Message from the Principal Officer

CLICK TO NAVIGATE

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DEFINED BENEFIT DEFINED CONTRIBUTION

DE BEERS PENSION FUND

TOMORROW STARTS TODAY

your roadmap to a happy retirement



VERSION 2 | 2026

Dear Member

Retirement is an exciting chapter, marking a transition to explore new interests, take on projects and enjoy leisure time. It also offers opportunities for personal growth, volunteering and connecting with family and friends. At the same time, choosing a pension product and structure is one of the most important decisions you will make before you retire. It therefore makes sense to gather all the information you need to make an informed decision that will best meet your needs in retirement.

When purchasing an annuity/pension for retirement, you should make sure that you derive the best and a lasting benefit from the hard-earned money that you've saved. The choice of an annuity is a balancing act that should consider several factors, such as your age, gender, interest rates, pension structure, health, other sources of income and whether you have a spouse or any other dependants.

The goal is to achieve the best possible lifestyle, but with an income stream that will be sustainable and maintain your purchasing power for the rest of your life and that of your spouse/life partner, if applicable.

This booklet provides information about:

- Your pension options and how they work
- The benefits of buying a life or living annuity from the Fund or becoming a deferred retiree
- Differences between the in-Fund guaranteed life annuity and the in-Fund living annuity
- How your Fund Credit is disinvested
- How to compare apples with apples when it comes to fees
- Is early retirement too soon?
- The importance of getting professional financial advice
- Retirement administration process – what forms to complete

Please note that neither the De Beers Pension Fund (the Fund) nor its staff are allowed to provide you with financial advice and no information in this booklet or discussions you have with the Fund should be construed as providing financial advice.

Kind regards

Kobus Badenhorst

A YOUR PENSION OPTIONS FROM THE FUND AND HOW THEY WORK

60

NORMAL RETIREMENT

The Fund's normal retirement age is 60.

50

EARLY RETIREMENT

You can retire from age 50, provided you have received your Employer's written consent.

65

LATE RETIREMENT

You can retire after age 60 (up to age 65), with your Employer's written consent. Please note that you do not qualify for the insured disability benefit after age 60.



DEFERRED RETIREMENT

If you retire but do not need your retirement benefit immediately or do not want to make a decision regarding your retirement benefit, you can become a deferred retiree in the Fund and receive your pension at a date of your choosing. If you do not make an election regarding your Fund benefit when you retire, you will automatically become a deferred retiree in the Fund.

PENSION OPTIONS

Click on each icon to read more.

The Fund offers you the following pension options at retirement:

OPTION 1

A guaranteed life annuity payable by the Fund (in-Fund)

OPTION 2

A living annuity payable by the Fund (in-Fund)

OPTION 3

A combination of an in-Fund life annuity and in-Fund living annuity

OPTION 4

A combination of an in-Fund annuity (life or living) and an outside annuity (life or living)

OPTION 5

Defer your retirement to a later date

Please read on for more information about these options.

OPTION 1

IN-FUND LIFE ANNUITY (GUARANTEED PENSION)



The in-Fund Life Annuity:

- Is payable for your life and your spouse's life as well as qualifying children. This means your pension (and that of your spouse / approved life partner where applicable) is guaranteed for life.
- If you are married or have a life partner who has been approved by the Trustees as your spouse, you must make provision for a spouse's pension (for the rest of his/her life) of a minimum of 50% of the pension that the pensioner was receiving at the time of death. (If you have no spouse, the spouse's pension will not apply and your starting pension will be higher as there will be no provision for the payment of a spouses' pension.)
- You can choose an optional guarantee period of 0, 5, 10, 15, 20 or 25 years after you retire, i.e. if you die within the guarantee period, the annuity continues to be paid in full to your elected spouse and/or children for the balance of the guarantee period.

  If you have no spouse or qualifying children, then the balance of the guarantee period is allocated by the Trustees in terms of section 37C of the Pension Funds Act.
- Will increase, subject to Fund affordability, at an inflation-related rate. Once a pension increase has been granted, it cannot be removed.
- Subject to affordability, may attract ad-hoc pension payments.

You can 'personalise' the in-Fund life annuity to suit your needs as follow:

- You can choose a guarantee period of 0, 5, 10, 15, 20 or 25 years.
- If you die after retirement, you can select a spouse's pension of 50%, 60%, 70%, 80%, 90% or 100%.
- You can allow for dependant pensions, e.g. for disabled children (Trustee approval required) or biological children under age 25, for a specified time.
- The decisions you make regarding the above factors will impact the **starting value** of your pension.

Please note that the optional additional guarantee periods will reduce the starting value of your pension. Once you have made your selections in respect of the optional guarantee period (including provision for dependants' pensions) and have started receiving your pension, spouse and/or dependant pensions, where applicable, no changes can be made, i.e. you cannot add or remove dependants at a later stage). If you get divorced after retirement, your ex-spouse will still qualify for a spouse's pension (minimum of 50% or the selected amount) should you die, unless the divorce agreement provides otherwise.

NOTE: If you are married on your date of retirement, you must make provision for a spouse's pension if you elect to purchase an in-Fund life annuity.



OPTION 2

IN-FUND LIVING ANNUITY



The in-Fund living annuity is not part of the Fund's Default Annuity Strategy but is offered to allow you additional flexibility in structuring your pension payments. You can purchase a living annuity from the Fund provided your accumulated Fund Credit (the value of our vested annuity, vested lump sum (if applicable), retirement and savings pots) is sufficient after taking your lump sum.

The Fund will only agree to apply 100% of your Fund Credit after commutation (lump sum), to secure an in-Fund living annuity if the Board is satisfied, based on the information and documentation you supply, that:

a. You have received and will continue to receive expert financial advice, or you have the necessary financial skills or expertise to make your own decision regarding:

- your financial needs and the extent to which they must be met from the pension payable to you from the Fund;
- the amount of your living annuity which you may draw in any financial year without jeopardising your financial security or that of your spouse or other beneficiary(ies); and
- other assets that can adequately minimise the risk that you will be destitute if you withdraw too much of your capital amount in the early years of your retirement.

b. You understand and accept the conditions under which the Fund has agreed to apply 100% of the capital amount in the provision of a living annuity including, but not limited to, those set out in the Fund Rules and the conditions determined by SARS and the Financial Sector Conduct Authority from time to time;

c. A financial adviser (if applicable) confirms the contents of paragraph (a) above in writing to the Fund and you confirm the contents of paragraph (a) and (b) above in writing to the Fund;

d. Your spouse or life partner (if applicable) has in writing confirmed that he/she is aware of your application and that he/she understands the potential implications for him/her.

With a living annuity, you accept the investment risk and the potential reward (as well as the longevity risk), i.e. your pension is not guaranteed. Your retirement capital is invested in the life-stage portfolio of your choice (or the stand-alone cash portfolio). Your capital increases by investment returns (or decreases should the markets perform poorly and investment returns are negative) and reduces by the pension payments made to you.

You are allowed three free portfolio switch changes per year.

If a beneficiary's living annuity capital drops below R316 000 (adjusted annually), the living annuity must be converted to a life annuity from the Fund or from a registered insurer.

Living annuities may be more suitable for members with larger incomes or alternative income sources.

One of the factors to consider when purchasing a living annuity is that your capital is not "lost" when you die, and you have some flexibility annually as to the pension you receive each month.

Your monthly pension is flexible and is determined by you on an **annual basis** on the anniversary of the annuity. The minimum legislated draw-down rate is 2.5% of the capital invested in the living annuity. The maximum drawdown rate (sub maximum) is determined in accordance with the Fund's Rules to

offer you more protection against depleting your capital. The higher the percentage draw-down, the sooner your capital will be used up. The Trustees have therefore put in place:

- **A maximum recommended draw-down rate per age:** Although you will be able to draw-down more than the recommended draw-down rate (subject to the sub-maximum – see below), the Trustees believe that there is a high probability that the recommended draw-down rate will result in a sustainable pension (although this cannot be guaranteed) for life for the "average" living annuitant; and
- **A sub-maximum draw-down rate per age:** The sub-maximum is higher than the recommended draw-down per age. Drawing down at these higher rates will result in a significantly higher risk of running out of money (or not having a sustainable long-term income). You will only be allowed to draw down more than the sub-maximum for your age if you have a high probability of a significantly reduced life expectancy and subject to Trustee approval.

Your sub-maximum draw-down rate (pension) may change from year to year to ensure it does not exceed the legislative and Fund maximums and minimums. The Fund will advise you of any changes to your draw-down rate prior to the anniversary date of your living annuity. You can also change the draw-down percentage or amount on the anniversary date of your annuity.

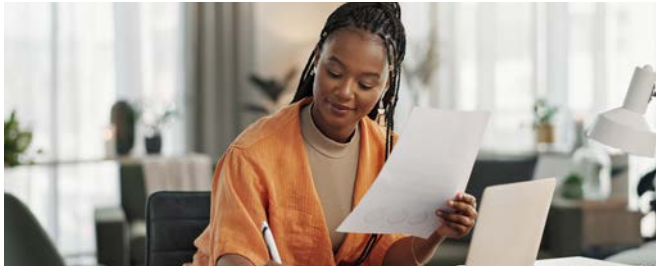
The level of income you select is **not guaranteed** for the rest of your life and may not be sustainable if:

- you live longer than expected and your capital is significantly depleted before your death; or
- the investment return on capital is lower than what is required to provide a sustainable income for life.

It is your responsibility to get financial advice and manage your living annuity account in such a way that it provides a reasonable and sustainable income for your lifetime, taking your circumstances into account.

Investment options and fees

- You must make an up-front investment decision for your living annuity account balance (there is no default investment strategy).
- Portfolio fact sheets with details of the various life-stage portfolios (including the asset and manger allocation, historical performance and fees and charges, etc. for each portfolio) are updated monthly and available on the Fund's website.
- Investment manager fees are the same as those charged to working members. Fees are deducted from the returns achieved by the investment managers and then allocated to you.
- Investment manager fees are adjusted from time to time and are available on the Fund's website.



What happens if you die?

On your death, the remaining living annuity balance will be automatically allocated to the surviving spouse or the surviving spouse can choose one of the following:

- a living annuity;
- a combination of a lump sum and a monthly living annuity;
- a monthly life annuity;
- a combination of the living/life annuity;
- a 100% cash lump sum (taxable); and
- purchase an annuity from an outside insurer.

On the death of your spouse or if you do not have a spouse, the balance of the living annuity capital will be allocated by the Trustees, taking into account the provisions of Section 37C of the Pension Funds Act and the Rules of the Fund. Your beneficiaries may purchase an annuity with the Fund with the balance of the capital, subject to the Fund's requirements. Your beneficiary/ies can commute all or part of their annuity for a lump sum within six months of your death or that of your spouse.

Conversion and transfer options

Your living annuity may at a later stage be **converted** in full or over a maximum of two tranches into an in-Fund guaranteed life annuity. If you choose to convert over two tranches, the first tranche can only be done on the anniversary date of your pension.

You can **transfer** your living annuity capital balance or part thereof (two tranches allowed) to an external insurer after you have retired. The first tranche can only be done on the anniversary date of your pension. This process is subject to the provisions of section 14 of the Pension Funds Act and requires Financial Sector Conduct Authority approval. This is a one-way and lengthy transfer process, and you cannot transfer it back to the Fund at a later stage.

The Fund's life stage investment portfolios available to living annuitants comply with the regulatory limits set by legislation and the assets in your portfolio will not ordinarily move outside of these limits (other than at times of extreme market movements). If an asset class holding within any portfolio moves outside the regulatory limits, the Trustees will ensure that this holding is brought back within the limits within the time period specified by the Regulator. You can view the asset composition of each of the Fund's portfolios here.

OPTION 3

COMBINATION OF AN IN-FUND *LIFE* ANNUITY AND IN-FUND *LIVING* ANNUITY

If your Fund Credit is sufficient after taking any lump sum, you can buy a guaranteed pension and a living annuity (according to certain set rules) from the Fund. Please contact the Fund for more details about this option.



OPTION 4

COMBINATION OF AN IN-FUND ANNUITY (*LIFE* OR *LIVING*) AND AN OUTSIDE ANNUITY (*LIFE* OR *LIVING*)

Please contact the Fund for more details about this option.

OPTION 5

DEFER YOUR RETIREMENT



What does it mean to be a deferred retiree?

- At retirement, an amount equal to your full Fund Credit will be retained in the Fund.
- You can retire from the Fund at any stage in the future with all the pension options described above available to you.
- You will not be entitled to a withdrawal benefit from the Fund.
- You will be entitled to take 100% of your savings pot.
- You will no longer make monthly or lump sum contributions to the Fund.
- Your insured death, disability and funeral benefits cease when you become a deferred retiree, and no further risk premiums will be paid.
- If you die while you are a deferred retiree, your Fund Credit will be paid out in accordance with Section 37C of the Pension Funds Act. Please make sure that your nomination of beneficiary form is always kept up to date.
- The Fund currently charges a monthly administration fee, which will be deducted from your Fund Credit. The Board reviews this fee annually and any changes will be communicated to you.
- Investment manager fees are the same as charged for working members. These fees are deducted from the returns achieved before they are allocated to you.
- Investment manager fees are adjusted from time to time and are available on the Fund's website or from the Fund.
- You are responsible for making sure that the Fund always has up-to-date contact details for you. If the Fund is unable to contact you, it may employ tracing agents, and any costs incurred may be deducted from your Fund Credit.

Where is your Fund Credit invested?

Your Fund Credit can remain invested in the default life-stage portfolio, or you can select one of the other standard portfolios.

If you do not make an investment choice, your Fund Credit will be invested as follows:

- If you were invested in a portfolio other than the default-life stage portfolio, you will remain invested in that portfolio, regardless of your age, until you advise the Fund otherwise; or
- If you were invested in the default life-stage portfolio, you will transition through the various life stage portfolios as you age until you advise the Fund otherwise.

Portfolio fact sheets with details of the various life-stage portfolios (including the asset and manger allocation, historical performance and fees and charges, etc.) are available and are updated monthly on the Fund's website.



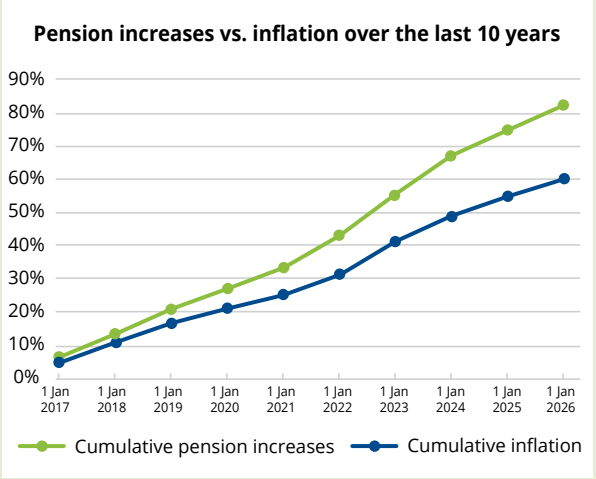
B THE BENEFITS OF RETAINING YOUR PENSION IN THE DE BEERS PENSION FUND

- You will continue to receive high levels of personalised and professional service.
- The in-Fund pension options are managed by the Fund's Board of Trustees, which is independent of the De Beers Group, who is committed to achieving the highest levels of governance and always has pensioners' best interests at heart.
- The Fund's administration costs are extremely competitive by pension industry standards and no commission or other related costs are charged, giving you a bigger pension.
- The value of the in-Fund life annuity is very competitive by industry standards.
- The ability of the Board to grant pension increases and additional (ad hoc) inflation-linked pension payments, subject to affordability, to life annuity pensioners depends on the financial strength of the pensioner pool. The pensioner pool is the pool of investments held to be able to pay pensions for the lifetime of in-Fund pensioners.
- The life annuity pensioner pool has had a very healthy funding level over an extended period of time due mostly to prudent management and good investment returns. It continues to be in a very healthy financial position and is managed for the sole benefit of in-Fund life annuity pensioners.



<< BACK TO COVER

- The Fund has historically given at least inflationary increases to all in-Fund life annuity pensioners over the years, which is a significant achievement. The graph shows how pension increases have been well above inflation over the last 10 years.
- In addition to inflationary increases, the Board has been able to grant additional (ad hoc) pension payments to life annuity pensioners every year for the last 14 years.
- Although pension increases and additional pension payments are not guaranteed and may not be granted in difficult times, the Board continues to manage the pensioner pool in a prudent manner and aims to achieve the best outcome for all life annuity pensioners over the long term.
- As a Fund pensioner, you will be able to nominate and elect pensioner representatives to serve on the Fund's Board of Trustees.
- You will have access to the Pensioner section of Fund's website, containing the latest newsletters, death benefits booklet, forms and more.



A pension of R10 000 per month on 1 January 2016 had grown to **R18 185** by 1 January 2026, whereas the same R10 000 would be worth **R16 000** if adjusted for inflation over the same period - the pension is worth almost **R2 200** per month more.

C DIFFERENCES BETWEEN THE IN-FUND GUARANTEED LIFE ANNUITY AND THE IN-FUND LIVING ANNUITY



The table below contains some of the main differences between these two pension options offered by the Fund.

	The in-Fund *Guaranteed Life* Annuity	The in-Fund *Living* Annuity
1	Your Fund Credit is transferred into the mutual pensioner pool of investments.	Your investment (Fund Credit) continues to be retained in your name in a living annuity account subject to the Fund's rules.
2	Your monthly pension is determined by the Fund using a standard, actuarially determined formula and based on the size of your Fund Credit, age/life expectancy, provision for a spouse's and/or other dependant pensions and elected guarantee period.	Your monthly pension is flexible and is determined by you but is limited to a minimum of 2.5% (the current legislative minimum). The maximum draw-down is determined by the Fund's Rules (and may not exceed the legislative maximum) to offer you more protection against depleting your capital. The maximum draw-down (pension) may increase or decrease on an annual basis.



The in-Fund *Guaranteed Life* Annuity	The in-Fund *Living* Annuity
3 **Your monthly pension cannot be adjusted.** It is pre-determined and will increase on an annual basis in line with the Fund's pension increase policy, which targets (but does not guarantee) increases in line with inflation.	**Your income can only be adjusted on your pension anniversary date** subject to SARS and the Fund's Rule requirements between the minimum of 2.5% (of the capital balance) and your individual sub-maximum percentage.
4 **Your monthly pension is taxable.** If you have Foreign Service, please contact the Fund for details on the tax treatment of your monthly pension and cash lump sum.	**Your monthly income is taxable, but growth** (if applicable) on your capital **remains tax free**. If you have Foreign Service, please contact the Fund for details on the tax treatment of your monthly pension and cash lump sum.

	The in-Fund *Guaranteed Life* Annuity	The in-Fund *Living* Annuity
5	**Your monthly income is guaranteed.** The underlying risk of the investments is carried by the Fund. Financial advice is only required when making the initial decision to purchase your pension. You do not have investment choice. The assets backing the pensioner pool are managed by the Trustees to ensure that the guaranteed pensions and future increases can be paid for your lifetime. Details of the investments of the pensioner pool (including the asset and manager allocation, historical performance and fees and charges, etc.) are available and updated regularly on the Fund's website.	**Your monthly income is not guaranteed but subject to the decisions you make** in terms of the annual draw-down rate and investment performance of the life-stage portfolio in which you have elected to invest your Fund Credit (living annuity account). Thorough financial understanding, advice and guidance on an ongoing basis is essential to manage your investment. Details of the available portfolios (including the asset and manger allocation, historical performance and fees and charges, etc.) are available and updated regularly on the Fund's website.
6	**If you pass away after the guarantee period you chose on retirement, spouse /child pensions are paid where applicable.** If there are no spouse/child pensions payable, no further benefits are payable from the Fund.	**The capital amount remaining on your death will be paid to your spouse**. If there is no spouse, if the spouse has passed away or if you are not married, the remaining capital will be allocated by the Trustees in terms of Section 37C of the Pension Funds Act.

The in-Fund *Guaranteed Life* Annuity	The in-Fund *Living* Annuity
7 **Your pension is guaranteed to be paid until the end of your life.** If you die before your spouse, your pension may reduce (see point 11) but is guaranteed to be paid to your spouse until the end of their life.	**There are no guarantees.** If you and/or your spouse live longer than expected, you may have insufficient capital to provide a reasonable level of income for the rest of your/your spouse's life.
8 **Your life annuity cannot be converted into a living annuity.**	**Your living annuity may at a later stage be converted** in full or over a maximum of two tranches **into an in-Fund guaranteed life annuity**. If you choose to convert over two tranches, the first tranche can only be done on the anniversary date of your pension.
9 **Your life annuity cannot be transferred** to an outside insurer after retirement.	**You can transfer your living annuity** capital balance or part thereof (two tranches allowed) to an external insurer after you have retired. The first tranche can only be done on your pension anniversary date. This process is subject to Section 14 of the Pension Funds Act and requires Financial Sector Conduct Authority (FSCA) approval. This is a one-way transfer, and you cannot transfer it back to the Fund at a later stage.

	The in-Fund *Guaranteed Life* Annuity	The in-Fund *Living* Annuity
10	Provision for a minimum of a **50% spouse's pension is compulsory** (where applicable). Additional options up to and including 100% are available.	You do not need to make provision for a spouse's pension.
11	**An optional guarantee period of 0, 5, 10, 15, 20 or 25 years is available.** If you die within the selected guarantee period, the full pension amount will continue to be paid to your spouse for the rest of the guarantee period. At the end of the guarantee period, your spouse will receive the pension value you selected when you retired. If you do not have a spouse, the cash value of the remaining guaranteed pension will be paid to your beneficiaries in terms of Section 37C of the Pension Funds Act.	**No guarantee periods apply** and the remaining capital on your death will be paid to your spouse. If there is no spouse, or if your spouse has passed away or if you are not married, the remaining capital will be allocated in terms of Section 37C of the Pension Funds Act.

D HOW YOUR FUND CREDIT IS DISINVESTED



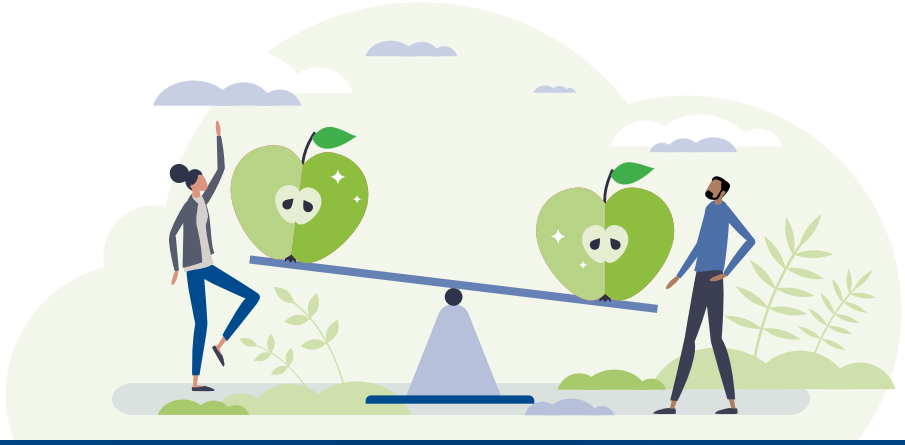
When you retire and elect to receive your pension from the Fund, your Fund Credit must be disinvested from the investment life-stage portfolio in which it is invested.

The process followed for the disinvestment of your benefits is reflected in the Fund's Disinvestment Practice Note (DPN). In terms of the DPN, the disinvestment from the portfolio in which you were invested will take place within 5 working days of the later of:

- Your retirement date;
- The date of the receipt of the last contribution from the Employer; or
- The date the Fund receives all relevant documentation from you regarding your election to retire.

If you do not make a retirement election or elect to become a deferred retiree, you will become a deferred retiree within 5 working days of the later of:

- the date of your retirement from service;
- the date of the receipt of the last contribution from the Employer; or
- the earlier of:
  - the date of receiving written or electronic notification from the Employer, in the format prescribed by the Fund and advised to the Employer, of the member's retirement from service; and
  - the date the Fund receives all relevant documentation from you regarding your election to become a deferred retiree.



E HOW TO COMPARE APPLES WITH APPLES WHEN IT COMES TO FEES

When you invest your money, you want it to grow. But nothing in life is free and all investment products charge fees. While these fees might seem small, over time they reduce how much money you end up with. If you are considering purchasing an annuity from an external provider (i.e. not an in-Fund annuity), please understand what you are paying for. Some fees are normal and necessary, but others can be higher than they should be.

Before choosing a pension or investment product, make sure you know:

- What fees you are being charged
- How those fees will affect your savings over time
- Whether the costs are reasonable

Even small differences in fees can mean thousands of rands more or less in your pocket. Understanding the costs today will protect your future income.

Types of Investment Fees



Asset management fees are the costs associated with managing an investment fund and include:

- Fund management fees charged by the asset manager for selecting and managing your portfolio, such as your unit trust manager or Exchange Traded Fund provider.
- Performance fees are additional fees if the fund outperforms a specific benchmark.

Example: *If a unit trust charges a 1.5% annual fee and an additional 20% of outperformance above a benchmark, you must ensure you are comfortable with these costs and what the benchmark is. Is the benchmark so low that an outperformance fee is almost guaranteed?*



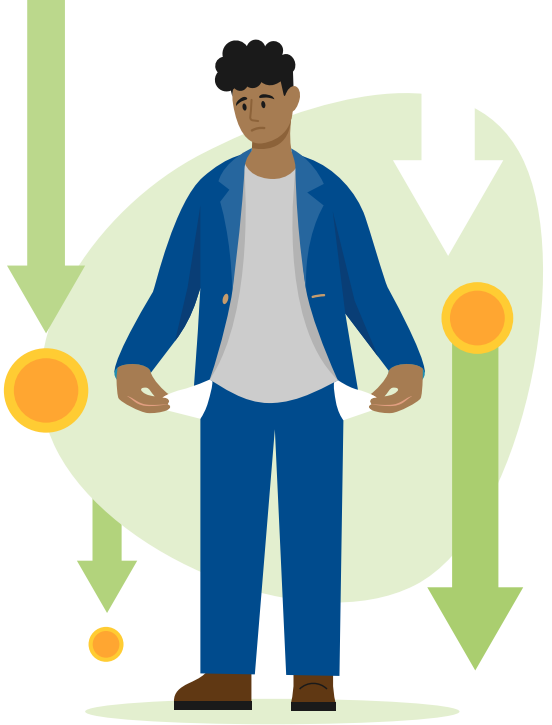
Advice fees are paid to financial advisers for investment guidance, managing your behaviour and assisting with advice related to your investments. This includes:

- Initial advice fee, which is usually a once-off fee for setting up an investment (up to 3%).
- Ongoing advice fees are charged based on a percentage of assets under management (up to 1.5% per annum).
- Commission paid to an adviser is usually deducted up-front from your retirement savings and can constitute a significant amount of money and will reduce your pension over time.

Good advice can lead to better financial decisions and help prevent emotional decisions, but any fee should be discussed with your adviser upfront and shown in Rand terms. On the other hand, high adviser fees without value-added services can erode returns so make sure you discuss this with your adviser during your annual review.

Administration fees cover the costs of record-keeping, compliance, interacting with your portfolio and reporting on your investment products. This fee can be fixed or a percentage of assets. If you have more assets with one provider this can reduce your overall fee.

Other fees (marketing, distribution, etc.) may be included in product pricing and can be difficult to identify. Some investment products charge hidden costs under distribution or marketing fees, which add to the overall expense ratio. If you see 'other fees', ask what it is for and ensure you understand all the terms and conditions that apply.



How to evaluate fees

- **Compare fees across different providers.** Don't accept the first offer - shop around.
- **Consider the value being provided**. If you are paying for advice, ensure it adds value.
- **Understand the compound effect** – small fees add up over time.
- **Check for hidden costs** – read the fine print and ask questions.

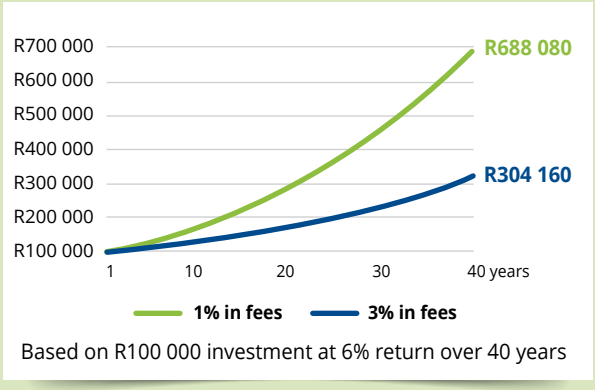
What fees does the Fund charge for an in-Fund life or in-Fund living annuity?

No commission fee is charged if you buy an annuity from the Fund.

The Fund charges a monthly administration fee, which is currently **R333** per month (R237 paid by the pensioner and the balance funded out out of the Fund Contingency Reserve Account), subject to change annually on 1 March.

Investment and investment performance fees are only charged if you choose a living annuity and these fees can be found on the Portfolio Fact Sheets under 'FEES'. The total fees for all Life Stage portfolios are less than **0.75% per year**.

It's very important to compare like with like, when looking at various pension products. Ensure that any quotes you receive from your adviser or from an external insurer are based on the same criteria as the quote you received from the Fund. Knowing what is reasonable can help you to make informed choices and maximise your long-term returns. Transparency in fees is essential, and asking the right questions can prevent costly mistakes.



Based on R100 000 investment at 6% return over 40 years

This graph shows what an initial R100 000 investment at an annual return of 6% would be worth after 40 years based on fees of 1% vs 3%. As you can see, fees of 3% over 40 years significantly erodes your investment - in this case by more than 50%!

F RETIREMENT BENEFIT COUNSELLING

All retirement funds in South Africa must offer their members access to retirement benefit counselling when they approach retirement.

The Fund's retirement benefit counsellor will contact you to arrange a counselling session to explain the available options and talk you through the documents and estimates you were sent. (Please bear in mind that the counsellor is only allowed to provide you with factual information and may not give you financial advice.)

In preparation for this discussion, please read the information in this document and have any questions ready for the call.



G WHEN IS EARLY RETIREMENT TOO SOON?



Early retirement may feel like freedom, but financially it has real and often underestimated consequences.

Lower retirement income

Retiring early means:

- You stop contributing earlier, so your Fund Credit will be smaller.
- Your money has fewer years to compound, which can be significant over time.
- The same savings now need to last longer.

Your **last 5–10 working years** are when your capital is at its largest and compound growth adds the most Rand value. Skipping these years could be very costly.

Healthcare costs earlier

Healthcare is one of the biggest hidden risks of early retirement:

- Medical inflation typically runs well above CPI.
- You may need to self-fund medical expenses for many more years – for many this is one of the largest hidden costs of early retirement.

Longevity risk (outliving your money)

Depending on the retirement annuity you choose, retiring early increases the risk of running out of money, especially if:

- Markets underperform early on in your retirement.
- You live longer than expected (which most people do).

A 60-year-old retiring today must plan for 30+ years of income.

Inflation becomes your biggest enemy

- The longer you're retired, the more inflation eats away at the buying power of your pension.
- At 6% inflation: R10 000 today ≈ R5 500 in 12 years.
- Early retirees often need to invest more aggressively for longer, which increases their volatility risk.

Reduced flexibility later

If you retire early:

- Going back to work is often harder than expected.
- Skills can become outdated.
- Health issues may limit earning potential.

Early retirement can make sense if you:

- Have significantly above-average savings;
- Have low, predictable living expenses;
- Own your home outright;
- Follow a sustainable drawdown strategy if you purchase a living annuity at retirement (in the vicinity of a 4.0% - 4.5% drawdown);
- Have planned and provided for additional medical costs; and
- Your pension is protected against inflation.

Early retirement isn't just 'retiring sooner', it's funding more years with less money.

Early retirement from the De Beers Pension Fund is allowed from age 50, subject to written consent from your Employer. Members who retire before normal retirement age (age 60) will receive a lower pension, as benefits are paid over a longer period.



H THE IMPORTANCE OF GETTING PROFESSIONAL FINANCIAL ADVICE

An accredited financial adviser can help you to create a comprehensive plan that includes planning for retirement, tax, estate planning, insurance needs and major life transitions. What you need from a qualified financial adviser will change as your life and career progress, from early portfolio building to retirement planning and estate arrangements. Don't confuse "investing" with "financial planning". Financial planning involves careful examination of your personal situation and an agreed-upon approach to establishing and meeting your financial goals.

To get started, your adviser should do a full analysis of your overall financial and personal circumstances, including:

- your family situation - the need for a spouse's pension, etc.;
- any outstanding debt that must be paid;
- your cash flow requirements over the short, medium and long term;
- the total retirement capital available to fund your retirement;
- the Fund's benefit structure and options available to you;
- your appetite for risk and return in retirement; and
- the level of flexibility you want in terms of income.

If you do not have an adviser, you can visit the website of the Financial Planning Institute of South Africa, www.fpi.co.za, to search for a registered and certified financial planner.

Once your financial plan is implemented and monitored, you should review it every year and consider:

- your personal tax situation;
- changes in legislation;
- changes in any of the items listed above;
- new investment and life assurance products; and
- changes in your personal circumstances.

The result will be a dynamic financial plan that maximises the advantages of any tax and legislative changes, innovative new financial techniques and improvements in your cash flow requirements.



Finding a financial adviser – what to look for



Your adviser must be **qualified, appropriately registered and experienced** to provide you with financial advice. Use the following questions to determine whether an adviser will meet your needs:

- Are you qualified and appropriately registered and experienced to provide me with financial advice? Ask for proof of qualifications/registration, background in the financial services industry and details of relevant years of experience.
- Do you have a valid Financial Advisory and Intermediary Services (FAIS) registration?
- Do you have at least five years' experience as a financial adviser and relevant knowledge of retirement annuity products?
- Do you provide financial advice at an hourly fee and do you receive any commission on any annuity products that I purchase from an insurer? Please be aware that there is potential for a conflict of interest where an adviser is affiliated to the insurer providing the annuity or where the adviser's fee is commission based – read more about fees here.
- Have any complaints been lodged against you with the FAIS Ombudsman or any other regulatory body?
- Are you affiliated to the financial institutions that you are getting quotes from?

Before appointing an adviser, confirm the following:

- Does he have experience working with clients whose situation and advice needs are similar to yours?
- How well does he communicate with his clients?
- Does he have the back-up and support of a reputable financial advisory firm? The firm should be large enough to ensure that your portfolio will continue to be professionally managed if your existing financial adviser is not available.
- Does he have a conflict of interest that impacts his ability to give you independent financial advice, or has he disclosed any conflict to you?
- Does he have professional indemnity cover that is sufficient to meet any liabilities that might arise from the services you are getting?

I RETIREMENT ADMINISTRATION



Before your last working day, you must complete and submit DC14 – Retirement option form.

If you choose a living annuity, you must also complete:

- Declaration by financial adviser - Annexure A
- Declaration by retiring member - Annexure B
- Declaration by retiring member's spouse - Annexure C
- Declaration by retiring member - Annexure D*

** Annexure D is completed if you don't make use of a financial adviser and replaces Annexures A and B.*

The information in this document does not constitute financial advice as contemplated in terms of the Financial Advisory and Intermediary Services Act. The De Beers Pension Fund does not recommend or propose that any specific products referred to are appropriate for any member. Members should get financial advice from a professional adviser before making any investment decisions.