

# Important ESG changes to BlackRock LifePath target date funds

On March 31, 2022, BlackRock Asset Management Canada Ltd. (“BlackRock”) announced that they expect to make important changes to the LifePath target date funds (LifePath) starting in the fourth quarter of 2022. These changes applied **Environmental, Social and Governance (ESG)** factors into how the LifePath funds are managed going forward. The LifePath funds are available to you in your workplace retirement savings plan with Sun Life.

## Background

Each LifePath fund (LifePath Retirement, LifePath 2025 etc.) contains underlying funds that each invest in an asset category (for example Canadian Equities, U.S. Equities, etc.). These underlying funds closely track the performance of commonly used, broad equity market indices (benchmarks), such as the S&P/TSX Composite for Canadian Equities and the S&P 500 for U.S. Equities.

## What changed? A new approach for Equities

BlackRock replaced many of the current underlying equity funds with new funds that closely match MSCI’s Extended ESG Focus indices. These indices are designed by MSCI to invest in companies with positive ESG characteristics. They invest more in companies with high MSCI ESG ratings and less in companies with low MSCI ESG ratings. The MSCI Extended ESG Focus indices also exclude companies in certain industries such as Tobacco and Controversial Weapons. The MSCI Extended ESG Focus indices are designed to have similar returns and risk as the market indices they are replacing.

The MSCI Extended ESG Focus indices are explained in detail [here](#).

The LifePath funds seek to deliver on investors’ financial and sustainable objectives, while improving how the funds perform during challenging periods in the equity markets.

## What is not changing?

The investment objective of LifePath continues to be to help you grow your retirement savings during your working career and maintain a consistent standard of living in retirement. Overall allocations and the way in which a LifePath fund automatically reduces risk over time remain the same. There will be no changes to the amount of equities in the LifePath funds or significant changes to what countries and regions they invest in. Other underlying funds, such as bond funds or funds used to provide inflation protection, are staying the same.

## Why did BlackRock make this change?

The change reflects BlackRock’s increased focus on sustainable investing. The changes are a result of both changing consumer and investor preferences, and BlackRock’s investment research. The LifePath funds are expected to generate similar (or slightly better) long-term performance after these changes are made.

BlackRock has provided you with rationale for these changes [here](#). You can view the FAQ [here](#).

You can find more information on ESG and sustainable investing by signing on to [mysunlife.ca](#). Then select **my plan** and go to **Learning**. From there, select **Sustainable investing**.



## Who is MSCI and why is BlackRock using their indices?

MSCI is a leading provider of tools and services for the global investment community. MSCI creates and maintains a series of commonly used stock indices for investors. BlackRock selected MSCI due to their confidence in MSCI's experience, ESG research and ratings and the efficient way the indices can be integrated into the LifePath funds.

## About LifePath index target date funds

LifePath is a series of ten funds (Retirement, 2025, 2030, 2035, 2040, 2045, 2050, 2055, 2060, and 2065) with maturity dates of December 31 of the year before the year listed in the fund. For example, the maturity date for the 2025 fund is December 31, 2024. These funds are structured to be invested for a key life event such as your retirement. All you have to do is determine your target retirement date and invest in the fund that most closely matches this date. The asset mix of each target date fund automatically shifts towards more conservative investments as the target maturity date of the fund approaches. At each fund's maturity date, the asset mix reaches its most conservative mix and stops changing. Assets are eventually automatically transferred to the Retirement fund, which has an identical asset mix.

## What do I need to do?

You don't need to do anything. These changes will occur automatically within each target date fund. BlackRock expects to begin transitioning the LifePath target date funds to MSCI ESG Extended Focus funds in the fourth quarter of 2022. The transition took four to ten months to complete.

If you have money invested in a non-registered (taxable) plan, you'll likely experience a capital gain or loss as a result of the trading BlackRock will be doing within the LifePath funds. Sun Life will report any capital gains or losses on the tax slips we produce for your account.

BlackRock expects the changes to occur over two tax years (2022 and 2023), so you may have seen changes on your 2022 tax slip. Your 2023 tax slip (available in spring of 2024) will show the remaining changes. Any capital gains or losses must be included on your tax return in the year the changes occur. We recommend you talk with a tax professional since they can advise you on your particular situation.

If you'd like to learn more about capital gains and losses generally, click [here](#).

It's always a good idea to review your current investment options to ensure that they continue to meet your retirement goals. You can do this by visiting [mysunlife.ca](https://mysunlife.ca) and selecting **Manage plan**. Then click on **Tools**.

Through Morningstar® – a leading provider of investment news and analysis – you can track the performance of funds and access an overview of the funds in your plan, including fund objectives, risks, and how funds are invested.