

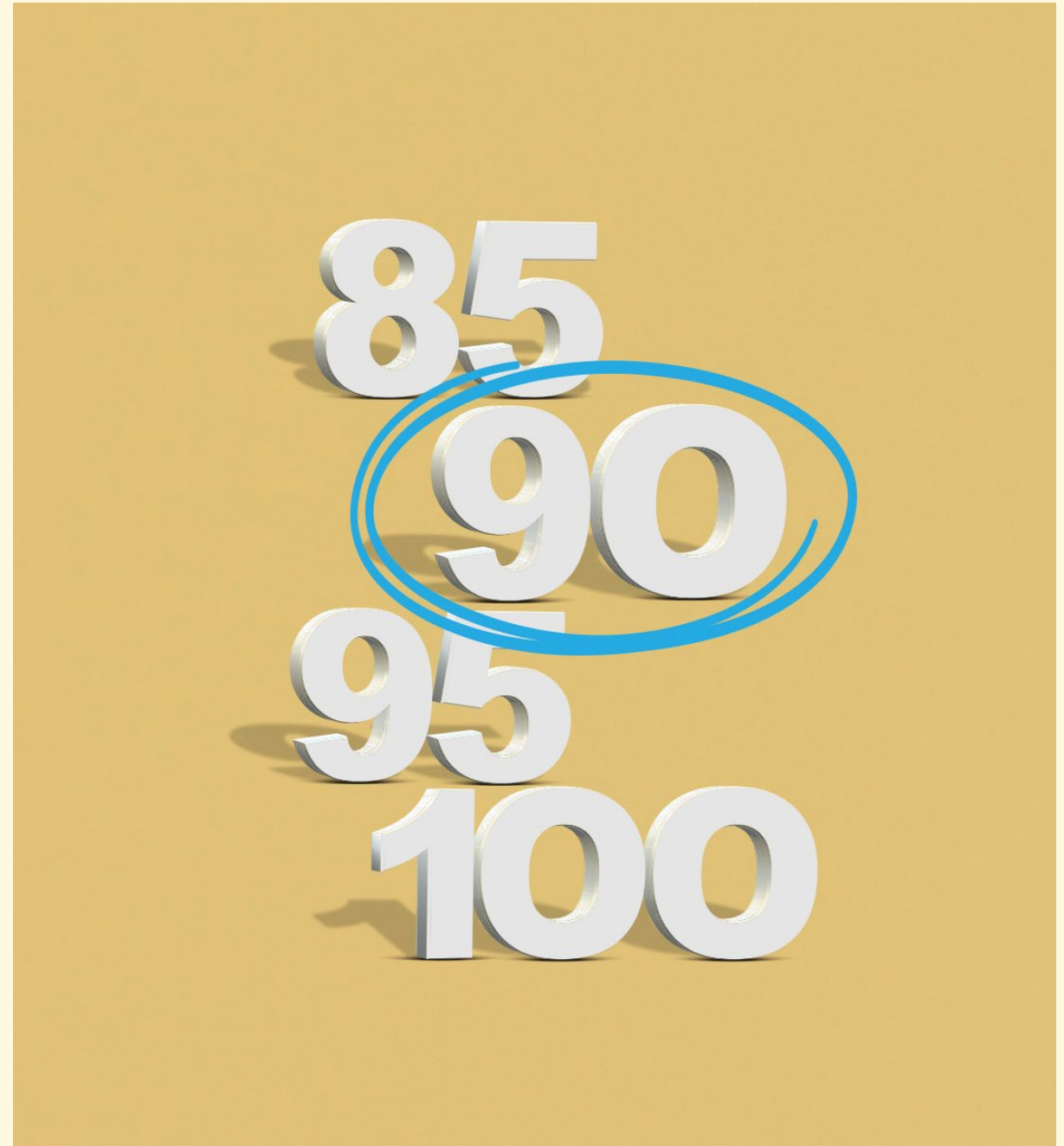
OCTOBER 3, 2024

Simplifying retirement

Introducing a new category in decumulation solutions:
target age solutions

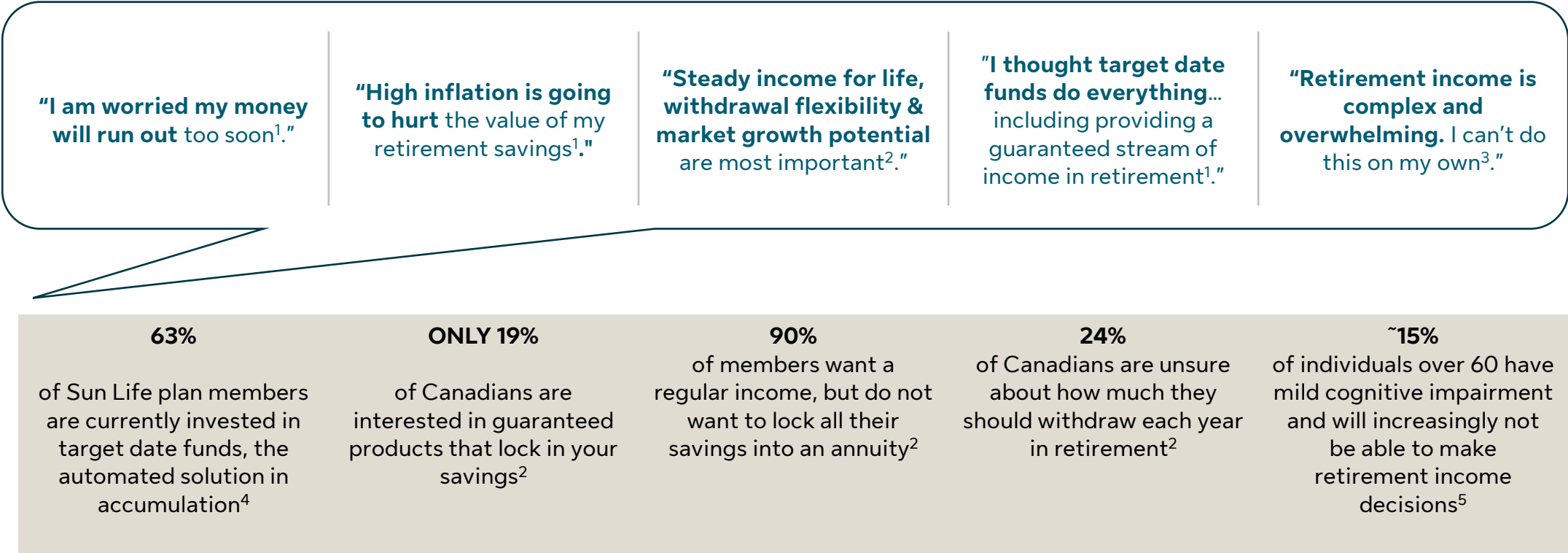
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Head of institutional business
Sun Life Global Investments



Insights from Canadians approaching retirement

Concerned about retirement, don't know how to turn savings to income, and want advice to navigate through



¹Source: MFS 2023 Global Retirement Survey, Canadian respondents only.
² Source: Sun Life and Canadian Association of Retired Persons survey
³Two-thirds prefer to speak to their financial advisor to learn about new financial products – both among those likely and unlikely to purchase VPLA. Sun Life VPLA study.
⁴Source: Sun Life as of June 30, 2024 (63% of plan members that have access to target date funds in their plan)
⁵Approximately 12% to 18% of people age 60 or older are living with MCI. Source: https://www.alz.org/alzheimers-dementia/what-is-dementia/related_conditions/mild-cognitive-impairment

Key learnings from plan sponsors

Sponsors believe strongly in education & engagement..

...not to make them experts but to help them understand the support they need.

A decumulation playbook beneficial

Changing mindset on providing in-plan advice...

...provided by non-commissioned, licensed consultants who can help employees maximize their workplace plans. This is a shift in mindset!

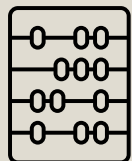
Most sponsors do not want to be actively involved in decumulation

The key is having options for sponsors to choose what's best for their organization and employee base.

Innovation is important

new products/ solutions and advice are needed to help solve the complex decumulation problem where there is no one size fits all.

We've learned from U.S. investment managers as well...



It's not just about product

A decumulation solution cannot work on its own. A combination of solutions, advice and member experience are crucial for success.



Ease of use and understanding

Simplicity is key. If a plan member can't understand it, they won't use it.



Annuities aren't the favoured solution

Plan members are not willing to give up access to capital for the guarantee of annuity—including TDFs with annuity option



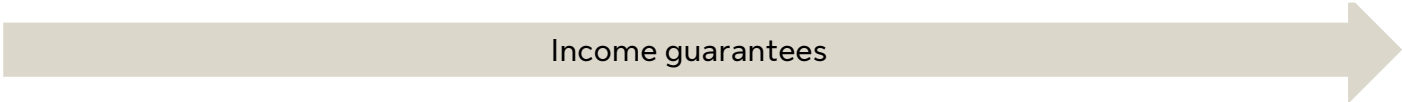
Managed accounts are attractive to sophisticated investors

Relevance within the Canadian market continues to be discussed based on the different demographics between markets

There are gaps in today's decumulation solution spectrum

	RRIF/LIF	Dynamic pension (previously Variable Life Payments or VPLA)	Tontines	TDFs with annuity option at retirement	Annuity (including ALDA)
Reliable income		✓	✓	✓	✓
Longevity consideration		✓ ✓	✓ ✓	✓ ✓ ✓	✓ ✓ ✓
Income estimate		✓	✓	✓	✓
Access to capital	✓				
Growth potential	✓	✓	✓		
Easy to understand	✓			✓	✓
Wealth transfer	✓				
Easy to manage		✓	✓	✓	✓
Biggest shortcomings	No spending budget; do it yourself	Complex; no access to capital; regulatory hurdle	Complex; no access to capital	Only serves those invested in TDF; very few opting for annuity option at retirement	No access to capital; no growth potential

Income guarantees



Target age solutions: similar investor experience to TDFs

	Target date funds	Target age solutions
Automation (“do it for me”)	<ul style="list-style-type: none">• Yes	<ul style="list-style-type: none">• Yes
Simplification	<ul style="list-style-type: none">• Investment decisions	<ul style="list-style-type: none">• Retirement income decisions (withdrawal and investment)
One important decision	<ul style="list-style-type: none">• Retirement date	<ul style="list-style-type: none">• Target (maturity) age
Default option	<ul style="list-style-type: none">• Chosen by 68% of plan sponsors	<ul style="list-style-type: none">• Age 71 (certain exceptions apply)

Source: [2023 Sun Life Designed for Savings Report](#)

Filling an important gap: target age solution



Automatic solution

Overlaying LIF/RRIF
Depleting account over
predetermined period:
retirement income to selected
maturity age



Reliable income payment

Calculation based on long-term
best estimate return of
underlying portfolio

Annual payment refresh based
on remaining account balance



Growth potential

Well-diversified underlying
portfolio(s) specifically
designed for retirees



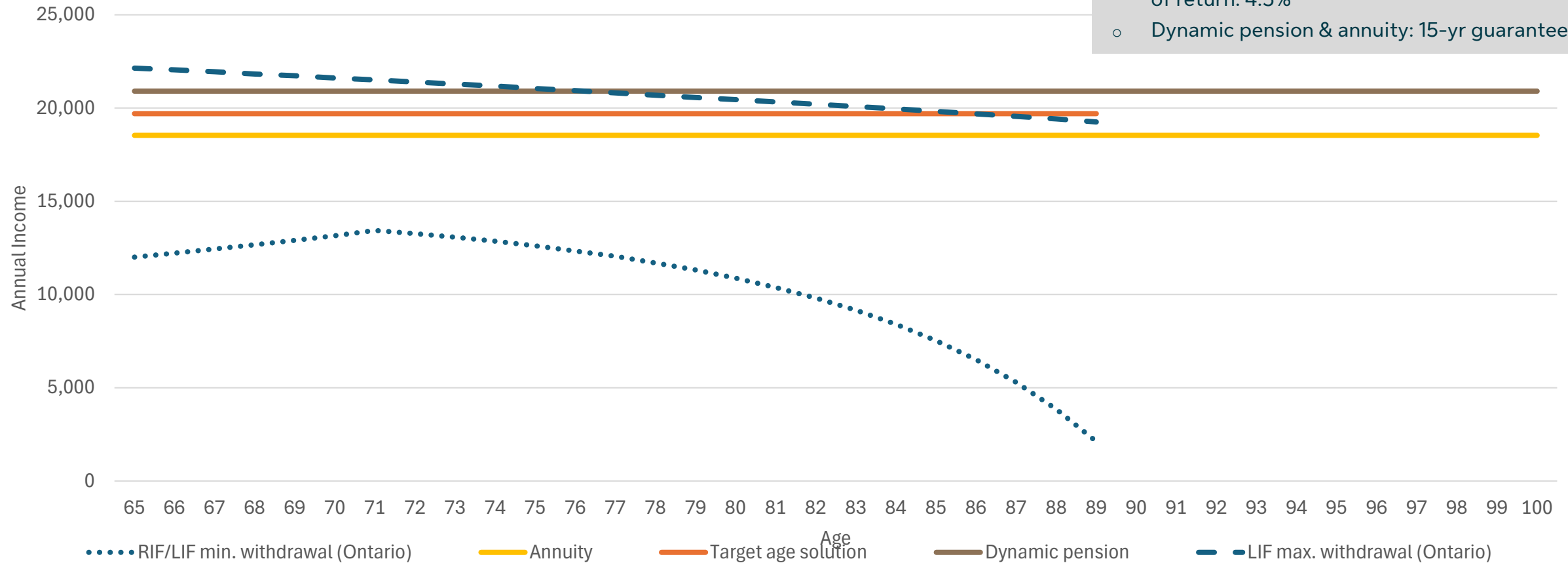
Accessibility & flexibility

Access to capital (as per
LIF/RRIF rules)

Ability to change maturity age

Similar reliable income—but not locked in

Annual income comparison at retirement age 65



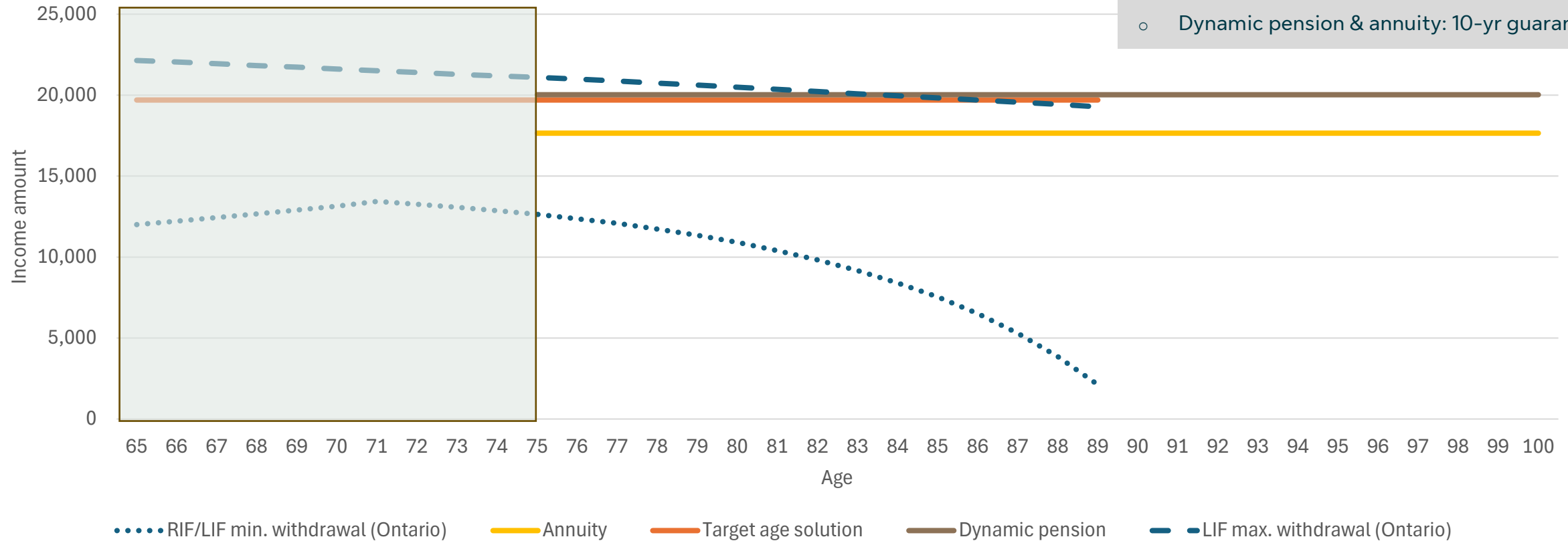
- Retirement savings: \$300,000
- Target age solution – maturity age: 90
- Target age solution – long-term best estimate net return: 4.5%
- Target age solution & Dynamic pension – net rate of return: 4.5%
- Dynamic pension & annuity: 15-yr guarantee

- For illustration purposes only (income payments will vary depending on designs and plan member elections)
- Dynamic pension annuity factors: based on an assumption of a 105% and 105.5% A/E male/female multiplier on a CAN5 base table, projected using MI-2017
- Sun Life Annuity quote as at September 20, 2024

Flexibility to make changes as age advances

Ten years later: annual income comparison at age 75

- Target age solution – remaining savings: \$217,000
- Target age solution – maturity age: 90
- Target age solution – long-term best estimate net return: 4.5%
- Target age solution & Dynamic pension – net rate of return: 4.5%
- Dynamic pension & annuity: 10-yr guarantee



- For illustration purposes only (income payments will vary depending on designs and plan member election)
- Dynamic pension annuity factors: based on an assumption of a 105% and 105.5% A/E male/female multiplier on a CAN5 base table, projected using MI-2017
- Sun Life Annuity quote as at September 20, 2024

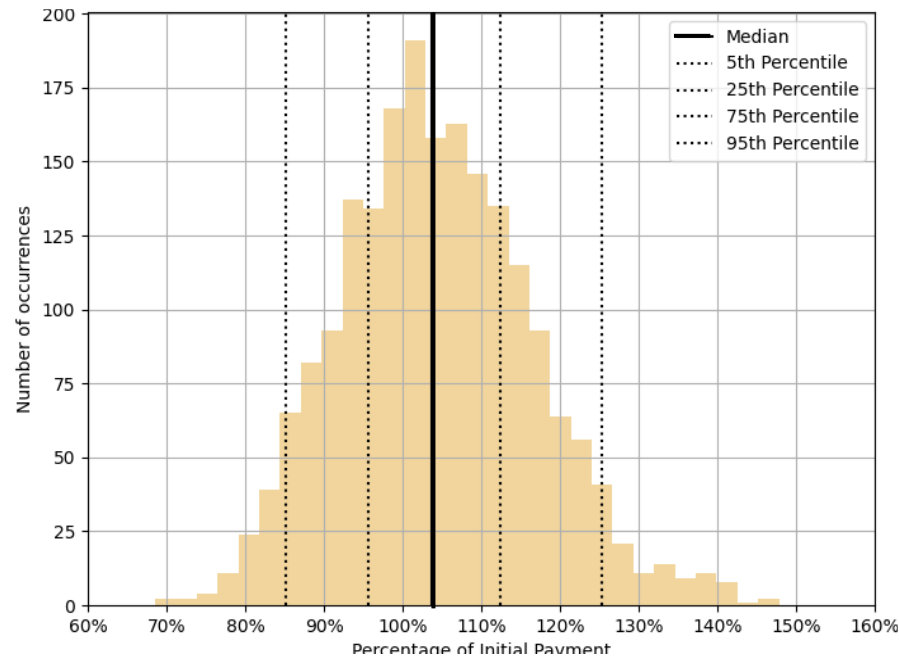
Income payment stability

Expected fluctuation in income payment

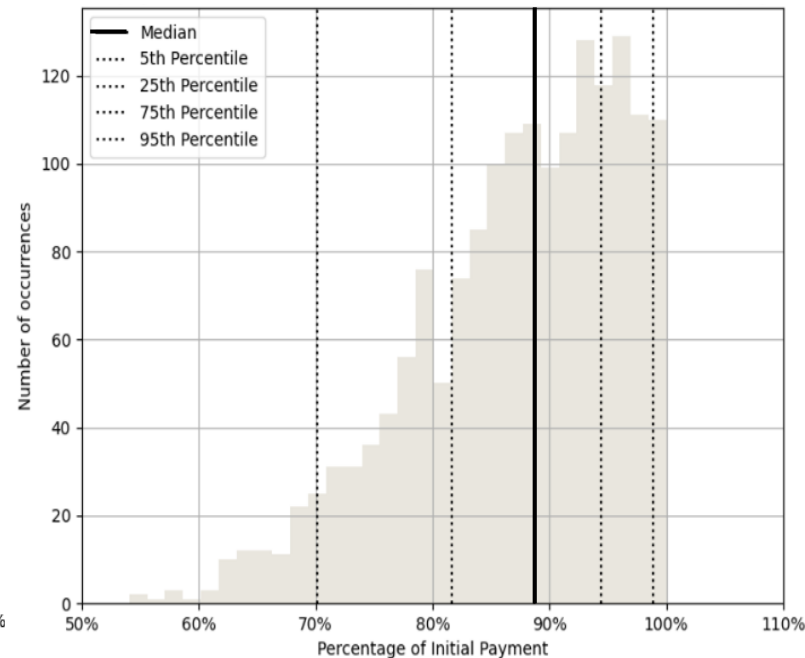
- Retirement age: 65
- Retirement savings: \$300,000
- Target age solution – maturity age: 90
- Target age solution – long-term best estimate net return: 4.5%

Income payment across the 25-year decumulation period (as a % of initial payment)

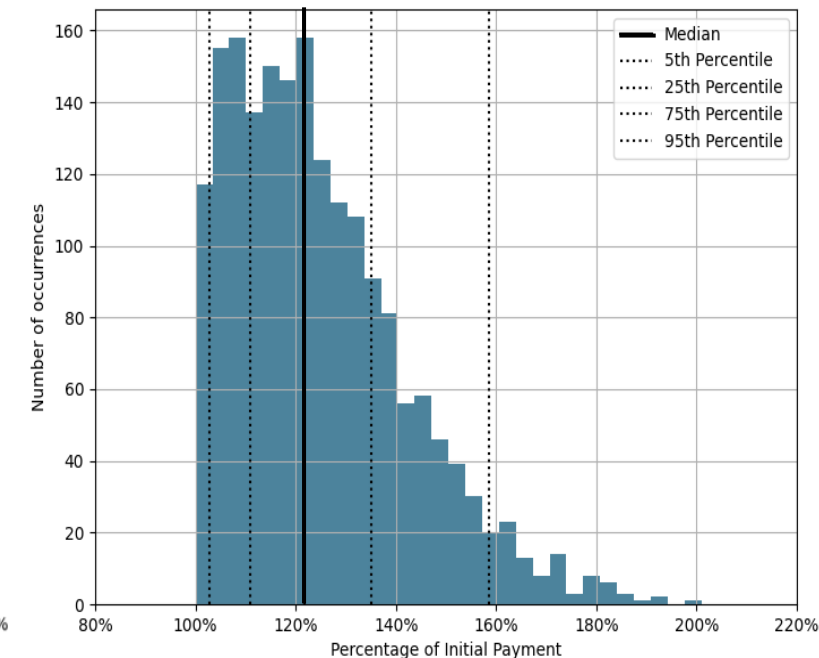
Average payment (incl. year 1)



Lowest payment (excl. year 1)



Highest payment (excl. year 1)



*For illustrative purposes only. Results are generated by running 2,000 Monte-Carlo simulations. Returns follow a Johnson distribution which account for skewness and kurtosis. Forecast returns and risk are derived based on data as of December 31, 2022.

Sun Life MyRetirement Income

Simplifying retirement income and helping Canadians live the retirement they can afford



1.

Automation

- Fully automatic target age solution—**it is the target date solution for retirement**



2.

Reliability

- Solution seeking to deliver steady retirement income up to the selected maturity age
- Optimized to last until the age the Client selects



3.

Flexibility

- Choice of maturity ages to cover life expectancy spectrum
- Ability to change maturity age at any time



4.

Accessibility

- Full access to the entire account balance at any time
- Able to withdraw/add money at any time



5.

Growth

- Growth potential from well-diversified portfolio



6.

Simplicity

- Easy to understand
- One important decision: maturity age
- Investments are managed by professionals
- Easy transition from TDF end point to income generation

Target age solutions:

A new era of decumulation

Sun Life Global Investments is a trade name of SLGI Asset Management Inc., Sun Life Assurance Company of Canada and Sun Life Financial Trust Inc. SLGI Asset Management Inc. is the investment manager of family of mutual funds. Group Retirement Services are provided by Sun Life Assurance Company of Canada, a member of the Sun Life group of companies.

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Not just about product.

Decumulation solutions will not resolve the decumulation challenge on their own.

More than one solution.

A number of guaranteed and non-guaranteed options are required to meet members' diverse needs.

Target age solution expands choice.

Non-guaranteed that simplifies retirement income and provides a spending budget so retirees can live the retirement they can actually afford.

Our ambition:
**Make target age solutions a universal
non-guaranteed solutions across the
Canadian retirement industry**
(similar to TDFs)