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2025 DC Investment Forum: How target-date fund's glide path design, long-term asset mix impact member outcomes

By: Kelsey Rolfe | November 5, 2025 | 07:56

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With target-date funds now a dominant investment vehicle in Canada's defined contribution pension landscape, the glide path is the primary determinant of plan members' outcomes in retirement, according to Farzan Qureshi (*pictured left*), director of institutional business development, client relationships for Sun Life Global Investments Inc., during *Benefits Canada*'s 2025 Defined Contribution Investment Forum.

Glide path design, rigorous stress-testing and a fund's long-term asset mix are crucial factors to ensuring plan members can live comfortably in their golden years, he added.

Sharing Sun Life data, Qureshi noted 86 per cent of DC plan sponsors' default allocations are target-date funds and almost 70 per cent of members are holding target-date funds as their primary retirement investment. "Target-date funds do matter. Glide paths do matter. So target-date fund design needs to focus not just on . . . the highest risk-adjusted returns, but on retirement outcomes."

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Also speaking during the session, Jason Zhang (*pictured right*), portfolio manager at SLGI, noted plan members are exposed to market risk, sequence of returns risk, inflation risk and longevity risk. To mitigate those, the investment manager stress tests its glide paths on a range of factors, including how well it balances risk and return, its wealth accumulation capabilities, how it holds up against worst-case scenarios near retirement and its spend-down resilience and income replacement ratio.

Qureshi said SLGI's tests have found a glide path's landing equity matters more than its starting equity. In a test of five sample industry glide paths, the ones with the highest landing equity (60 per cent at retirement) delivered the highest accumulated value, while the one with the lowest equity landing point (less than 30 per cent at retirement) delivered almost 6.5 per cent lower accumulated wealth.

Higher equity content also correlated to more years of spend-down resilience at a five per cent withdrawal rate and a greater likelihood of achieving retirement readiness for members, he said, noting the most conservative glide path had a 57 per cent chance, while higher landing equity paths had between a 64 and 71 per cent chance.

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But more equity content can hurt: in Monte Carlo simulations, the glide path with the most landing equity fared the worst in a market crash, down more than 15 per cent, while the most conservative was down just over nine per cent. Qureshi noted that shortfall could hit members at a crucial time, when they're running out of employment years in which they could make up the losses. It's also important not to discount common investor behaviour to rush to withdraw when the market's down, he added.

"No single glide path can be the best at everything," said Zhang. "There's necessarily some trade-off, because the risk or return are just two sides of the same coin."

Read more coverage of the 2025 DC Investment Forum here.