

# Update on Target Date Funds

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Chair, Investment Subcommittee

# Currently: Pick your risk profile

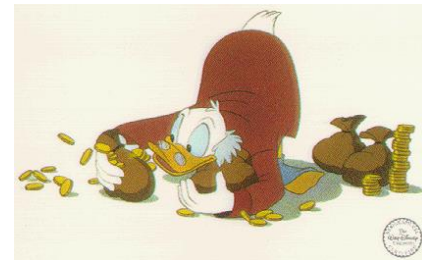
- From **aggressive** = high risk, high potential reward

– *weighted to equities*



- To **conservative** = low risk, low potential for large returns

– *weighted to bonds,  
GICs, money market funds*



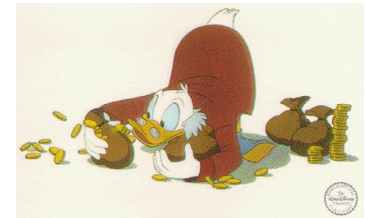
# Dangers of unmanaged risk-type portfolios

- You could be in the aggressive portfolio, and a market collapse means you lose 40% of the value of your fund just before retirement (converse *is* possible)
- You stay too conservative for too long and don't maximize your returns within reasonable risks

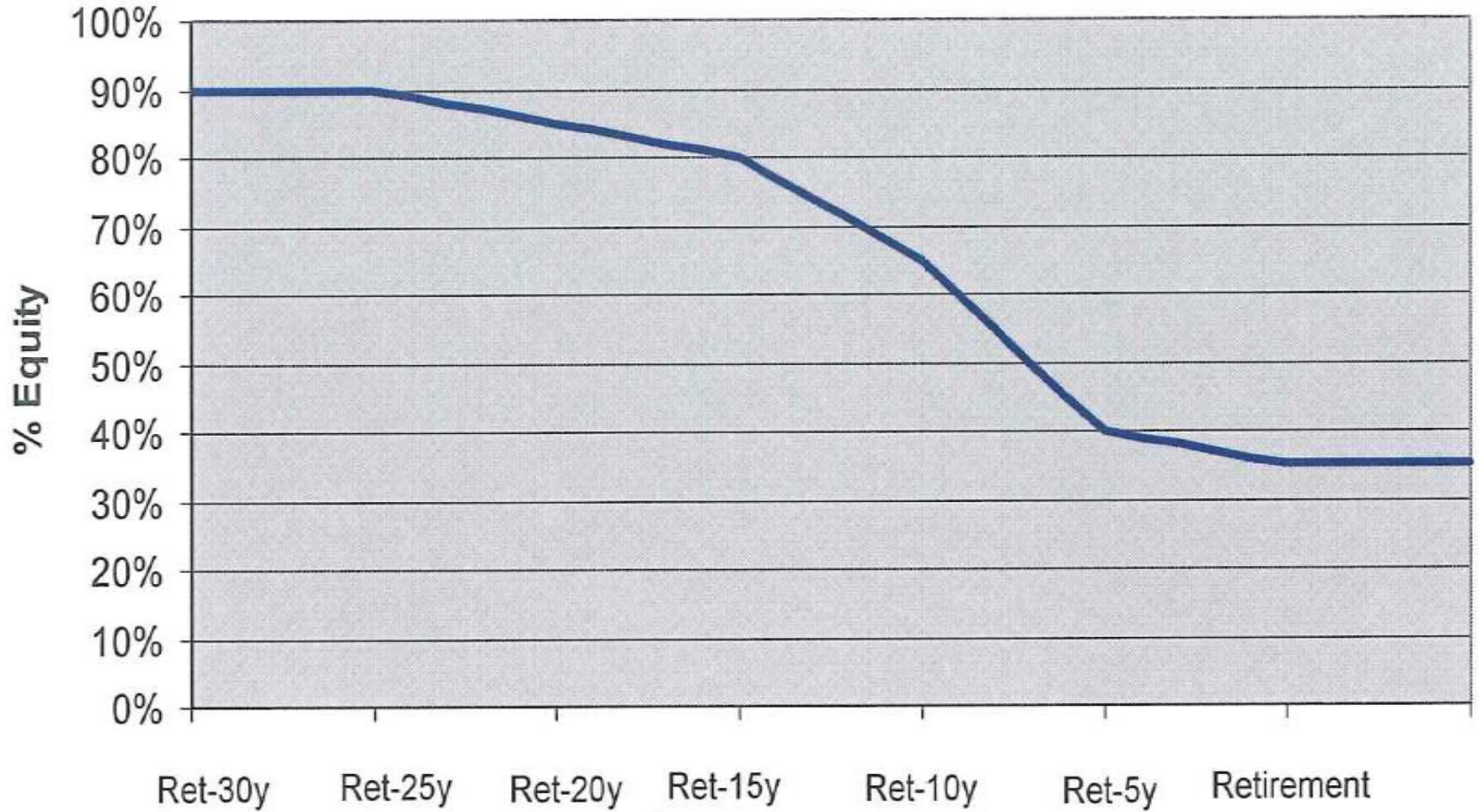
# TDFs in sixty seconds



- Early on in career want bigger returns
  - Suggests investing heavily in high risk-reward instruments
- As you approach retirement you need to protect your money
  - move assets into “less risky” investments
- Gradually change % of equities over time
  - The “glidepath”
  - Funds named by retirement year, e.g. 2020, 2030

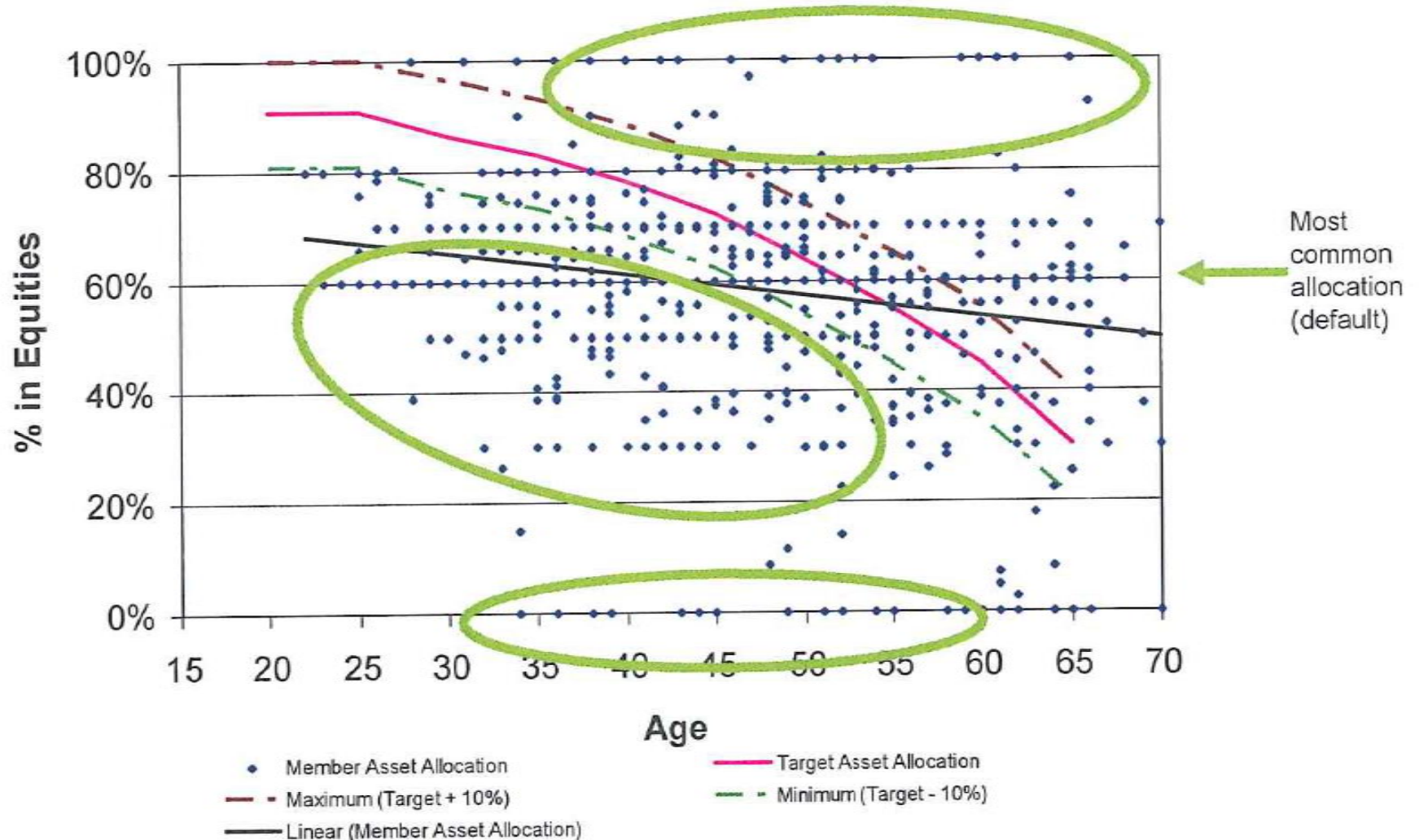


## Sample Glidepath (allocation to equity)



Thanks to Todd Saulnier, Mercer

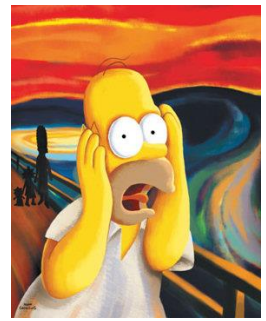
# How do we look?



# Investment subcommittee view

- TDFs on average are best option for members
  - Plenty of research agrees on this
  - Have decided on overall approach (ask any of us later)
- But more investment options = against SIPG policy of not offering “similar” instruments
  - Suggests removing risk-type profile categories
- But this means moving people to new funds
  - Main committee very concerned about this

# How to roll out?



- Anyone not in risk-type fund will be left alone
- **Option 1** – just put everyone into their appropriate retirement date fund
- **Option 2** – put everyone into the fund that at present matches their risk profile
  - Used in Mount Allison TDF roll out



## *Next steps*

- Member input welcomed on roll out
- We'd like to get this going ASAP