



ABSOLUTE GROWTH PORTFOLIOS
AND COREGROWTH

REGULATORY COMPLIANCE

OLDMUTUAL

CORPORATE
RETIREMENT INVESTMENTS

Retirement funds often use a smoothed bonus portfolio as part of their default investment portfolios (i.e. a trustee-endorsed option into which members who do not choose an investment portfolio for themselves, are defaulted).

In order for a smoothed bonus portfolio to form part of a retirement fund's default investment portfolios, it has to adhere to the default regulations (i.e. Regulation 37 of the Pension Funds Act, together with Conduct Standard 5 of 2020).

The tables below evidence Old Mutual's efforts to ensure that the Absolute Growth Portfolios and CoreGrowth comply with the default regulations. The tables link to clauses in policy contracts (unless otherwise specified e.g. the Principles and Practices of Financial Management).

Regulation 37 of the Pension Funds Act:

Relevant sub- section	Criteria in terms of Regulation 37	How compliance is facilitated by Old Mutual /the Policy
37.(2)(a)	The DIP is appropriate for the members who will be automatically enrolled in it.	Old Mutual will provide relevant information to put the Retirement Fund in a position to assess the Policy's appropriateness as a DIP for the members of the Retirement Fund.
37.(2)(b)	The composition of assets and performance of the DIP are adequately communicated to members.	Old Mutual will provide relevant information to the Retirement Fund to put the Retirement Fund in a position to comply.
37.(2)(c)	The DIP is reasonably priced and competitive.	The details of charges, fees, costs and expenses appear in Annexure A of the Policy to allow the Retirement Fund to assess this.
37.(2)(d)	All fees and charges are disclosed.	The details of fees, costs and expenses appear in Annexure A of the Policy.
37.(2)(e)	Both passive and active investment must be considered as investment options.	Not applicable; the Retirement Fund must be able to evidence the fact that it did consider passive investment options for the DIP that it makes available to its members.
37.(2)(f)	No loyalty bonuses or other complex fee structures.	The Policy's fee and charging structure does not include any loyalty bonuses as contemplated in the Default Regulations. The details of fees, costs and expenses appear in Annexure A of the Policy.
37.(2)(g)	Members are not locked into the DIP.	Switching out of the Policy is allowed in terms of clause 5.5 of the Policy within the time limits required by the Default Regulations.
37.(2)(h)	The DIP is annually reviewed.	Old Mutual will provide relevant information on an annual basis to put the Retirement Fund in a position to comply.

Conduct Standard:

Relevant sub-section	Criteria in terms of the Conduct Standard for determining bonus declarations	The extent to which compliance is facilitated by Old Mutual/the Policy
2.(4)(a)	A formulaic approach must be established to calculate and determine bonus declarations.	Fully complies. (Refer clause 4.3 and Annexure B of the Policy.)
2.(4)(b)	The formula may allow for a deviation of not more than 2% per annum from the calculated targeted bonus.	Fully complies. This is achieved by the application of the formulaic approach as set out in clause 4.3 and Annexure B of the Policy, and by the determination and application of an Instant Bonus Rate as set out in clauses 4.3.2 and 4.4.2 of the Policy. In the exceptional event that discretion is applied, it will be in accordance with the conditions stipulated by the Conduct Standard.
2.(4)(c)(i)	The formulaic approach must include triggers or factors that may result in the possible removal of non-vested bonuses and the method of removal.	Not applicable – the Policy does not operate by means of non-vested bonuses.
2.(4)(c)(ii)	The formulaic approach must provide for factors or triggers that dictate the provision of shareholder capital to maintain the financial soundness of the Policy.	Fully complies. (This is set out in the 5th bullet point of section 5.3.5 of the PPFM.)
2.(4)(c)(iii)	The formulaic approach must clarify the extent to which shareholder capital is viewed as a loan which will be repaid to shareholders with future investment returns, versus a cash injection that will not be repaid from future investment returns.	Fully complies. (This is set out in the last bullet point of section 5.3.5 of the PPFM.)
2.(4)(c)(iv)	The formulaic approach must specify the minimum and maximum levels of the stabilisation reserve and the remedial actions which will be taken should these limits be breached.	Fully complies. (Refer clause 4.6 of the Policy.)
2.(4)(c)(v)	The formulaic approach must limit the smoothing period by spreading any excess bonus stabilisation reserve over a period not exceeding 24 months.	Fully complies. This is achieved by the application of the formulaic approach as set out in clause 4.3 and Annexure B of the Policy, and by the determination and application of an Instant Bonus Rate as set out in clauses 4.3.2 and 4.4.2 of the Policy.
2.(4)(c)(vi)	The formulaic approach must not allow the long-term funding level to exceed 105%.	Fully complies. This is evidenced by the long-term target range of the Bonus Smoothing Reserve of the Product, as stated in the PPFM (which is 0% - 5%). On a funding level basis, this equates to 100% -105%.
2.(4)(c)(vii)	The formulaic approach must be disclosed to all stakeholders.	Disclosures are provided by Old Mutual in: <ul style="list-style-type: none"> · This proposal form (which includes a specimen of the Policy); · The PPFM; · Marketing material and fact sheets that are available on Old Mutual's website; · Regular reporting provided to the Retirement Fund for the duration of the Policy.

Conduct Standard:

Relevant sub- section	Criteria in terms of the Conduct Standard for determining bonus declarations	The extent to which compliance is facilitated by Old Mutual/the Policy
2.(4)(d)(i)	The insurer may deviate from sub-section 2.(4)(c)(v) temporarily, in exceptional circumstances, and with prior notification to FSCA.	Refer clause 4.7 of the Policy.
2.(4)(d)(ii)	If relevant, the deviation referred to in sub-section 2.(4)(d)(i) above must be appropriately and timeously communicated to the Retirement Fund.	Refer clause 4.7 of the Policy.
2.(4)(e)	Any management actions that may be taken by an insurer to reduce the risk in the Policy must be properly disclosed and documented.	The management actions are disclosed in the PPFM.
2.(4)(f)	The charge in respect of any guarantee provided must be commensurate with the risk and there must be disclosure of guarantee charges and other costs related to the Policy.	Annexure A to the Policy provides the capital charge rate (i.e. the charge for the guarantee), as well as the details of Old Mutual's investment management charge and any other fees, costs and expenses related to the Policy.
2.(4)(g)	The Policy may only allow an insurer to apply a market value adjustment (MVA) in pre-determined circumstances, as stipulated in the Policy. The MVA may not apply to a member benefit triggered by events such as death, retrenchment or retirement.	Fully complies. The Policy sets out the pre-determined circumstances under which an MVA will apply. In terms of the Policy an MVA is not triggered by any of the benefit events mentioned in sub-section 2(4)(g).
2.(4)(h)	This sub-clause sets out the conditions for the application of an MVA on retrenchment.	Not applicable. In terms of the Policy an MVA will not apply in respect of a claim received as a result of a retrenchment.
2.(4)(i)	The Policy may not allow for disinvestment penalties.	Fully complies (disinvestment penalties do not apply). Note: A "penalty" is a charge that would flow to Old Mutual. This must not be confused with an MVA, which is applied to protect the interests of remaining policyholders participating in the smoothed bonus portfolio. The application of an MVA is detailed in clause 5 of the Policy.
2.(5)	The requirements around the asset allocation of the Policy and any changes thereto, as contemplated in this sub-section.	Old Mutual's approach is set out in clause 4.1 of the Policy and the marketing material and fact sheets appearing on Old Mutual's website contain the details of the strategic asset allocation.
2.(6)	The requirements around changes in the strategic asset allocation for the assets underlying the Policy, as contemplated in this sub-section.	Old Mutual's approach is set out in clause 4.1 of the Policy.
3.	Requirements for the fair treatment of the Retirement Fund and its members.	Old Mutual is committed to ensure the fair treatment of the Retirement Fund and its members, as contemplated in the Default Regulations and the Policyholder Protection Rules (Long-term Insurance), 2017 (as amended). Old Mutual will further ensure that such commitment is reflected in the policies and procedures it employs for the operation of the Policy.

The acronyms appearing in the tables mean the following:

DIP: A "default investment portfolio" as contemplated in the Default Regulations.

MVA: A market-value adjustment.

PPFM: Old Mutual's Principles and Practices of Financial Management that applies in the management of its discretionary participation business and which appear on the Old Mutual website at oldmutual.co.za/about/ppfm.

