%	11%	-9%
Real estate / Alternatives	<1%	-	-

Account balances suggest that plan members are making good decisions in this regard. While members' exposure to target date funds rose from 35% in 2020 to 37% in 2022, and target risk fund exposure fell from 10% to 8% over the same time period, movement within the other asset classes is negligible. That is to say that throughout the worst of the pandemic, few CAP members made changes to their asset mix.

A commitment to consistent, straightforward plan member communication and education is having a positive effect.

FIG 4.6: PERCENTAGE OF EQUITY HOLDINGS BY PLAN MEMBER AGE BAND

% of equity holdings	Age band								
	Under 20	20-29	30-39	40-49	50-54	55-59	60-64	65+	Total
No equity exposure	-	4%	6%	7%	9%	11%	15%	22%	8%
1-25%	<1%	1%	1%	1%	2%	2%	3%	4%	2%
26-50%	45%	6%	4%	5%	7%	18%	33%	34%	10%
51-75%	5%	14%	18%	27%	47%	40%	26%	20%	28%
76-99%	6%	35%	49%	48%	23%	17%	13%	9%	35%
100%	44%	40%	22%	12%	13%	12%	10%	10%	17%

Less than 20% of plan members have all of their CAP assets in equity investments: This figure excludes the equity exposure of target date and target risk funds. Most age bands have relatively consistent equity exposure compared to two years ago.

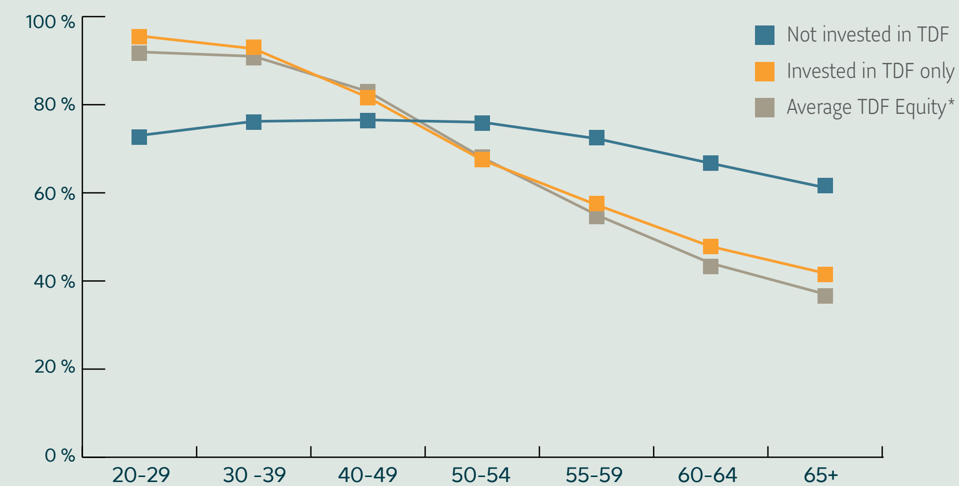
Target date fund adoption is more common among younger plan members. This reflects the significant growth in the use of target date funds as plan default options. Older members may remain in legacy default options like balanced or money market or may be reluctant to switch out of more traditional investment options that have served many of them well. We believe that target date fund adoption will continue to grow as younger employees join CAPs and see the advantages these options deliver.

FIG 4.7: PLAN MEMBER USE OF DIFFERENT FUND CATEGORY BY AGE BAND[10]

Category	Age band							
	Under 20	20-29	30-39	40-49	50-54	55-59	60-64	65+
Target date only	49%	52%	42%	35%	32%	30%	29%	27%
Target risk only	2%	5%	6%	6%	6%	5%	5%	6%
Balanced	<1%	2%	2%	3%	2%	2%	3%	3%
Single asset class funds	2%	14%	20%	24%	28%	29%	30%	35%
Combination only	47%	27%	30%	32%	33%	33%	32%	29%

Plan members under the age of 50 who've chosen not to invest in target date funds have less exposure to equities than their counterparts in target date funds. The gap decreases as they approach age 50, but it is considerable through their 20s and 30s.

FIG 4.8A: PERCENTAGE OF EQUITY EXPOSURE BY AGE



*Average equity allocation for Target date funds on Sun Life's core investment platform

[10] Fig 4.7 Category definitions: Single asset class funds invested in single category that is not TDF,TRF, or balanced. Combination Invested in multiple asset categories that ican include target date or target risk funds.

Arguably, those not taking advantage of target date funds are invested too conservatively for more than half their working life. This shows the essential role target date funds play in managing investment options by the age of members: sufficient risk exposure for investment returns of younger members, and reduced risk for those approaching retirement.

FIG 4.8B: CALENDAR YEAR PERFORMANCE OF TARGET DATE FUNDS (PERSONAL RATES OF RETURN, NET OF FEES)

Type	2014	2015	2016	2017	2018	2019	2020	2021	2022
Invested in TDF Only	12.3%	5.1%	7.1%	9.1%	-2.2%	16.7%	8.8%	12.7%	-9.6%
Not invested in TDF	9.2%	3.3%	6.4%	8.7%	-3.4%	13.6%	7.2%	14.5%	-6.0%
Difference	+3.1%	+1.8%	+0.7%	+0.4%	+1.2%	+3.1%	+1.7%	-1.8%	-3.5%

FIG 4.8C: TARGET DATE FUNDS ROLLING 5 YEAR PERFORMANCE (PERSONAL RATES OF RETURN, NET OF FEES) [11]

Type	2017	2018	2019	2020	2021	2022
Invested in TDF Only	7.9%	6.2%	6.0%	7.4%	8.5%	4.1%
Not invested in TDF	6.8%	5.4%	5.1%	6.7%	8.0%	4.8%
Difference	+1.1%	+0.8%	+0.9%	+0.7%	+0.5%	-0.7%

[11] Fig 4.8C: 5 year performance for annualized periods, ending December 31 of respective years.

The last few years have been volatile for the markets and this had an impact on target date fund performance. 2022 saw negative returns for both bond and equity markets, something which has only occurred three times in the last five decades. In fact, the only asset classes with positive returns in 2022 were guaranteed/money market investments and direct real asset funds.

However, when considering 5-year rolling performance for periods ending December 31 of respective years (2017-2022), members invested only in target date funds generally saw higher returns than those who built their own portfolios. In fact, members' personal rates of return - net of fees - were higher for those invested in TDFs only, in all but one of the last six 5-year rolling periods.

This longer term view of target date funds shows the resiliency of this investment option, even in the face of tumultuous markets.

FIG 4.9: PERCENTAGE OF PLAN MEMBERS WHO HOLD TARGET DATE FUNDS

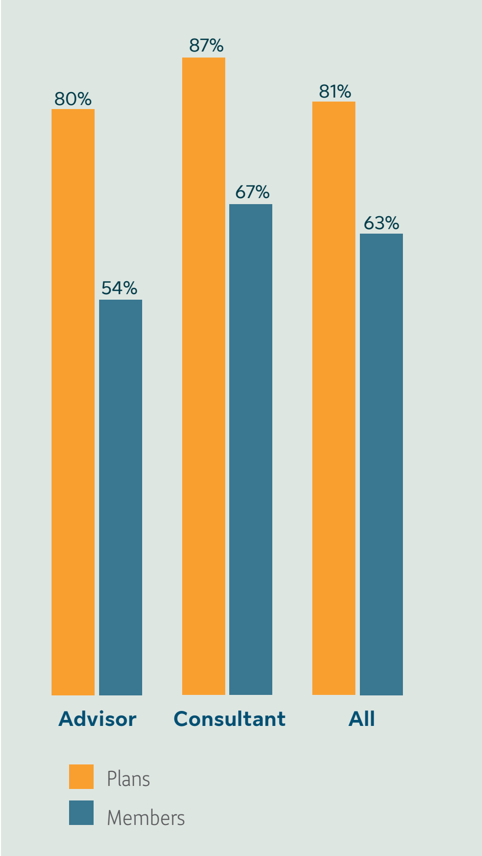
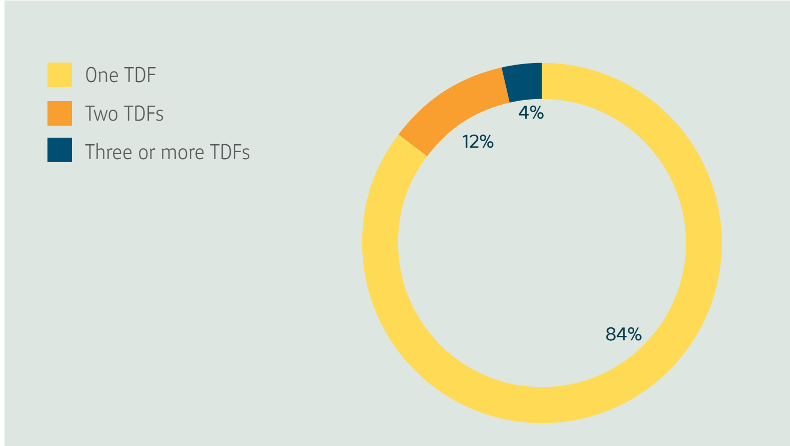


FIG 4.10: MEMBERS INVESTING IN THE APPROPRIATE TARGET DATE FUNDS[12]

TDF	Age band					
	Under 30	30-39	40-49	50-59	60+	Total
Retirement TDFs	5%	6%	7%	8%	35%	10%
2020	<1%	1%	1%	2%	15%	3%
2025	2%	2%	2%	17%	38%	10%
2030	1%	2%	4%	39%	6%	12%
2035	1%	2%	18%	26%	2%	12%
2040	2%	5%	38%	4%	1%	13%
2045	3%	23%	24%	2%	1%	14%
2050	9%	39%	3%	1%	1%	12%
2055	41%	19%	1%	1%	<1%	10%
2060	35%	1%	1%	1%	<1%	4%
2065	<1%	<1%	<1%	<1%	<1%	<1%

[12] Chart shading indicates members are in the appropriate target date series for their age.

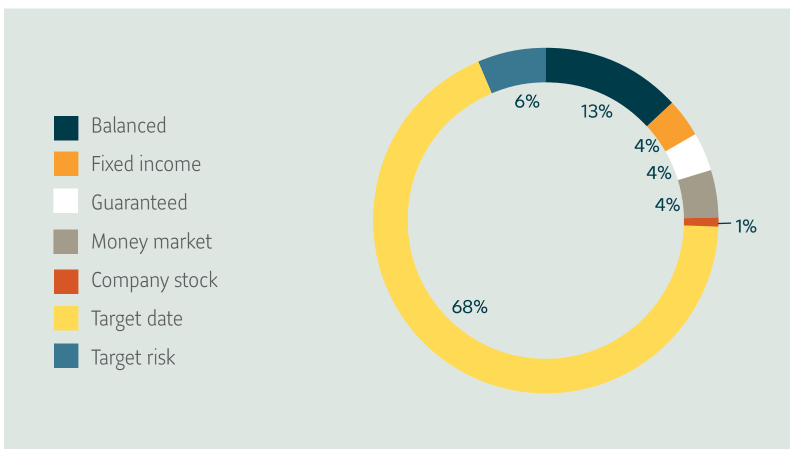
FIG 4.11: NUMBER OF TARGET DATE FUNDS HELD BY PLAN MEMBERS



Among CAP members that hold target date funds, a strong majority hold just one. Another 12% hold two, which makes sense if a member's planned retirement date doesn't match a target date fund exactly. For example, someone retiring in 2037 could hold both 2035 and 2040 funds.

What about the other 4%? Holding three or more target date funds is not a best practice. These members would benefit from educational messaging on the correct use of target date funds.

FIG 4.12: PLAN SPONSOR DEFAULT INVESTMENT OPTION



Among CAPs with 200 or more members, 68% of sponsors have made target date funds their default investment option. Another 6% have a target risk fund.[13]

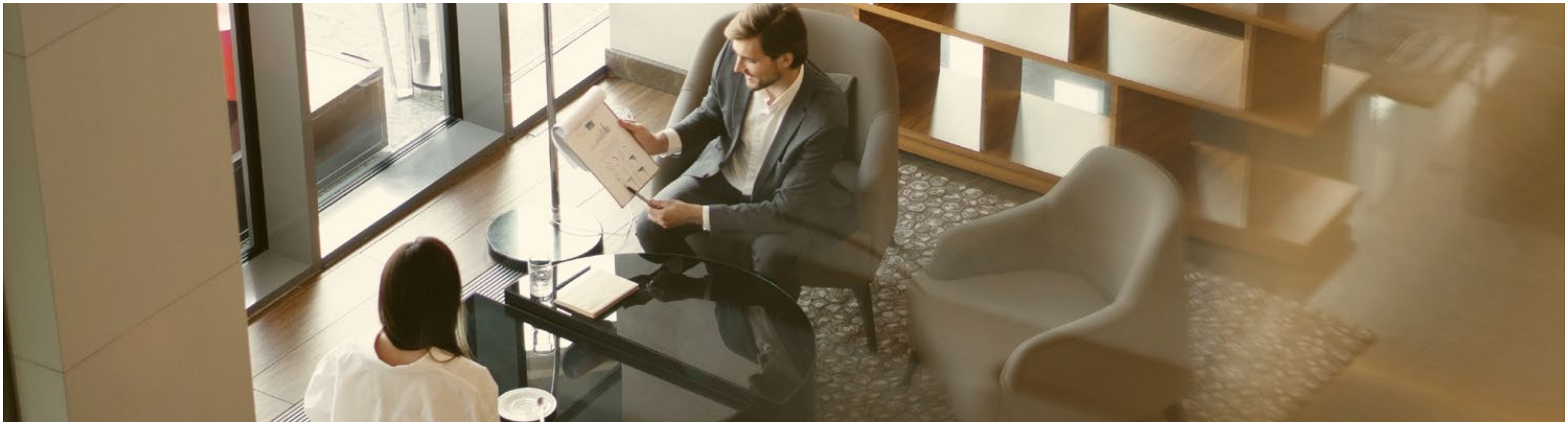
Money market funds – long a standard default option across the industry – are now used in that way by just 4% of CAP sponsors.

FIG 4.13: INVESTMENT FUNDS OFFERED VS. USED

Average # of funds offered	Average # of funds held
13	2

When it comes to the average number of investment options made available, there is remarkable consistency among plan sponsors with $2 million or more in plan assets. All categories range from an average of 12 to an average of 13.5.

[13] *Designed for Savings 2021* reported 79% of plans defaulted to target date funds. 2022 data uses revised fund definitions, which accounts for the observed 68% default of target date funds.



No matter the plan size – and no matter the number of options presented – members hold 2-3 funds on average.

FIG 4.14: NUMBER OF FUNDS HELD BY PLAN MEMBERS

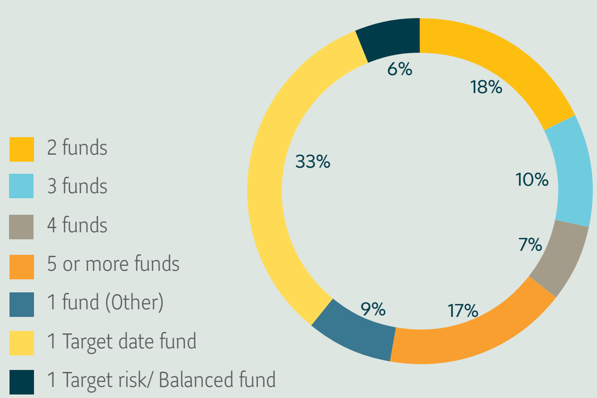


FIG 4.15: MEMBERS WITH ASSETS IN SINGLE ASSET CATEGORY

Asset class	Age band								
	Under 20	20-29	30-39	40-49	50-54	55-59	60-64	65+	All
Guaranteed	-	2%	3%	3%	4%	6%	8%	17%	5%
Money market	-	2%	2%	3%	3%	4%	5%	7%	3%
Fixed income	-	<1%	<1%	<1%	1%	1%	1%	2%	1%
Balanced	<1%	2%	4%	5%	5%	5%	6%	7%	4%
Target risk	3%	6%	8%	9%	9%	9%	10%	11%	8%
Target date	94%	82%	74%	68%	65%	62%	56%	43%	68%
Canadian equity	-	<1%	<1%	1%	1%	1%	2%	2%	1%
US equity	<1%	1%	2%	1%	1%	1%	1%	1%	1%
Global equity	-	<1%	<1%	<1%	<1%	<1%	<1%	<1%	<1%
International equity	-	<1%	<1%	<1%	<1%	<1%	<1%	<1%	<1%
Company stock	1%	3%	5%	7%	8%	9%	8%	9%	6%
Real estate / Alternatives	1%	2%	2%	2%	2%	2%	2%	3%	2%

Help me do it

Let me do it

FIG 4.16: ASSET ALLOCATION BY AGE BAND

Asset class	Age band							
	Under 20	20-29	30-39	40-49	50-54	55-59	60-64	65+
Guaranteed	1%	2%	2%	3%	3%	5%	6%	9%
Money market	<1%	1%	2%	2%	2%	3%	3%	4%
Fixed income	<1%	2%	3%	4%	4%	4%	4%	5%
Balanced	<1%	4%	4%	6%	7%	8%	10%	11%
Target risk	44%	7%	7%	8%	8%	8%	9%	10%
Target date	45%	59%	49%	40%	34%	33%	31%	28%
Canadian equity	1%	5%	8%	12%	13%	14%	13%	12%
US equity	2%	7%	9%	9%	9%	8%	7%	6%
Global equity	<1%	3%	4%	5%	5%	5%	5%	5%
International equity	1%	2%	3%	3%	3%	3%	2%	2%
Company stock	6%	7%	8%	10%	11%	11%	10%	9%
Real estate / Alternatives	<1%	<1%	<1%	<1%	<1%	<1%	<1%	<1%

Measured as a percentage of plan member holdings, target date funds represent the top asset class among all age groups.

More than half (59%) of assets held by members in their 20s are in target date funds. The same is true of 49% of assets held by members in their 30s, and 40% of assets held by members in their 40s. No other category comes close.

Guaranteed interest accounts

Central bankers' efforts to control inflation around the world with interest rate hikes has the potential to drive renewed interest in guaranteed investments, inside and outside CAPs.

That being said, interest rates remained historically low for an extended period of time. This shift will take time, if it happens at all. There is certainly no evidence of a change in this year's data.

Some CAP sponsors are replacing Money Market funds with the guaranteed daily interest account (GDIA). GDIA guarantees positive interest, with no fund management fees.

FIG 4.17: GUARANTEED INVESTMENTS BY TERM/TYPE

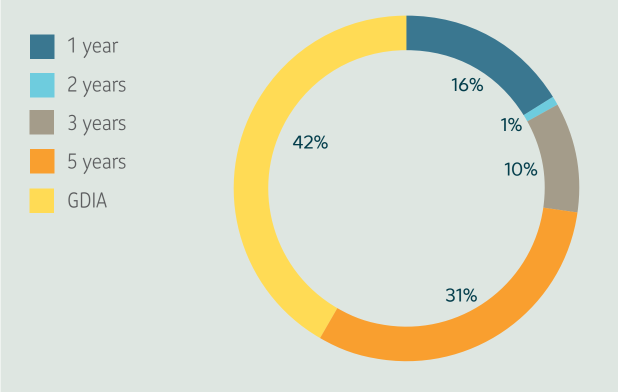


FIG 4.18: PLAN MEMBER USE OF GUARANTEED ACCOUNT BY AGE BAND

Age band	Guaranteed + other funds	Guaranteed only
Under 20	100%	0%
20-29	98.9%	1.1%
30-39	98.3%	1.7%
40-49	98.2%	1.8%
50-54	97.7%	2.3%
55-59	97.0%	3.1%
60-64	95.6%	4.4%
65+	91.4%	8.6%
Total	**97.6%**	**2.4%**

05 Contributions

Contributions from members and sponsors increased since 2020, in line with elevated wage growth and inflation.

As we reported two years ago, roughly two-thirds of CAP sponsors use base earnings for contribution calculations. The rest use a combination of base, bonus, commission, overtime and other forms of total compensation.

In our 2020 figures, reliance on base-only compensation jumped close to 20 points, relative to the 2018 numbers. We believe this was an effort among some sponsors to bring plan costs down, while at the same time protect the integrity of their plan design.

FIG 5.0: DEFINITION OF EARNINGS

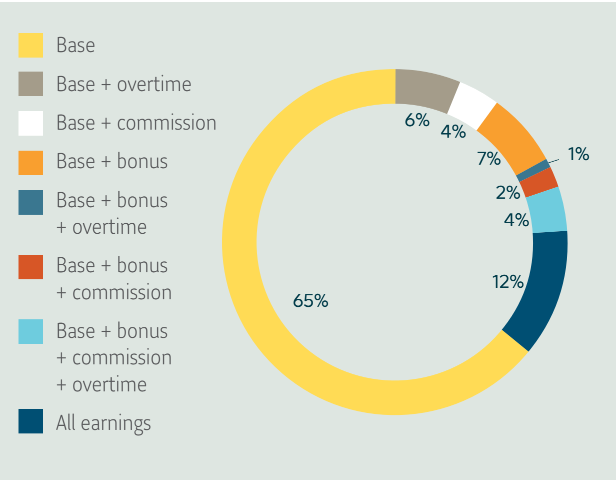
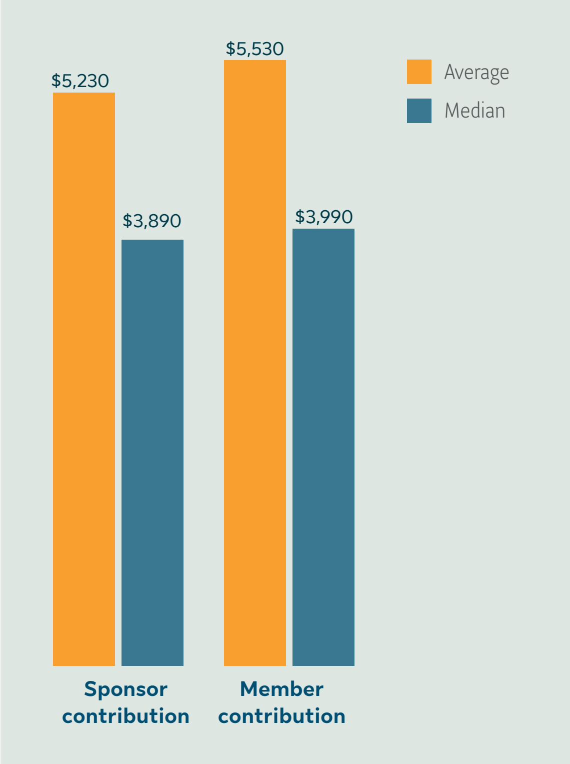


FIG 5.1: AVERAGE AND MEDIAN YEARLY CONTRIBUTION



CAP sponsors contributed an average $5,230 to plan member accounts in 2022. That figure is just under $1,000 greater than the 2020 average – notable during a period of heightened inflation.

Plan members contributed an average $5,530 during 2022. Average contributions are up a little more than $500 relative to 2020.

FIG 5.2: CONTRIBUTIONS BY PLAN ASSET SIZE

Plan asset size	Member contribution average	Member contribution median	Sponsor contribution average	Sponsor contribution median
Less than $2M	$3,720	$2,560	$3,150	$2,220
$2M-$5M	$4,410	$3,190	$3,800	$2,900
$5M-$10M	$4,700	$3,480	$4,250	$3,130
$10M-$25M	$5,050	$3,810	$4,850	$3,710
$25M-$50M	$5,240	$4,080	$5,390	$4,310
$50M-$100M	$4,920	$3,860	$5,270	$3,920
$100M+	$5,550	$4,270	$5,740	$4,290

FIG 5.3: CONTRIBUTIONS BY PLAN MEMBERSHIP SIZE

Plan membership size	Member contribution average	Member contribution median	Sponsor contribution average	Sponsor contribution median
1-99	$4,670	$3,390	$4,320	$3,195
100-199	$4,820	$3,625	$4,340	$3,330
200-499	$4,929	$3,790	$4,985	$3,790
500-999	$5,525	$4,500	$6,165	$4,755
1000+	$5,280	$4,020	$5,340	$3,960

FIG 5.4A: CONTRIBUTION SOURCE BY PLAN TYPE

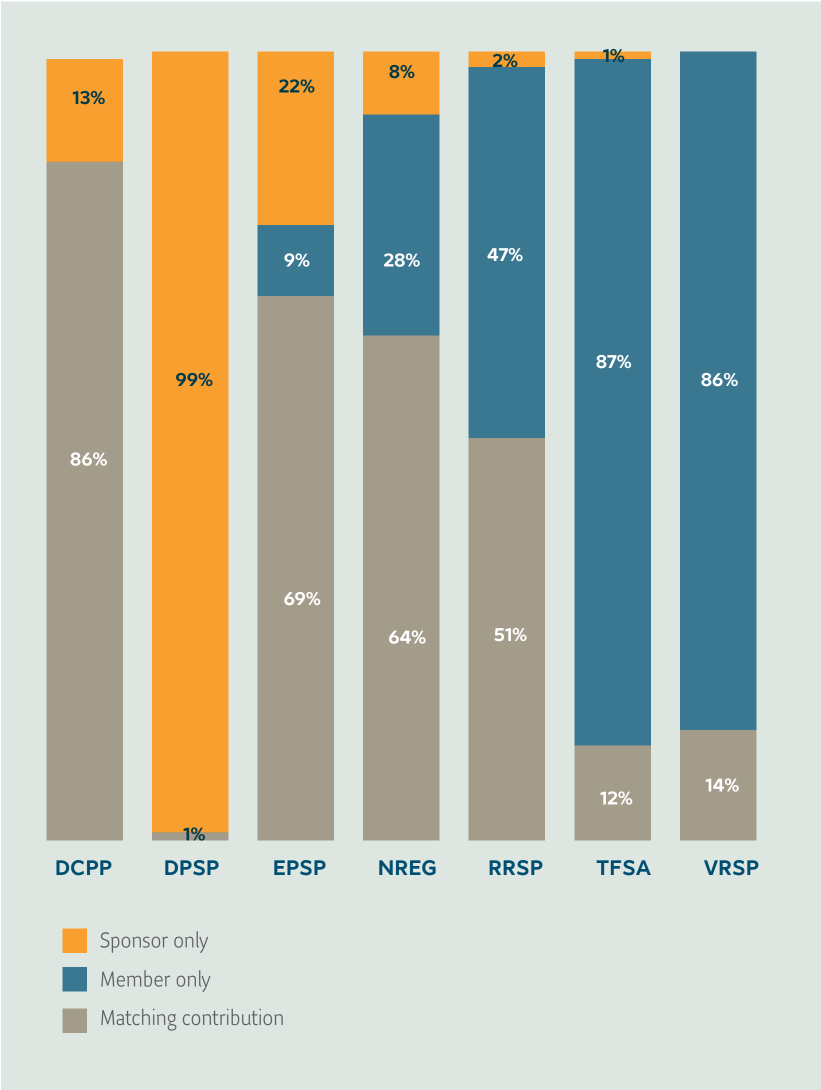


FIG 5.4B: CONTRIBUTION SOURCE BY PLAN TYPE – MATCHING TYPE BREAKDOWN

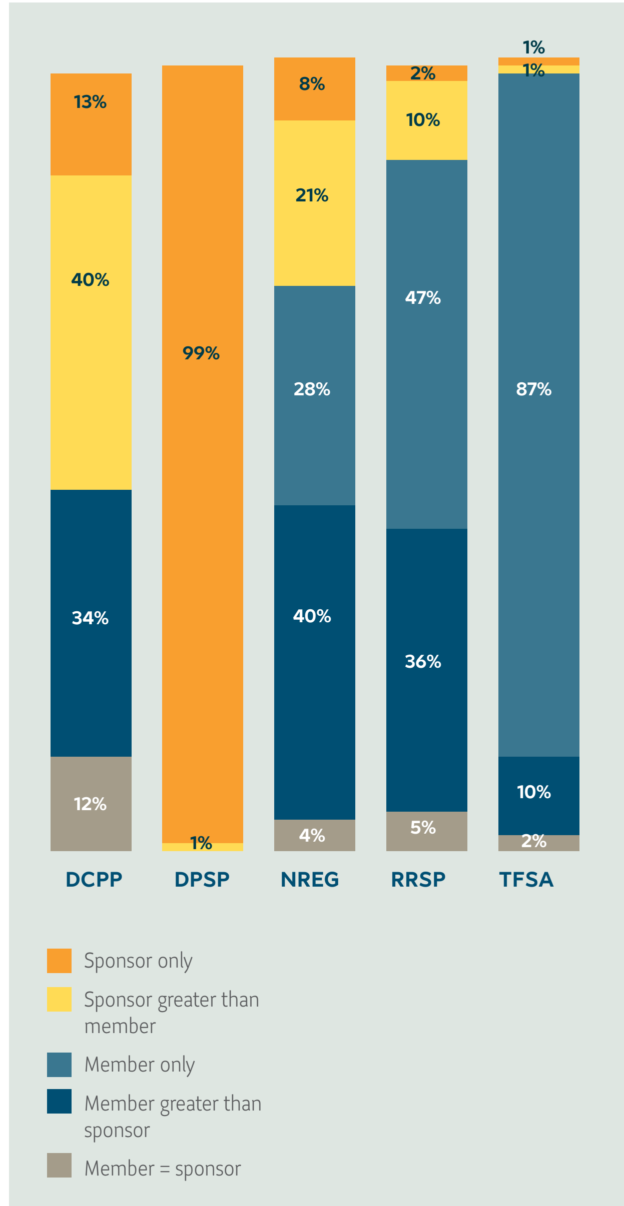
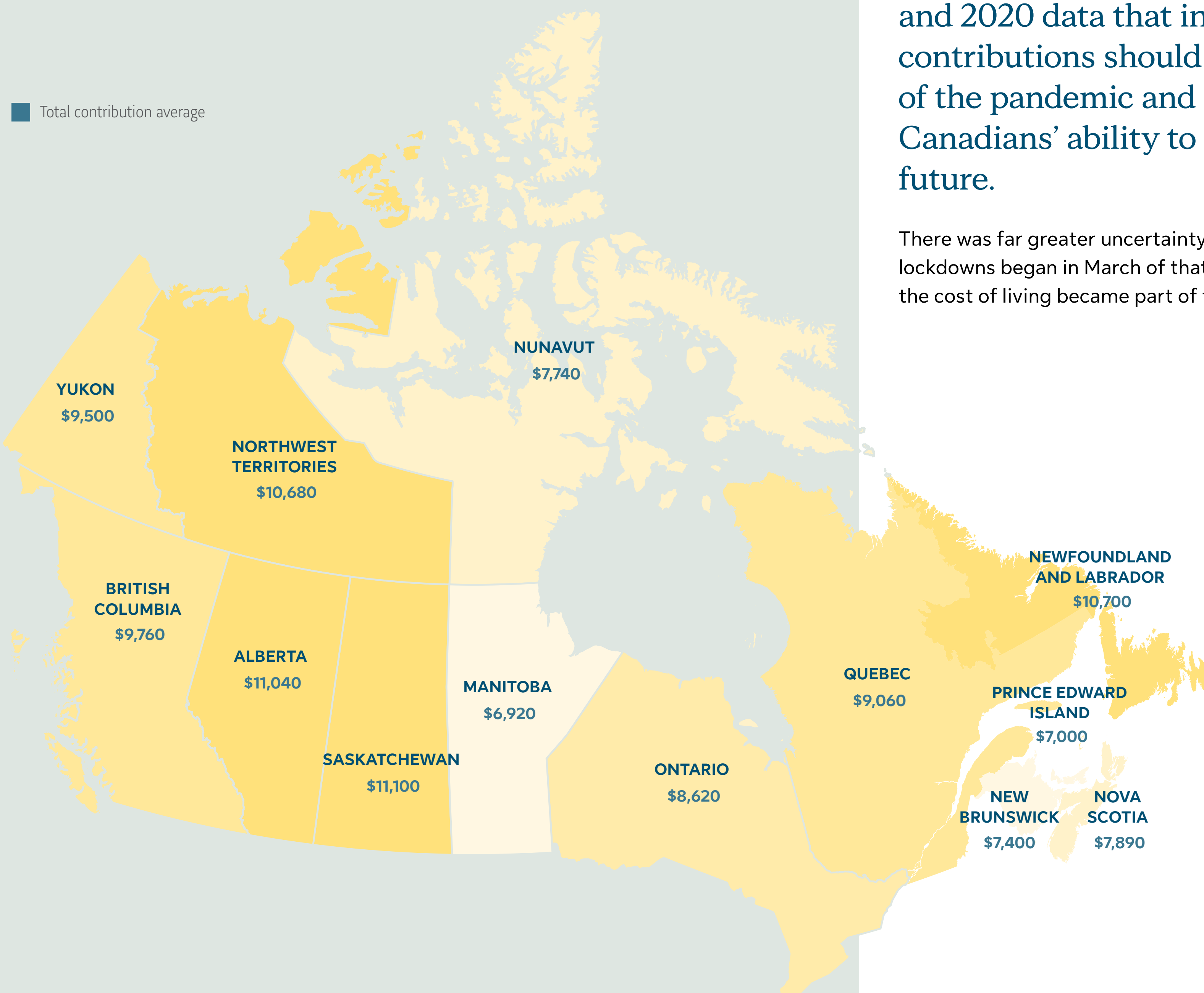


FIG 5.5: CONTRIBUTION SOURCE BY INDUSTRY AND PLAN TYPE

Industry	Combined contribution		Plan sponsor contribution only		No plan sponsor contribution	
	DCPP	RRSP	DCPP	RRSP	DCPP	RRSP
Academic	93%	34%	5%	1%	-	50%
Affiliations	84%	60%	14%	2%	1%	27%
Consumer discretionary	54%	34%	6%	1%	31%	36%
Consumer staples	78%	31%	10%	1%	8%	46%
Energy	60%	49%	23%	2%	4%	19%
Financials	68%	32%	13%	2%	6%	39%
Health care	68%	34%	10%	3%	13%	35%
First Nation bands	98%	56%	2%	-	-	-
Industrials	74%	34%	9%	1%	12%	35%
Information technology	57%	36%	22%	<1%	12%	32%
Materials	79%	33%	14%	1%	5%	45%
Oil, gas & consumable fuels	60%	59%	36%	-	-	32%
Professional services	92%	40%	3%	-	-	34%
Public services	100%	37%	-	1%	-	38%
Recreation	57%	28%	29%	-	-	56%
Telecommunication services	43%	43%	14%	-	14%	23%
Utilities	88%	34%	2%	2%	7%	35%
Other	100%	22%	-	-	-	35%

In the table above, those with figures illustrated in the *No plan sponsor contribution* % column, reflect DB Ancillary plans where only employee contributions are made.

FIG 5.6: COMBINED AVERAGE PLAN SPONSOR AND PLAN MEMBER CONTRIBUTIONS BY PROVINCE/TERRITORY



Any comparisons between 2022 and 2020 data that include member contributions should be seen in light of the pandemic and its impact on Canadians' ability to save for the future.

There was far greater uncertainty in 2020, particularly after lockdowns began in March of that year. By 2022, increases in the cost of living became part of the story.

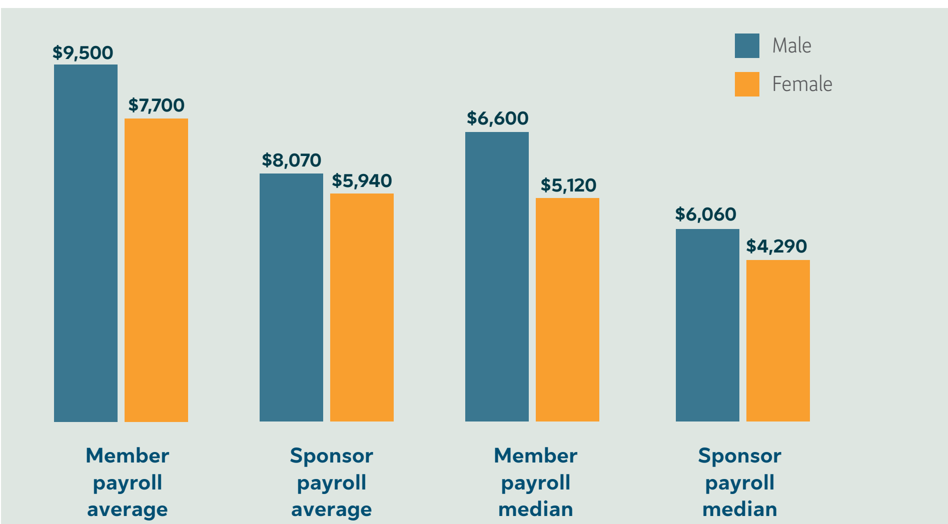
FIG 5.7: ANNUAL COMBINED CONTRIBUTIONS BY AGE

Age band	Average payroll contribution	Median payroll contribution	Average payroll deduction %	Median payroll deduction %
Under 20	$1,500	$780	6.4%	4%
20-29	$6,160	$4,390	5.8%	5%
30-39	$8,690	$6,320	6.3%	6%
40-49	$10,080	$7,300	6.7%	6%
50-54	$10,230	$7,265	6.9%	6%
55-59	$9,710	$6,830	6.9%	6%
60-64	$8,960	$6,180	6.9%	6%
65+	$8,250	$5,400	6.6%	5%

Plan member contribution averages are down across all age groups, except for those under age 20. The differences aren't big, and in all cases, the 2020 numbers were up relative to 2018.

But it appears clear that inflation is affecting mid-career plan members' ability to save for the future. The largest decreases in average contributions are among members in their 30s (7%), 40s (7%) and 50s (5%).

FIG 5.8: ANNUAL CONTRIBUTIONS BY SEX AT BIRTH



In terms of sex assigned at birth, there continues to be a gap in contributions between men and women. While the participation of men and women in group plans available to them is nearly identical, the variance is still pronounced in the value of average and median contributions. Combined average employer and member contributions for men were $9,500 in 2022, while women came in at $7,700.

These figures are not normalized for differing job categories across our member base, which would explain part of the variance. However, these figures broadly align with disparities in female earnings and wealth across Canadian society. The most recent numbers on gender pay gap from Statistics Canada are for 2021. Full-time employed women earned 90% of what men made, on average according to the agency.

Even taking the pay gap into account, average plan contributions among women trail that of men.

FIG 5.9: MEDIAN MEMBER CONTRIBUTIONS BY PLAN TYPE AND PLAN ASSET SIZE

Plan asset size	DCPP	DPSP	EPSP	NREG	RRSP
Less than $2M	$2,800	$2,120	$115	$4,990	$3,000
$2M-$5M	$3,710	-	$4,840	$1,600	$4,210
$5M-$10M	$3,530	-	$6,620	$5,270	$4,390
$10M-$25M	$4,262	$2,120	$6,340	$6,440	$4,500
$25M-$50M	$4,640	$225	$6,530	$3,810	$6,330
$50M-$100M	$4,450	$9,860	$3,310	$5,350	$4,990
$100M+	$4,840	-	$7,070	$7,230	$5,160

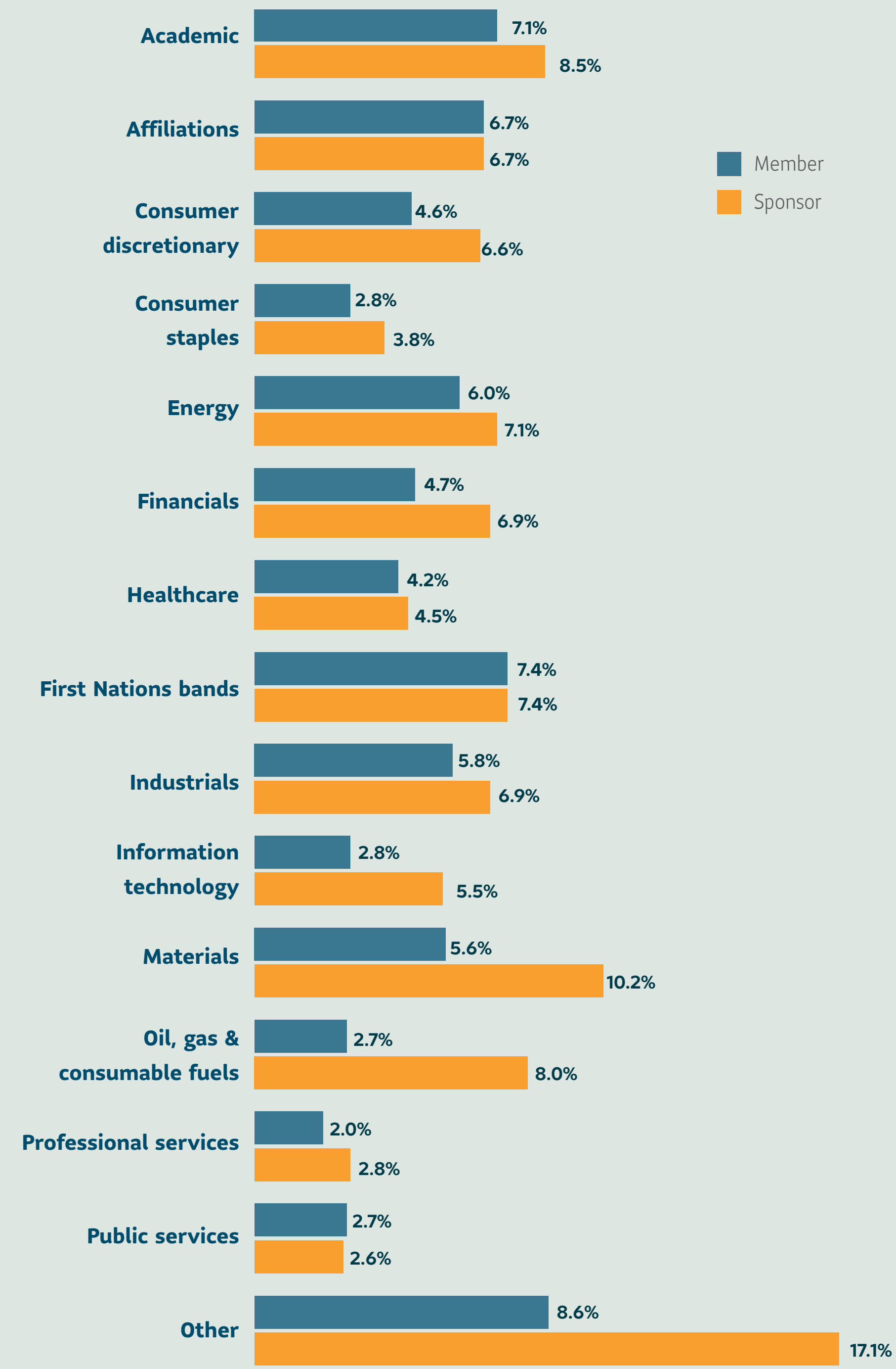
FIG 5.10: MEDIAN SPONSOR CONTRIBUTIONS BY PLAN TYPE AND PLAN ASSETS SIZE

Plan asset size	DCPP	DPSP	EPSP	NREG	RRSP
Less than $2M	$2,980	$2,220	$62	$2,980	$2,540
$2M–$5M	$3,900	$3,290	$200	$800	$3,510
$5M–$10M	$3,950	$3,210	$2,530	$2,530	$4,380
$10M–$25M	$4,750	$3,830	$5,760	$2,520	$3,560
$25M–$50M	$5,860	$4,980	$2,870	$4,390	$4,980
$50M–$100M	$5,290	$4,180	$300	$6,920	$4,180
$100M+	$6,120	$4,830	$2,560	$2,770	$2,420

Pull the lens back a bit though, and what you see is a continuation of the long-standing tradition of shared contributions to CAPs, by Canadian plan members and sponsors.

When the data is viewed by plan size, the differences between average member and sponsor contributions to DCPPs and group RRSPs are close to negligible. They are more significant within EPSPs and NREG plans, but that is consistent with the role these plans tend to play in a total compensation strategy.

FIG 5.11: MEDIAN DCPP CONTRIBUTION LEVELS BY INDUSTRY



06 Account balances

A down year for the markets in 2022 impacted larger balances - with long term growth remaining on track.

It is not surprising that the highest average payroll contributions are to be found among members in their 40s and 50s. It is a stage of one's professional life in which many enjoy peak earning years and are in a better position to save for their financial future. Relatively speaking, employees in their 30s aren't doing badly either. Their average payroll contributions are close to that of members in their 60s.

FIG 6.0: AVERAGE AND MEDIAN PAYROLL CONTRIBUTION BY AGE BAND

Age band	Average account balance	Average payroll contribution	Median account balance	Median payroll contribution
Under 20	$1,610	$1,500	$580	$780
20–29	$15,690	$6,160	$9,210	$4,390
30–39	$45,010	$8,690	$23,500	$6,320
40–49	$87,980	$10,090	$45,760	$7,300
50–54	$115,230	$10,230	$61,840	$7,270
55–59	$125,160	$9,710	$66,720	$6,830
60–64	$125,000	$8,960	$65,870	$6,180
65+	$109,930	$8,250	$51,100	$5,400

What's more striking, again this year, is how little difference there is between the age segments. Plan members in their 30s saved an average $8,690 in 2022. Members in their 40s and 50s saved an average $10,090 and $10,230 respectively.

Our findings are down somewhat, relative to 2020. But consider that, according to Statistics Canada, the average hourly earnings among salaried employees in its Industrial Aggregate category was $41.80.[14] National averages don't tell us much about whether or not Canadians are saving enough in their CAPs. They do suggest, however, that a lot of Canadians are doing the best they can, or at least close to it.

FIG 6.1: AVERAGE AND MEDIAN ACCOUNT BALANCE BY SEX AT BIRTH

Furthermore, while capital market conditions took a bite out of average account balances in the last two years, the data is trending positively.

The average CAP account balance among women has gone from $37,090 in 2010 to $69,410 in 2022. Among men, balances are up from $55,260 to $92,030 over the same time period.

Notwithstanding the aforementioned wage gap, these results are indicative of successful plan sponsorship and administration.

[14] Statistics Canada. https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=1410021001

FIG 6.2: AVERAGE AND MEDIAN ACCOUNT BALANCE BY SEX AT BIRTH AND INDUSTRY

Industry	Average		Median	
	F	M	F	M
Academic	$130,470	$179,100	$69,300	$108,990
Affiliations	$42,380	$53,490	$20,320	$23,960
Consumer discretionary	$52,410	$72,200	$21,340	$30,690
Consumer staples	$48,150	$63,700	$19,670	$28,770
Energy	$91,080	$117,190	$43,550	$62,320
Financials	$67,770	$80,440	$28,510	$33,420
Health care	$62,410	$82,400	$25,090	$35,230
First Nation bands	$46,810	$46,100	$21,040	$19,710
Industrials	$61,590	$80,640	$27,230	$35,020
Information technology	$82,180	$103,640	$38,360	$50,200
Materials	$80,810	$104,800	$40,330	$57,690
Oil, gas & consumable fuels	$137,800	$155,760	$86,350	$100,730
Professional services	$79,900	$82,990	$31,850	$30,680
Public services	$53,860	$67,920	$21,550	$25,240
Recreation	$90,490	$129,440	$70,400	$87,910
Telecommunication services	$108,090	$142,310	$41,360	$73,540
Utilities	$92,510	$122,630	$54,080	$74,560
Other	$88,860	$78,690	$50,460	$31,920

FIG 6.3: ACCOUNT BALANCES AND CONTRIBUTIONS BY INDUSTRY

Industry	Account balances		Payroll contribution	
	Average	Median	Average	Median
Academic	$150,580	$83,360	$17,690	$15,000
Affiliations	$47,090	$21,530	$9,440	$7,110
Consumer discretionary	$63,560	$25,250	$10,500	$7,250
Consumer staples	$57,350	$24,120	$9,2710	$6,800
Energy	$111,330	$56,362	$19,420	$14,980
Financials	$73,100	$30,300	$12,940	$10,290
Health care	$70,360	$28,280	$13,390	$8,610
First Nation bands	$46,450	$20,480	$9,630	$8,380
Industrials	$76,440	$33,040	$12,580	$9,590
Information technology	$99,450	$46,770	$17,730	$14,370
Materials	$101,750	$54,430	$18,220	$15,050
Oil, gas & consumable fuels	$156,020	$100,040	$26,130	$23,320
Professional services	$82,5960	$31,810	$10,860	$3,330
Public services	$62,910	$23,830	$13,870	$10,620
Recreation	$117,090	$82,110	$9,720	$8,620
Telecommunication services	$138,880	$63,850	$7,830	$5,910
Utilities	$115,470	$69,660	$23,720	$21,640
Other	$82,240	$38,470	$16,230	$14,270

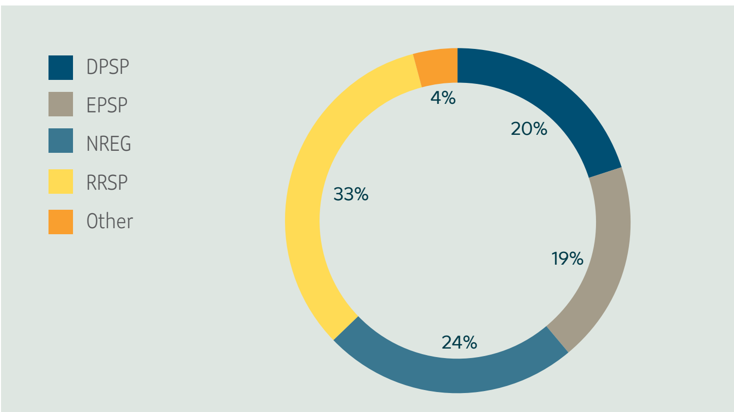
07 Voluntary plans

Voluntary plans are used by more members than ever - while balances remain largely the same.

The case for making company stock available to employees remains compelling, after decades of capital market cycles. In good times and bad, the natural alignment of interests between employers and employees has been reinforced by this popular compensation strategy. To own a financial share in your company's success, is to feel like something more than a small part of a big organization.

These programs have produced multiple benefits, beyond that sense of individual empowerment. They've helped narrow the wealth gap, between the middle-class and the wealthy.[15] Over the years, millions of Employee Share Purchase Plan (ESPP) members have gained access to stock ownership via these plans.

FIG 7.0: COMPANY STOCK ASSETS BY PLAN TYPE



One-third (33%) of company stock assets are held in group RRSPs– no other product category holds more than that.

One-quarter is held in NREG, 20% in DPSPs and 19% in EPSPs.

Relative to our 2020 data, the percentage of company stock owned in NREG plans is up 11 points. The percentage owned in DPSPs is down nine points. The other categories are relatively flat.

FIG 7.1: COMPANY STOCK ASSETS BY MEMBER OWNERSHIP

% of members who own company stock	% of assets invested in company stock
18.9%	9.9%

The percentage of plan members who own shares in their employer's company is up 1 percentage point this year, relative to 2020. One in five members have some amount of their portfolio in company stock.

FIG 7.2: ACCOUNT BALANCE IN COMPANY STOCK

Average	Median
$46,420	$13,280

FIG 7.3: ACCOUNT BALANCE IN COMPANY STOCK BY INDUSTRY

Industry	Average	Median
Consumer discretionary	$30,610	$6,820
Consumer staples	$27,800	$7,470
Energy	$49,190	$26,750
Financials	$64,140	$20,770
Health care	$26,760	$11,620
Industrials	$30,170	$10,730
Information technology	$34,350	$5,540
Materials	$35,440	$13,680
Oil, gas & consumable fuels	$49,070	$15,550
Telecommunication services	$17,770	$2,620

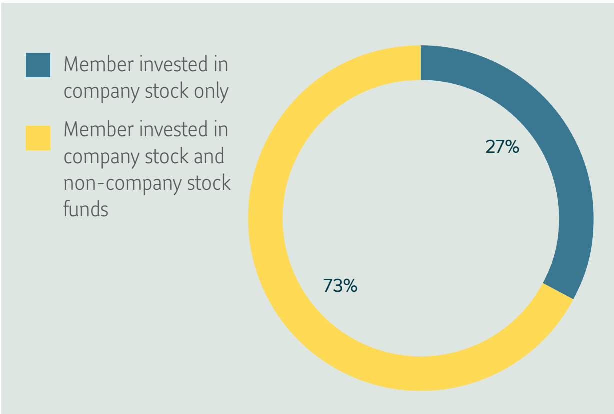
FIG 7.4: MEMBER PARTICIPATION IN COMPANY STOCK BY INDUSTRY

Industry	% of members	% of assets
Consumer discretionary	32.1%	21.6%
Consumer staples	0.9%	0.5%
Energy	0.2%	0.2%
Financials	39.6%	56.1%
Health care	0.9%	0.5%
Industrials	10.7%	6.8%
Information technology	0.9%	0.5%
Materials	1.9%	1.3%
Oil, gas & consumable fuels	12.7%	12.4%
Telecommunication services	0.1%	<0.1%

The percentage of plan members in each industry that participates in company stock shows little change, relative to 2020.

[15] *The Big Benefits of Employee Ownership*, Harvard Business Review. https://hbr.org/2021/05/the-big-benefits-of-employee-ownership

FIG 7.5: INVESTMENT BEHAVIOR OF MEMBERS IN COMPANY STOCK

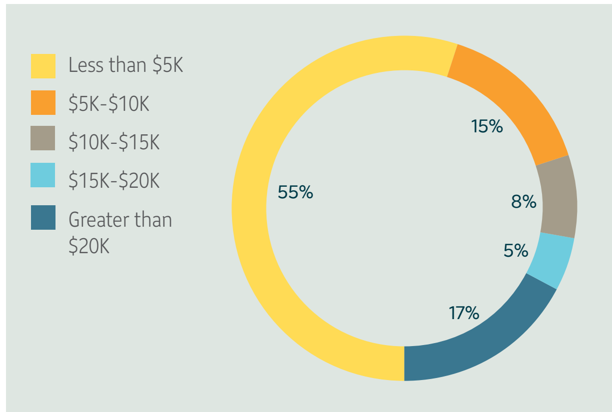


While it's clear that company stock ownership can benefit both plan members and sponsors, company stock does present a need for member education on the benefits of portfolio diversification.

Canadians' financial well-being is already tied to that of their employer by virtue of their reliance on that organization for employment income. Plan members overexposed to company stock can exacerbate that vulnerability in unintended ways.

Fortunately, a majority of plan members recognize the importance of diversification, even within their equity holdings. It is a smaller majority though, relative to 2020. That year, 82% of members in company stock were also invested in non-employer stock funds. That was true of 73% in 2022.

FIG 7.6: TFSA MEMBER ACCOUNT BALANCES

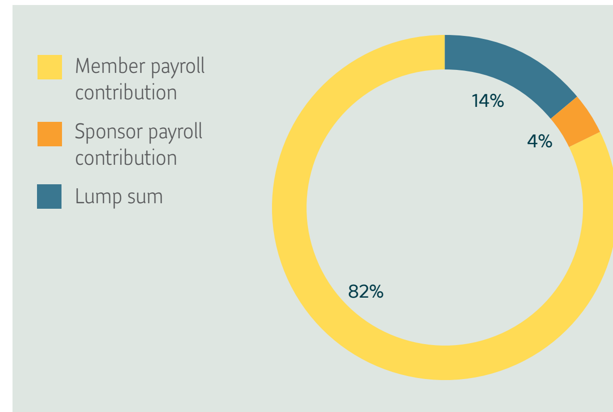


Greater than half (55%) of group TFSA accounts have balances of less than $5,000. That percentage hasn't budged since our last report two years ago.

While 17% of accounts hold $20,000 or more, it's clear that group TFSAs are not yet being used to accumulate large amounts of money. Seven in 10 accounts have less than $10,000 in them.

This is not a complete surprise, given that TFSAs are designed to earn a return tax-free, but not trigger a tax event when members make a withdrawal. The current data suggest these accounts are being used as short-term savings vehicles, which could be a positive sign given how many plan members – in particular, younger ones – need help saving for more immediate financial needs.

FIG: 7.7: TFSA MEMBER CONTRIBUTION TYPES



TFSAs remain largely funded out of employee payrolls – to the tune of 82% in 2022.

FIG 7.8: TFSA WITHDRAWALS BY AGE BAND

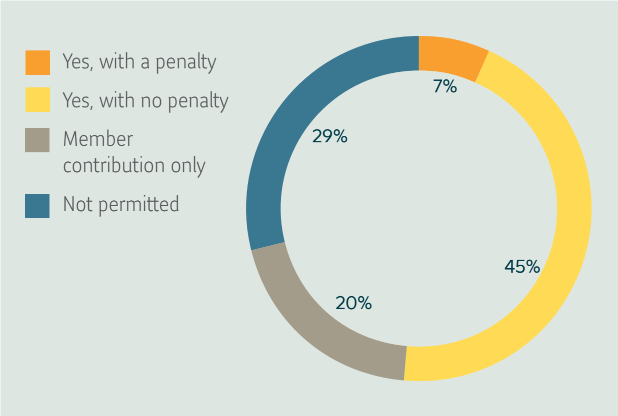
Age band	% of members
20-29	37%
30-39	37%
40-49	37%
50-54	35%
55-59	32%
60-64	27%
65+	31%

For some plan sponsors, group TFSAs are seen as especially important in their efforts to attract and retain younger professionals. Some workers saving for a first home or some other short-term goal find it difficult to commit significant funds to a retirement savings vehicle. So it is not a surprise to see that 37% of group TFSA members in their 20s have withdrawn money from their account.

They're not alone though. One-third or more of group TFSA members – across all age groups – have made a withdrawal. Our findings range from 27% of members 60 to 65, to 37% of members under 50.

What is striking is the increase in these percentages relative to two years ago. Among members in their 20s, 26% had made a withdrawal as of the end of 2020. The same was true of 31% of members in their 30s and 32% of members in their 40s.

FIG 7.9: PLANS THAT PERMIT WITHDRAWALS



Fewer than half of group RRSP sponsors allow members to take money out of their account without incurring a penalty, which typically takes the form of suspending matching. Another 20% allow member contributions to be withdrawn penalty-free.[16]

Greater than one-third of sponsors either penalize withdrawals in some way or don't permit them at all.

Of course, money held in a group RRSP can also be used for a first-home purchase via the Home Buyers' Plan. Canadians whose purchase qualifies for the plan have 15 years to pay back what they withdraw from their RRSP account.

FIG 7.10: RRSP WITHDRAWALS BY AGE BAND

Age band	2022	2020	% change
20-29	17%	9%	+86%
30-39	15%	10%	+57%
40-49	14%	9%	+52%
50-54	13%	9%	+59%
55-59	13%	8%	+66%
60-64	14%	7%	+95%
65+	24%	8%	+191%

FIG 7.11: RRSP WITHDRAWALS BY AGE BAND

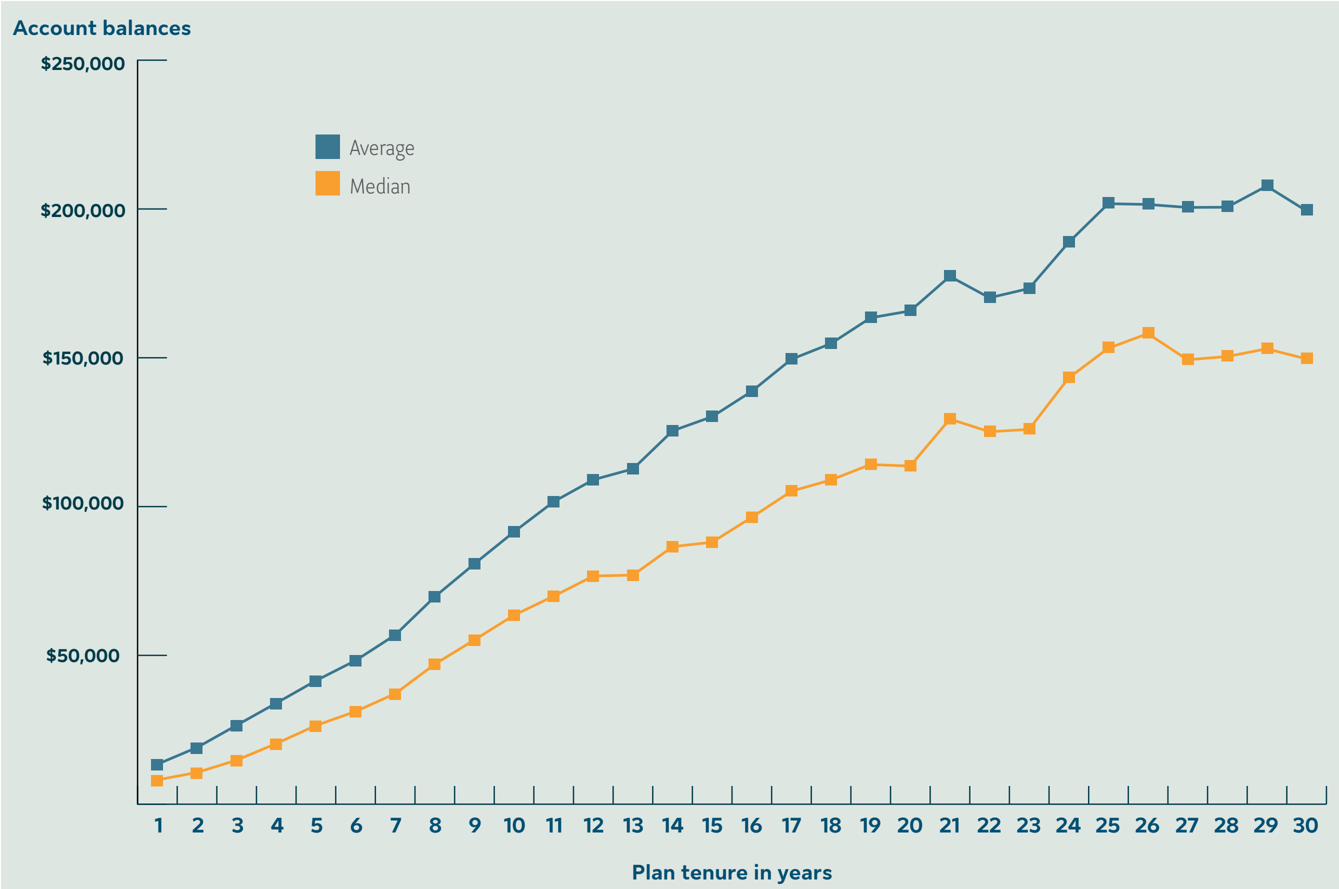
	Home Buyer's Plan
20-29	3%
30-39	2%
40-49	1%

Take-up among Sun Life Clients is low, however. Just 3% of group RRSP members in their 20s made a withdrawal to take advantage of the program. The same is true of 2% of members in their 30s and 1% of members in their 40s.

Group RRSP withdrawals are up relative to two years ago, perhaps understandably, given the economic impact of the pandemic. The percentage of members in their 20s making a withdrawal doubled, from 9% in 2020 to 17% in 2022. They doubled among members age 60 to 64, from 7% to 14% over the same period. And they tripled among members 65 and older, from 8% to 24%.

[16] Based on 2020 Client data.

FIG 7.12: ACCOUNT BALANCES BY PLAN TENURE



We know that this isn't the only source of retirement income these members have at their disposal. Still, we believe that both plan sponsors and the providers they employ have important work to do in supporting and promoting financial wellness in the workplace.

Anything we can do to help Canadians prepare for their financial future will make a positive difference.

Just as too few group benefit plan members understand that adding personal health insurance to their employer-sponsored coverage is a good idea, too few CAP members recognize the need to save for retirement outside the plan.

Notwithstanding recent economic pressures, a review of CAP account balances cut by plan member tenure tells an impressive story about the effectiveness of these plans. A line graph tracking average account balance among members with between one and 30 years of plan tenure is virtually a straight line. The same is true of median account balances.

Whether or not those two lines rise at an angle plan sponsors would like to see is a more complicated question. The average account balance among members with 20 years in the plan is $165,850, for example. Those with 25 years have an average $201,950.

08 Decumulation

How members draw down their group savings in retirement is a prime focus for members, sponsors, regulators and plan providers.

Group retirement professionals have long understood the importance of a solid decumulation strategy. For a large number of Canadians, the question of how to turn one's savings into an adequate and sustainable retirement income to live their best retirement is as important and more complex than how to build those savings.

It was complicated when we introduced this new *Designed for Savings* section two years ago. The pandemic's economic impact has only exacerbated the challenge. Elevated market volatility put Canadians near retirement in the position of having to think carefully about the right time to begin drawing an income.

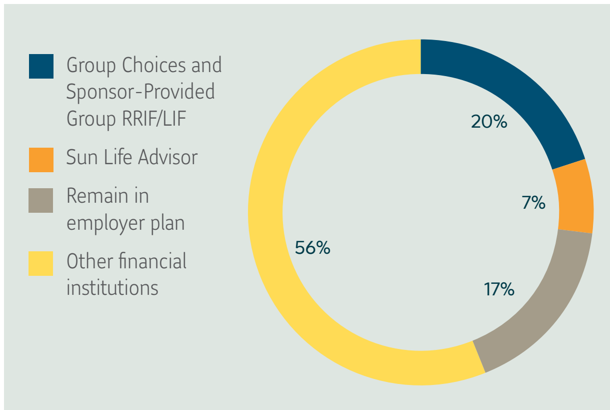
CAP members are faced with multiple risks in retirement: longevity risk, market risk, sequence of return risk, risk of unexpected expenses and inflation risk. Our research has shown clearly that members want professional advice to help navigate this complexity.

Currently, the cost of living is a particular concern. Members are thinking long and hard about how to offset inflation risk with equity investments far later in life than they'd anticipated. It remains unclear what level of inflation retirees should be planning for in the future.

Annuities – which played an important role in decumulation planning historically – have been out of favour in recent years. Low interest rates have been part of that story. But it's also due to loss aversion (i.e., members hesitant to give up large sums of money all at once), a sense of lost control and the complexity that comes with evaluating the product's potential benefit.

That tide is turning. As their value has increased due to central banks raising rates in an effort to tamp down inflation, we have begun to see an increase in annuity sales.

FIG 8.0 HOW ARE RETIREES DRAWING DOWN THEIR SAVINGS?[17]



Members 55+ retiring or terminating from their plan kept about half of their money with Sun Life in 2022.

One in six (17%) left their money in their employer plan, 20% opted for group Choices or a sponsor-provided group registered retirement income fund (RRIF)/life income fund (LIF) and 7% of assets were transferred to a Sun Life advisor.

FIG 8.1 RETIREMENT AGE

Year	Average retirement age	Median retirement age
2017	62.2	62.1
2018	62.3	62.3
2019	62.4	62.5
2020	62.7	62.9
2021	62.7	62.8
2022	62.9	63.1

Throughout the 1990s and 2000s, the average Canadian retired before their 63rd birthday. The average figure was 62.8 in 1990, according to Statistics Canada.[18] The average retirement age would remain below 63 until 2012, well after the global financial crisis. In recent years, it has remained high relative to that extraordinary 22-year period. Canada's average retirement age in 2022 was 64.6.

By comparison, in 2022 the average retirement age for members of plans administered by Sun Life was 62.9 years of age.

More than 10,000 members retired in 2022, relatively consistent with recent years.

[17] Retiree data in this section applies to member retirements or estimated retirements among age 55+ termination, Q3 2021 - Q2 2022.

[18] Statistics Canada. https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=1410006001&pickMembers%5B0%5D=4.1&cubeTimeFrame.startYear=1980&cubeTimeFrame.endYear=2022&referencePeriods=19800101%2C20220101

Members don't often think about decumulation planning until retirement is on the horizon. Their focus on accumulation is understandable, particularly for those facing multiple financial pressures in both the short and long-term.

But the evolving nature of retirement, and the complexity of decumulation planning, are such that it is a good idea for members to begin thinking about the future in their early to mid-40s.

Rather than focusing solely on saving and investing, whatever effort plan members put into developing a vision for their holistic retirement will pay off in the long run.

That vision is about much more than which financial instruments they'll rely on for retirement income. There is a significant lifestyle component that serves as the foundation for a retirement plan. Will your retirement be a gradual one that comes in phases? How much do you want to work, and for how long? How will that decision affect your income in your 60s, and perhaps beyond? How do you envision spending your money?

Retirement often plays out in three stages: 1) a kind of permanent vacation to start, filled with travel and leisure activities; 2) a slowing down, into a less hectic schedule; and 3) a focus on aging, often triggered by one or more health events, and legacy planning. Each has both lifestyle and financial implications. And no one knows how long they get in each stage.

We encourage members to think about all of this holistically. Planning for the future means saving, investing, learning about accumulation and decumulation options and giving serious consideration to how one wants to live their life, all at the same time.

FIG 8.2 AVERAGE ACCOUNT BALANCES IN RETIREMENT BY AGE GROUP

Age band	Average account balance
< 50	$41,350
50-54	$54,210
55-59	$99,850
60-64	$134,360
65-69	$151,180
70-74	$200,970
75-79	$236,290
80-84	$251,370
85-89	$164,820
90-94	$105,220
95+	$34,550

Average account balances, viewed by member age, are down among all groups under the age of 85. This is understandable, given 2022's market performance.

Taking a longer term view, the average balances at retirement across all ages is up relative to five years ago.

The more pressing issue for plan sponsors of course is longevity risk and the need for lifetime income solutions. When retirees try to self-manage the risk that they will outlive their money, they have a strong tendency to underspend. They save for a rainy day that too often never comes.

FIG 8.3 DECUMULATING MEMBERS BY AGE BAND

Age band	% of members
< 50	<1%
50-54	1%
55-59	4%
60-64	12%
65-69	23%
70-74	32%
75-79	19%
80-84	7%
85-89	2%
90-94	1%
95+	<1%

Another trend we've been watching since 2017 is the gradual aging of plan members who own retirement income products.

That trend slowed in 2022. The largest block of members – constituting 32% of our universe – is between 70 and 74. That number is consistent with 2020. The next largest group is 65 to 69 – that number is 23%, up one point from 2020. There was also a one point increase in the 75 to 79 group, from 18% in 2020 to 19% in 2022.

FIG 8.4A TOTAL ASSETS IN DECUMULATION BY AGE BAND

Age band	% of assets
< 50	<1%
50-54	<1%
55-59	3%
60-64	11%
65-69	21%
70-74	30%
75-79	23%
80-84	10%
85-89	3%
90-94	<1%
95+	<1%

FIG 8.4B DECUMULATING MEMBERS PRODUCT PARTICIPATION BY AGE BAND

Product	Age band										
	< 50	50-54	55-59	60-64	65-69	70-74	75-79	80-84	85-89	90-94	95+
Accumulation	**8%**	**22%**	**16%**	**14%**	**10%**	**1%**	**0%**	**0%**	**0%**	**0%**	**0%**
DCPP	0%	0%	0%	0%	1%	0%	0%	0%	0%	0%	0%
LIRA	2%	1%	1%	2%	1%	0%	0%	0%	0%	0%	0%
RRSP	6%	21%	15%	12%	9%	1%	0%	0%	0%	0%	0%
Decumulation	**90%**	**73%**	**78%**	**79%**	**84%**	**92%**	**93%**	**95%**	**95%**	**97%**	**98%**
LIF	77%	65%	58%	49%	44%	37%	34%	37%	40%	17%	5%
LRIF	0%	0%	0%	0%	0%	0%	0%	1%	2%	2%	5%
RRIF	13%	8%	20%	31%	40%	54%	58%	58%	54%	78%	89%
Both	**1%**	**5%**	**5%**	**6%**	**6%**	**7%**	**7%**	**5%**	**5%**	**3%**	**2%**
NREG	0%	1%	2%	3%	3%	4%	4%	3%	3%	3%	2%
TFSA	1%	4%	3%	4%	3%	3%	3%	2%	2%	1%	0%

RRSP savings must be either paid out as a lump sum, transferred to a RRIF or used to purchase an annuity by the end of the calendar year in which the plan member turns 71. Their income payments have to start by the following calendar year, at the latest. RRIF members cannot make additional contributions, and they must comply with minimum withdrawal requirements each year. DCPPs and locked-in retirement accounts (LIRA) have similar rules.

FIG 8.5A INCOME PAYMENT FROM LOCKED-IN ACCOUNT BY AGE BAND

Age band	Average annual income
< 50	$3,530
50-54	$5,900
55-59	$6,410
60-64	$7,780
65-69	$8,680
70-74	$11,490
75-79	$13,730
80-84	$4,720
85-89	$10,410
90-94	$10,020
95+	$440

The average payment out of a locked-in account is highest for members 80 to 84, at $14,720. As noted above, this is not the only source of retirement income these members have. And it is up from two years ago, when the average payout in that age group was $11,260.

The numbers are down across all age groups relative to 2020.

FIG 8.5B INCOME PAYMENT FROM LOCKED-IN ACCOUNT BY AGE BAND (% RELATIVE TO OPENING BALANCE)

Age band	Average annual withdrawal rate	Median annual withdrawal rate
< 50	7%	7%
50-54	10%	7%
55-59	9%	7%
60-64	9%	8%
65-69	9%	8%
70-74	8%	8%
75-79	9%	8%
80-84	11%	10%
85-89	19%	18%
90+	16%	20%

FIG 8.5C INCOME PAYMENT FROM NON LOCKED-IN ACCOUNT BY AGE BAND

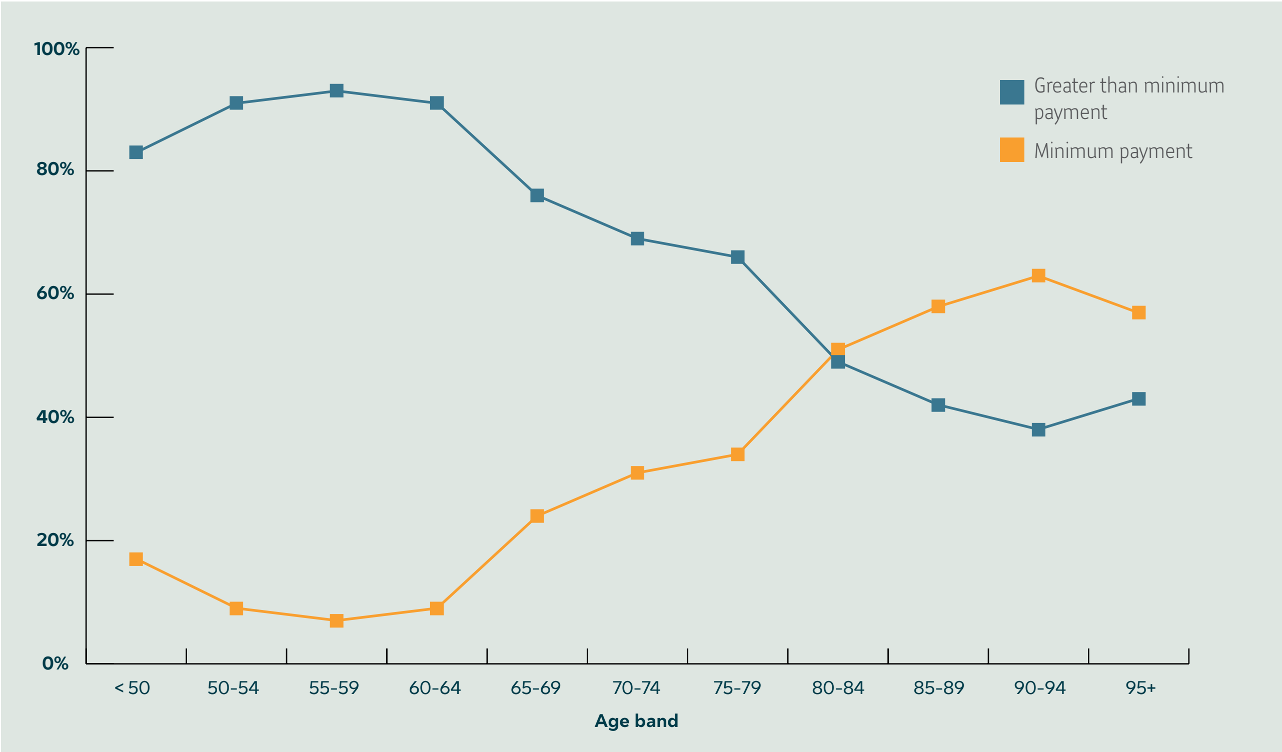
Age band	Average annual income
< 50	$12,270
50-54	$9,510
55-59	$17,120
60-64	$16,160
65-69	$12,950
70-74	$11,300
75-79	$14,200
80-84	$18,810
85-89	$16,670
90-94	$7,900
95+	$6,670
Total	$13,430

FIG 8.5D INCOME PAYMENT FROM NON LOCKED-IN ACCOUNT BY AGE BAND (% RELATIVE TO OPENING BALANCE)

Age band	Average annual withdrawal rate	Median annual withdrawal rate
< 50	26%	6%
50-54	20%	9%
55-59	23%	14%
60-64	20%	13%
65-69	17%	10%
70-74	11%	6%
75-79	10%	7%
80-84	10%	7%
85-89	11%	9%
90+	16%	20%

This year, we've added new reporting on average and median income payment rates, viewed by age.

FIG 8.6 RRIF WITHDRAWALS BY MEMBER AGE



Retired plan members have a choice as to whether or not they want to take the minimum income payment from their RRIF. This tells us something about how well prepared these Canadians are for retirement. In some cases, the news is good.

For older retirees, within the age groups of 70 to 74 and 75 to 79, a relatively consistent level continued to receive minimum payments compared to our past report. Consider that while members in these age groups may be withdrawing the minimum for their age groups, the minimum RRIF withdrawal percentage increases as they age. It is likely the case that members are modulating their spending earlier in retirement, ensuring that their money lasts through their lifetime.

For members who have longevity into their 80s and 90s, the majority only make minimum withdrawals. That they don't require additional withdrawals is a signal of relative financial stability for group plan members with extended lifespans.

FIG 8.7 AVERAGE ANNUAL INCOME PAYMENT BY PROVINCE/TERRITORIES

Province	Non locked-in product	Locked-in product
AB	$11,260	$6,180
BC	$23,510	$19,580
MN	$13,220	$11,150
NB	$ 8,020	$8,510
NL	$12,850	$6,960
NS	$8,030	$10,250
NV	$6,820	$2,910
NWT	$13,730	$6,170
ON	$11,490	$8,380
PEI	$17,430	$12,680
QC	$7,930	$7,600
SK	$9,330	$11,450
YK	$23,360	$6,000
Total	**$13,430**	**$10,400**

FIG 8.8A AVERAGE BALANCE AT RETIREMENT BY SEX AT BIRTH

Gender	Average balance
Female	$140,870
Male	$213,960
All Members	$184,070

FIG 8.8B AVERAGE BALANCE IN RETIREMENT BY SEX AT BIRTH

Age band	Female	Male
< 50	$63,210	$34,000
50-54	$56,770	$53,990
55-59	$93,970	$106,320
60-64	$126,900	$142,010
65-69	$130,510	$164,700
70-74	$158,160	$233,660
75-79	$156,610	$288,610
80-84	$141,500	$310,520
85-89	$105,410	$195,960
90-94	$32,130	$158,600
95+	$24,680	$48,820
Total	**$140,870**	**$213,960**

The average account balance at the point of retirement fell 9% for women, from $155,630 in 2020 to $140,870 in 2022.

The average among men is relatively unchanged at $213,960 last year.

Women live longer, which means they benefit from saving more. But that's complicated by multiple factors. Women tend to earn less than their male counterparts. They are also more likely than men to take extended periods of time away from work, for both childcare and eldercare reasons.

FIG 8.9 INCOME PAYMENT FREQUENCY

Payment frequency	2022
Unscheduled/Adhoc	13%
Annual	16%
Monthly	65%
Quarterly	4%
Semi-annual	2%

FIG 8.10 NUMBER OF FUNDS HELD BY RETIREES

Total fund group	% of members
1	37%
2	18%
3	12%
4+	32%

FIG 8.11 INCOME PLAN ASSET INVESTMENT ALLOCATION ASSET CLASS BY AGE BAND

Asset class	50-54	55-59	60-64	65-69	70-74	75-79	80-84	85 +	Total
Guaranteed	11%	10%	13%	13%	11%	8%	8%	14%	11%
Money market	<1%	<1%	1%	1%	1%	1%	1%	1%	1%
Fixed income	2%	5%	4%	7%	8%	7%	8%	7%	7%
Balanced	10%	12%	14%	16%	31%	45%	51%	36%	32%
Target risk	24%	24%	26%	26%	19%	16%	11%	4%	19%
Target date	26%	23%	20%	16%	10%	4%	1%	1%	10%
Canadian equity	13%	10%	9%	9%	10%	9%	10%	15%	10%
US equity	8%	10%	8%	7%	6%	6%	5%	16%	7%
Global equity	5%	3%	3%	3%	2%	3%	4%	1%	3%
International equity	1%	2%	2%	2%	2%	2%	1%	4%	2%
Company stock	<1%	<1%	<1%	<1%	<1%	<1%	<1%	<1%	<1%
Real estate / Alternative	<1%	<1%	<1%	<1%	<1%	<1%	<1%	<1%	<1%

There isn't a great deal of change in the way retirees are invested, relative to the 2020 findings.

Among retired members under the age of 70, a relatively high percentage are invested in target date and target risk funds, as well as Balanced and Guaranteed products.

Those target fund options begin to drop off in the 70 to 74 group, and grow smaller with each successively older demographic. That's because only a very small number of these options extend into retirement. Typically, members transfer out of Target fund options at retirement.

> We are seeing a shift from target risk funds to target date funds, as the latter are adopted by an increasing number of sponsors as default investment options.

FIG 8.12 DECUMULATION ASSETS BY EQUITY EXPOSURE

% of equity holdings	% of assets
No Equity	23%
1-25%	1%
26-50%	3%
51-75%	51%
76-99%	1%
100%	20%

We continue to see significant equity holdings among retirees. This is not new, and should not be read solely as a strategy to mitigate heightened inflation risk.

Half of retirees (51%) are between 51% and 75% invested in equities. A remarkable 20% have all of their funds in equity investments – a finding that has remained consistent in recent years.

FIG 8.13 DATA ON ANNUITY PURCHASES

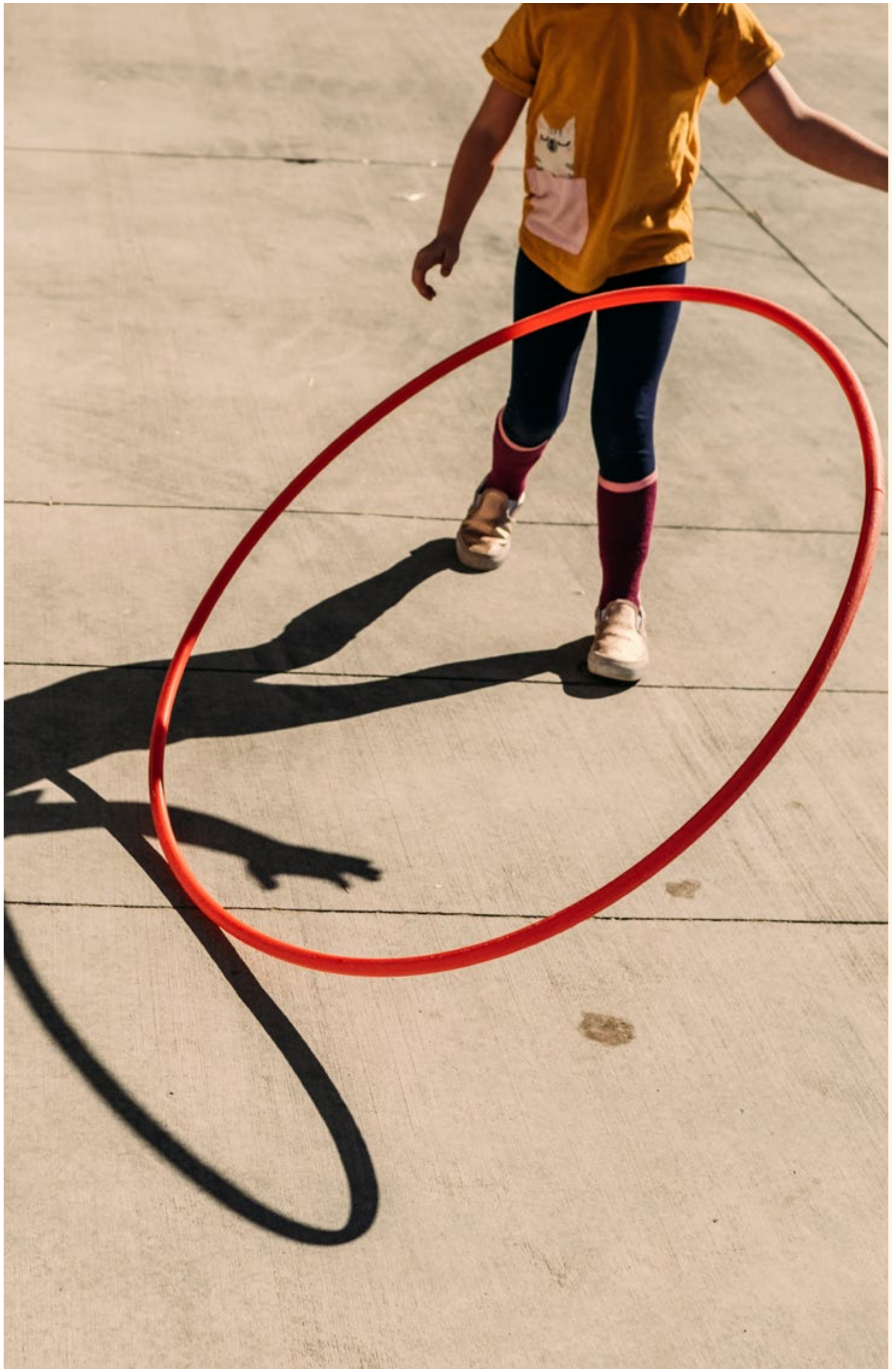
Year of Annuity purchase	Average premium
2018	$108,500
2019	$149,300
2020	$154,330
2021	$144,490
2022	$142,700

Annuity sales nearly doubled in 2022 compared to 2021. The average purchase was $142,700. While this represents significant growth in a one year period, annuities remain a less common option: Roughly 1% of terminated assets in decumulation assets are used to purchase annuities.

Interest rates trended down throughout the 1990s and 2000s, only to fall further after the credit crisis in 2008. That has contributed to a lack of confidence in annuities, coupled with a tendency among Canadians to see this product – admittedly a complex one – in an overly negative light. Plan members tell us they're uncomfortable with the sense of lost control that comes with putting a significant sum of money into an annuity. They also dislike the fact that their loved ones see no death benefit.

Whether or not annuities are the right solution, it is clear that CAP members need a secure source of retirement income they won't outlive. More accessible and efficient lifetime income products could help retirees manage this risk and ensure they can spend more of their assets in retirement.

There is important product development work being done in this regard, including on variable life payments, also known as dynamic pension pools. This product provides retirees with a way to share or pool their longevity risk. Legislation passed in 2021 enabled this product. A multi-employer approach to this solution is needed as this would enable the scale needed for participants to benefit from shared longevity risk with other pool participants.



09 Member behaviour and market volatility

While 2022 had volatile moments, member behaviour has been consistent since 2020.

In a vacuum, 2022 appears to be one of exceptional market and consumer tumult. However, it's important to consider the context of the last three years. How have our members responded more broadly to the last three years which began with the turmoil of 2020?

In *Designed for Savings 2021*, we reported a significant drop in member withdrawals in the weeks and months immediately following the initial COVID pandemic lockdowns.

Whether measured by the number of members making withdrawals or the amounts withdrawn, there was a steep reduction between March and April 2020, followed by a rebound to numbers we're more used to in June 2020.

When it comes to inter-fund transactions, there was an initial flurry of activity, with members making transactions in rapid succession between different asset classes.

Then, as quickly as this anomalous fund transfer and withdrawal behaviour began, it reverted back to a relative level of stability by mid- 2020.

In the years since, group members have continued to respond to newsworthy market movements in stride: The stability and consistency afforded by group plans have led to the vast majority of plan members to stick with their long-term plans.

Withdrawal rates in 2022 rose higher than both 2020 and 2021, based on monthly year-on-year comparisons.

But only about 10% of members served by Sun Life made withdrawals in 2022. That represents less than 3% of assets under management. These numbers are marginally lower relative to 2020.

Among in-service plan members, comparisons of withdrawals between 2020, 2021 and 2022 reveal some differences.

The monthly average for total plan withdrawals was 11% higher in 2022 than the previous year, with 2021 having 19% higher withdrawals than 2020. While it may seem counterintuitive, the period of extreme volatility in early 2020 led members to make much fewer withdrawals when compared to previous years. Recent years have seen withdrawals increase, but generally to levels seen before the pandemic.

FIG 9.0 WITHDRAWAL RATE DURING PERIODS OF VOLATILITY

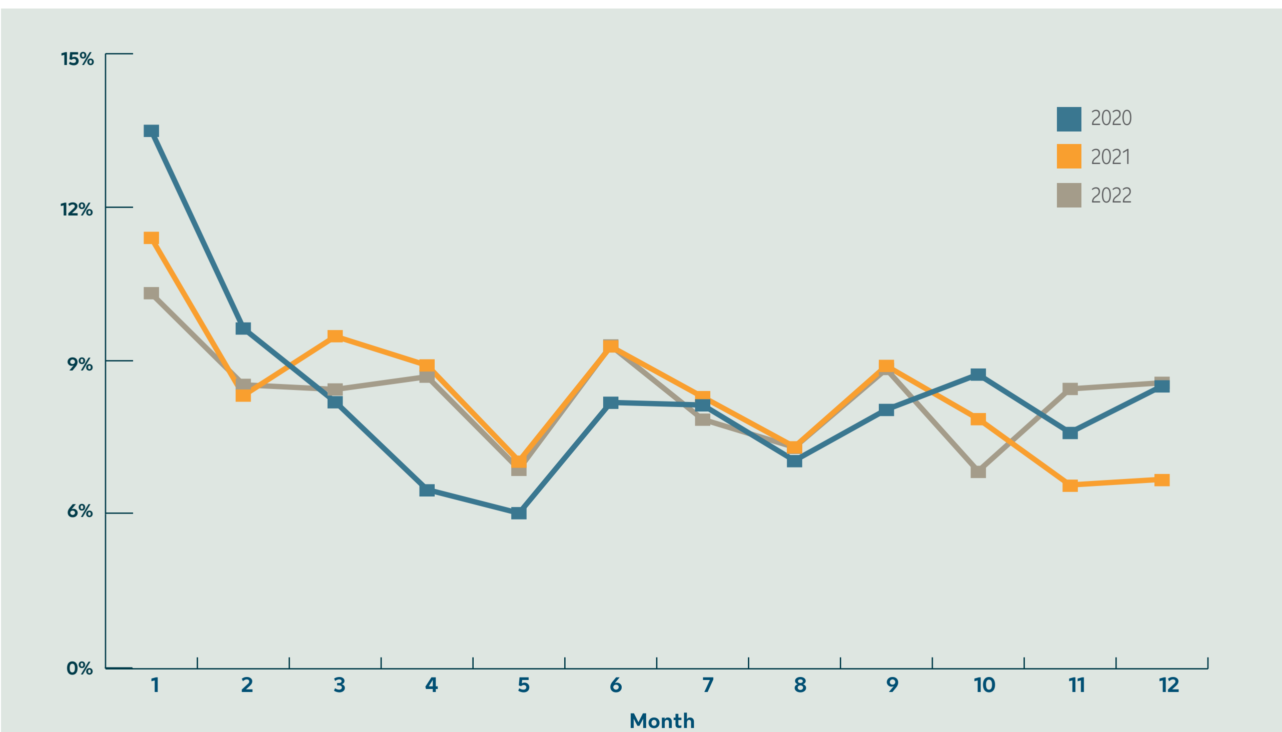
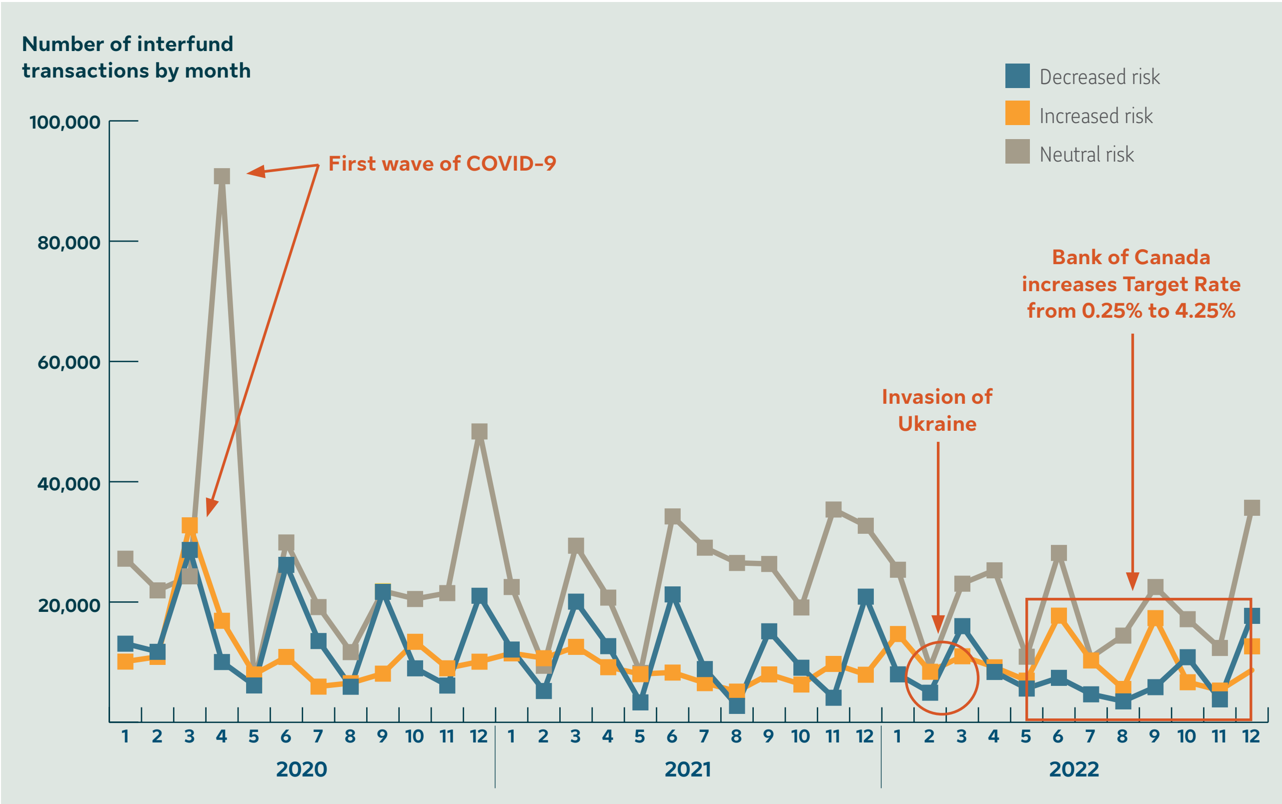


FIG 9.1 INTERFUND TRANSFERS DURING PERIODS OF VOLATILITY



A review of interfund asset transfers reveals something about the risk tolerance among CAP members, on a month-to-month basis. Many Canadians believe they have a handle on their personal risk appetite, but events like a pandemic or bull market can test those beliefs. Members react, sometimes to short-term circumstances.

We see asset transfers within our funds that reflect members' desire to increase and decrease risk. Overall, only 4% of members made interfund transfers in 2022. This compares to 8% who did so in 2019.

The largest swing in interfund transfers was actually in neutral risk transfers - such as moving between different target date funds - early in the pandemic. The initial response of members was to make many movements between funds, but not necessarily ones which would clearly reduce their risk exposure. Within a few months, transfers fell to levels well below the previous year.

When comparing market-moving events of 2022, member behaviour falls within a relatively stable band of normality. Significant events such as the invasion of Ukraine, spiking inflation and aggressive interest rate hikes to combat inflation, did not lead to sizeable member interfund transfers.

Messages from sponsor education campaigns - promoting the value of staying the course through market movements are resonating with members.

10 Methodology

The data included in this report are drawn from Sun Life's proprietary CAP database.

The following key considerations were included in our analysis:

Active plan members with an account balance greater than $0 at the end of each applicable year.

Average and median calculations are based only on members who were actively participating in the plan for the full reference year cited. Members who were participating for only part of the year are excluded from calculations.

Unless otherwise noted, data is as of December 31 of each calendar year. Percentages may not total 100% in all tables due to rounding.

Sex at birth assignment in this analysis are as it appears in our recordkeeping system. This may vary from how individuals identify on a gender basis.

Industry breakdown

ACADEMIC

School Boards
Universities/Colleges
Other

ASSOCIATIONS & AFFILIATIONS

Aboriginal Band Association (First Nations)
Not-for-Profit
Religious Association
Other

CONSUMER – DISCRETIONARY

Auto Components Automobiles
Distributors
Hotels, Restaurants & Leisure Media
Specialty Retail
Other

CONSUMER – STAPLES

Beverages
Food & Staples Retail
Food Products
Household Products
Personal Products
Other

ENERGY

Energy Equipment & Services
Oil, Gas & Consumable Fuels
Other

FINANCIAL SERVICES

Banking
Diversified Financial Services
Insurance
Real Estate Management & Development
Other

HEALTHCARE

Biotechnology
Cannabis & Related Companies
Healthcare Providers & Services
Healthcare Equipment & Supplies
Pharmaceuticals
Other

INDUSTRIAL

Aerospace & Defense
Air Freight & Logistics
Airlines
Building Products
Commercial Services & Supplies
Construction & Engineering
Electrical Equipment
Industrial Conglomerates
Machinery
Marine
Road & Rail
Trading Companies & Distributors
Transportation Infrastructure
Other

INFORMATION TECHNOLOGY

Communications Equipment
Computers & Peripherals
Electronic Equipment & Instruments
Internet Software & Services
IT services
Software
Other

MATERIALS

Chemicals
Construction
Materials
Containers & Packaging
Metals & Mining
Paper & Forest Products
Other

PROFESSIONAL SERVICES

Financial (consulting/accounting)
Legal
Medical
Other

PUBLIC SERVICES

Federal
Municipalities
Provincial
Other

RECREATION

Entertainment
Professional Sports
Other

TELECOMMUNICATION SERVICES

Diversified Telecommunication Services
Wireless Telecommunication Services
Other

UTILITIES

Electric Utilities
Gas Utilities
Multi-Utilities
Water Utilities
Other

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