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Changes to BlackRock LifePath target date funds in 2026

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Changes to BlackRock LifePath target date funds in 2026

Plan sponsors may wish to consider whether this investment news has any implications for the investment options available within their plans. Sun Life Assurance Company of Canada purchases units of the funds listed below, which are established as segregated funds in accordance with the Insurance Companies Act (Canada).

Plan sponsors don't need to take any action as a result of this update.

BlackRock Asset Management Canada Ltd. ("BlackRock") recently announced some changes to the LifePath® Target Date funds (the Funds). The changes are a result of BlackRock's research over the last three years and have two objectives:

- (i) enhance inflation hedging precision;
- (ii) increase fixed income diversification.

Since inception of the Funds in 2007, BlackRock has made changes to the Funds as a result of their research enhancements. This is the sixth time in the Funds' 18-year history where BlackRock has implemented changes to improve retirement outcomes for plan members. The most recent change before this was in 2022 to integrate sustainability research.

The changes and impact less than 10% of each target date fund. BlackRock expects to implement the changes in three phases, starting in the first quarter of 2026.

There will be no changes to the Funds' glidepath, investment objectives or investment management fees. The changes include:

- **Addition of U.S. Treasury Inflation Protected Securities (TIPS)**¹ (hedged to the Canadian dollar) to replace the current Canadian Real Return Bonds allocation. The Canadian government stopped the new issuance of Real Return Bonds in November 2022. BlackRock subsequently eliminated Real Return Bond exposure in LifePath over a period from April 2023 to April 2024 and replaced it with Canada Universe Bond exposure. BlackRock will now reduce some of the Canadian Universe Bond exposure to add the new TIPS exposure. TIPS will be added to funds near their retirement date and to the Retirement fund, with ranges approximately from 3% to 6% of the Funds.
- **Addition of Canadian long-term bonds** (as represented by the FTSE Canada Long-Term Overall Bond Index) to increase fixed income diversification. BlackRock will add long-term bonds to most of the Funds in the middle of the glidepath (i.e. 15 to 30 years to retirement). Exposure will range from approximately 0.5% to 2.5%. BlackRock will reduce the corresponding Canadian Universe bonds to fund the new long-term bond allocations.
- **Update the commodities exposure (the inflation-hedging asset class):** Currently, the Funds invest between 0.1% and 1.0% in the S&P GSCI Commodity Index (GSCI). BlackRock will switch the exposure to the Bloomberg Enhanced Roll Yield Index (BERY)². The commodities allocation will be approximately the same as the current allocations, but with a slight reduction for the 2030 to 2050 Funds and a slight increase for the 2025 and Retirement Fund (approximately 0.1% to 0.5%).

BlackRock's modelling suggests that these enhancements will lead to improved retirement outcomes for plan members 63% of the time and enable the Funds to better manage risks.

GRS Investment Solutions team view

We have reviewed BlackRock's research paper and recently met with BlackRock's LifePath team to discuss the changes. We're generally comfortable with the changes and note that they would affect only a small proportion of the assets in each fund. The LifePath funds have always had a significant focus on inflation and BlackRock believes these changes will better position the Funds to respond to periods of higher inflation.

The two fixed income changes both relate to the Canadian government's decision to no longer issue inflation-linked bonds. The planned new U.S. TIPS exposure reflects the high correlation between Canadian and U.S. monetary policy and inflation. BlackRock's research also suggests that the U.S. TIPS will demonstrate a higher correlation to inflation shocks and better performance in high inflation periods than Canadian real return bonds. The addition of long-term bonds is also largely to compensate for the recent elimination of Canada Real Return bonds. Real Return Bonds have very long maturities and BlackRock believes this duration exposure can be beneficial to an overall portfolio by reducing a bond's correlation with the equity markets.

The change in commodities exposure reflects BlackRock's efforts to create a better commodities index. BlackRock partnered with Bloomberg to create BERY. BlackRock expects BERY to have a higher return than the GSCI index (due to better returns when rolling over commodity futures contracts) and more diversification due to its caps on exposures to individual commodities and commodity groups.


We will continue to monitor the Funds during the transition in early 2026 and provide any updates if needed.

How will this affect your members?

There will be no impact to members investing in the Funds in a registered plan. For members who have money invested in the Funds within a Non-Registered plan, they'll likely experience a capital gain or loss due to the trading BlackRock will be doing within the Funds.


The planned changes will cause the Funds to dispose some underlying investment fund units which may result in the realization of capital gains and/or losses in Non-Registered plans.

Sun Life will provide the applicable tax slip(s). BlackRock expects the changes to occur in 2026, so the members will see the changes reflected on their 2026 tax slip(s) that will be available in 2027.

For more information on how capital gains can occur in segregated funds within Non-Registered plans, please  **read the article here**. Members can find their ACB on Plan Member Services website mysunlife.ca and selecting **Check on Account > Balances**.

We will send an email communication in Q1 2026 to members who are invested in the Funds as of Q1 2026. Here is a  **copy for your reference**.

BlackRock webinar on the fund changes

BlackRock will host their next quarterly LifePath webinar on November 04, 2025. This webinar will focus on these enhancements. Please click **here**  to register. The webinar will be available in English only. This event is not hosted by Sun Life.

Questions?

Please contact your Sun Life Group Retirement Services representative*.

*In Quebec, registered as a Group Annuity Plans Advisor.

¹The TIPS exposure will be invested in the Intercontinental Exchange U.S. TIPS 0-5 Years 100% CAD Hedged Index. U.S. dollar exposure will be fully hedged back to Canadian dollars.

²BERY provides commodity futures exposure to 26 commodities and has 15% cap for a single commodity and 33% cap for a group of commodities.

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