

OLDMUTUAL

PENSIONS OPTIPLUS

INCREASE ANNOUNCEMENT 2025



CORPORATE

DO GREAT THINGS EVERY DAY



OLD MUTUAL CORPORATE ANNUITY FUNDS

The Old Mutual Life Assurance Company (South Africa) Limited (OMLAC(SA)) Board has approved the following Pensions OptiPlus increases, effective for increase dates from 1 January 2025 to 31 December 2025:

PROFIT CATEGORY	PRI ¹	2025 INCREASE ²	CPI ³
I	3.5%	12.0%	3.8%
II	4.0%	11.4%	
III	4.5%	10.7%	
IV	5.0%	10.1%	
V	5.5%	9.4%	
VI	6.0%	8.8%	
VII	6.5%	8.2%	
VIII	7.0%	7.6%	
IX	7.5%	7.0%	
X	8.0%	6.4%	

1. Post-retirement Interest rate.
2. Applicable to Pensions OptiPlus annuitants only.
3. Headline CPI year-on-year figure for September 2024.

This note provides an understanding of the factors considered in the declaration of the increases. It also provides some insight into the investment markets leading up to the declaration and the security of Old Mutual's Corporate with-profit annuity range.

Communication to individual annuitants will be distributed during the month in which their increase becomes effective.



In support of improved disclosure on the management of your Pensions OptiPlus investment, the following reports are available in respect of Old Mutual Corporate's with-profit annuity portfolios (which include Pensions OptiPlus):

- With-Profit Annuities Disclosure Report - 2023
- Principles and Practices of Financial Management (PPFM)

The above Pensions OptiPlus reports are available on Old Mutual's website at:

www.oldmutual.co.za/corporate/pensions-optiplus

1. INVESTMENT MARKETS IN PERSPECTIVE

Pensions OptiPlus increases applicable in 2025 are based primarily on investment returns for the year from 1 October 2023 to 30 September 2024 (the investment year). We are pleased to announce that the increases granted for 2025 are higher than last year's increases with all PRI categories exceeding CPI inflation over the same period.

Pensions OptiPlus assets are split between a matched Interest-Bearing Asset (IBA) portfolio and a portfolio of growth assets. The performance of this growth asset portfolio, together with the locked-in yields (LIY) on the matched IBA portfolio is used to support the declared increases.

The table below specifically outlines the gross investment returns per asset class for the period ended 30 September 2024 for Pensions OptiPlus. They are for one-year and three-year periods. Also provided is the alpha generated for the growth portfolio, which is the difference between the actual and benchmark returns. In addition, the actual asset allocation as at 30 September 2024, aggregated across the whole Pensions OptiPlus investment portfolio is also shown:

	ONE-YEAR RETURNS	ONE-YEAR BENCHMARK RETURNS	ALPHA	THREE-YEAR RETURNS ANNUALISED	THREE-YEAR BENCHMARK RETURNS ANNUALISED	ALPHA	ASSET ALLOCATION
Local Interest-Bearing Assets	8.8%	8.3%	0.5%	6.9%	6.6%	0.2%	0.3%
Global Interest-Bearing Assets	-5.9%	2.4%	-8.3%	2.2%	1.4%	0.8%	0.4%
Local Equities	23.8%	25.4%	-1.6%	11.4%	12.4%	-1.0%	17.9%
Global Equities	19.1%	20.5%	-1.4%	12.7%	13.1%	-0.4%	15.6%
Local Property	5.6%	5.1%	0.5%	7.2%	6.9%	0.3%	6.4%
Local Alternatives	22.1%	10.9%	11.2%	19.2%	12.6%	6.6%	8.5%
Global Alternatives	-4.8%	0.0%	-4.8%	7.0%	16.9%	-9.9%	4.8%
African Equities	13.8%	-1.9%	15.7%	5.3%	-1.0%	6.3%	0.9%
Total Growth Portfolio	16.6%	16.8%	-0.2%	12.0%	12.4%	-0.4%	54.8%
Matched Portfolio	11.2%			11.2%			45.2%
TOTAL	14.2%			11.6%			100.0%

* The return shown for the Matched Portfolio is the average LIY over the relevant period. This LIY is available for increases from the matched assets over the policy term, irrespective of actual market returns on this portion of the portfolio over the short term.

LOCAL INTEREST-BEARING ASSETS

Local interest-bearing assets outperformed over one-year and three-year periods by 0.5% and 0.2% respectively. The unmatched portfolio's exposure to interest-bearing assets is predominantly cash and did not really impact the overall return of the portfolio.

GLOBAL INTEREST-BEARING ASSETS

The global interest-bearing portfolio consists of global bonds and global cash assets and is managed through investment in the multi-managed Russell Global Bond and Cash Fund. The global interest-bearing portfolio underperformed its benchmark over one year by 8.3% and outperformed over the three-year period by 0.8%.

LOCAL EQUITIES

Local equities underperformed over one-year and three-year periods by 1.6% and 1.0% respectively. The largest detractors came from the average underweight position in the quality factor and the fund's average overweight position in the volatility and value factors.

GLOBAL EQUITIES

The global equities portfolio underperformed its benchmark over both periods. Over the one-year and three-years, the drag from equity selection is more significant as capabilities struggled to outperform a very concentrated equity market rally. Growth and quality strategies are well behind their respective indices and the value strategy has also struggled.

LOCAL PROPERTY

The local property portfolio outperformed the benchmark over both periods to 30 September 2024. The following factors contributed to the portfolio's performance:

- Turnover growth (YTD July) was 0.8%, with muted growth in the first months of the year. The smooth conclusion of elections and announcement of a GNU (government of national unity) was well received and improved consumer sentiment – with turnover up +2.4% over June and July. Nevertheless, the high-interest rate environment prevails with consumers under pressure and reducing discretionary spending.
- Growth in the retail sector was muted in 2023 as both consumers and retailers faced economic (higher inflation, interest rates) and infrastructural headwinds (loadshedding, supply chain/port disruptions). While loadshedding has eased in 2024, the high-interest rate environment has had a persistent impact on consumer spending with year-to-date turnover growth of 2.1%.
- Net retail arrears increased from 1.5% of annualised billings in December 2023 to 1.6% in July 2024, however, this reverted to 1.5% post month-end following a payment in settlement of R2.2 million owed.

LOCAL ALTERNATIVES

The local alternative assets portfolio outperformed its benchmark over one-year and three-year periods by 11.2% and 6.6% p.a. respectively. It is a high-growth portfolio that aims to provide investors with significant real returns over the long term and has a long-term performance target of approximately CPI plus 7%. The portfolio invests namely in private equity investments, development finance funds, infrastructure and natural resources that are linked to the local economy. Private equity and infrastructure contributed to the overall portfolio performance, whereas development finance fund and natural resources detracted.

GLOBAL ALTERNATIVES

The objective of the global alternative portfolio is to deliver long-term real returns that significantly exceed the US CPI. The portfolio consists of global private equity and global infrastructure. Over the one-year and three-year period the portfolio underperformed its benchmark.

2. INCREASE DECLARATION RELATIVE TO INVESTMENT RETURNS

The bonus smoothing reserves (BSRs) for Pensions OptiPlus as at 30 September 2023 and 2024 were within the following bands:

DATE	ST-BSR	LT-BSR
30 September 2023	0% to 5%	-5% to 0%
30 September 2024	0% to 5%	-5% to 0%

The long-term BSR (LT-BSR) is the difference between the value of the cash flows that are matched, and the market value of those matching assets. This difference is released gradually over the full lifetime of the annuitants.

The short-term BSR (ST-BSR) is the difference between the value of the remaining liabilities and the market value of the remaining assets.

It is useful to review how the ST-BSR changed over the period, as a result of the experience over the investment year and the impact of the declared increases. The table below outlines how the ST-BSR movements can be estimated for the Pensions OptiPlus portfolio as a whole:

PENSIONS OPTIPLUS	
Opening ST-BSR range at 30 September 2023	0% to 5%
Add: Investment Return ¹	17.3%
Less: Charges and Fees	1.8%
Less: PRI ²	4.5%
Less: Increases Declared ³	10.7%
Add: Other ⁴	0.8%
Closing ST-BSR range at 30 September 2024	0% to 5%

- 1 This is the estimated return, for the year ended 30 September 2024, into the ST-BSR. This includes the return on the growth assets and the contribution from the LIY. The difference between this estimated return and the total return earned on the portfolio would have an influence on the level of the LT-BSR.
- 2 "PRI" is the post-retirement interest rate. It represents the amount of credit for future investment returns that is given to the annuitant at the outset of the contract. The PRI of 4.5% in the table above represents the weighted average PRI across all the categories.
- 3 Weighted average cost of increases across all the categories.
- 4 "Other" includes items like underwriting profit, net client cash flows and other minor adjustments.

3. INCREASE HISTORIES AND INFLATION PROTECTION

The table below shows the historical increases that have been declared on the categories offered on Pensions OptiPlus compared to CPI inflation. It also shows the annualised increases over three-, five- and ten-year periods:

YEAR	CPI*	PRI CATEGORY									
		3.5%	4.0%	4.5%	5.0%	5.5%	6.0%	6.5%	7.0%	7.5%	8.0%
Annual increases declared											
2016	4.6%	11.0%	10.4%	9.7%	9.1%	8.5%	7.8%	7.2%	6.6%	6.0%	5.4%
2017	6.1%	10.5%	9.9%	9.2%	8.6%	8.0%	7.4%	6.7%	6.1%	5.5%	4.9%
2018	5.1%	10.0%	9.4%	8.7%	8.1%	7.5%	6.9%	6.3%	5.7%	5.1%	4.5%
2019	4.9%	9.5%	8.9%	8.2%	7.6%	7.0%	6.4%	5.8%	5.2%	4.6%	4.0%
2020	4.1%	9.0%	8.4%	7.7%	7.1%	6.5%	5.9%	5.3%	4.7%	4.1%	3.5%
2021	3.0%	8.0%	7.4%	6.8%	6.1%	5.5%	4.9%	4.3%	3.7%	3.1%	2.5%
2022	5.0%	9.0%	8.4%	7.7%	7.1%	6.5%	5.9%	5.3%	4.7%	4.1%	3.5%
2023	7.5%	6.5%	5.9%	5.3%	4.7%	4.1%	3.5%	2.9%	2.3%	1.7%	1.1%
2024	5.4%	9.5%	8.9%	8.2%	7.6%	7.0%	6.4%	5.8%	5.2%	4.6%	4.0%
2025	3.8%	12.0%	11.4%	10.7%	10.1%	9.4%	8.8%	8.2%	7.6%	7.0%	6.4%
Annualised figures over three-, five- and ten-years											
3 years	5.6%	9.3%	8.7%	8.0%	7.4%	6.8%	6.2%	5.6%	5.0%	4.4%	3.8%
5 years	4.9%	9.0%	8.4%	7.7%	7.1%	6.5%	5.9%	5.3%	4.7%	4.1%	3.5%
10 years	4.9%	9.5%	8.9%	8.2%	7.6%	7.0%	6.4%	5.8%	5.2%	4.6%	4.0%

*The CPI inflation numbers are the year-on-year figures that coincide with the corresponding investment year (i.e. they are the year- on-year figures to 30 September of the previous year).

Pensions OptiPlus increases for 2025 have increased by approximately 2.5% across all the categories compared to 2024 increases, with all PRI categories outperforming inflation.

Over the long term, the 4% PRI category is expected to provide increases that are, on average, in line with CPI inflation. From the above table, it can be seen that the ten-year average increase on the 4% PRI category has been substantially higher than the corresponding increase in the CPI.

4. SECURITY IN TURBULENT TIMES

Assets backing Old Mutual's annuity liabilities, including BSRs, are held in policyholder funds – shareholders cannot access these funds. Shareholder capital is separate from, and over and above policyholder funds. Shareholder capital has no impact on the level of annuity increases. It does, however, represent the security backing the annuity guarantees offered by Old Mutual.

The assets backing annuitant liabilities (policyholder funds) have to be in the name of the insurer and may not be encumbered. This means that no outside party may have a claim on those assets. They are for the benefit of the annuitants only.

OMLAC(SA) has a BB Insurer Financial Strength rating from S&P Global Ratings, which is higher than the overall South African sovereign debt rating. OMLAC(SA) also remains very well capitalised with a cover ratio of 2.01 times the statutory adequacy capital requirement as at the end of June 2024.



FOR MORE INFORMATION

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You can ask for a copy of this report by calling the Pincare Service Centre on 0860 40 60 90.

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