

DE BEERS PENSION FUND

FUND PRACTICE NOTE

ANNUITY STRATEGY DOCUMENT

<u>Revision no</u>	<u>Review cycle</u>	<u>Effective date</u>
006	Annual	1 July 2025



DEFINED BENEFIT



DEFINED CONTRIBUTION

DE BEERS PENSION FUND

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1. BACKGROUND

1.1. INTRODUCTION

On 25 August 2017, the Minister of Finance issued Regulations 37, 38, 39 and 40 (referred to herein as the “Default Regulations”) made in terms of the Pension Funds Act, 1956, as amended (“the Act”). The Default Regulations deal with:

- the provision of retirement benefits counselling, as defined;
- the establishment of a default investment strategy;
- the requirement to facilitate the preservation of benefits on changes in employment; and
- the requirement to provide an annuity strategy for retiring members.

Two important definitions, as set out in the Default Regulations are critical to providing context to this Annuity Strategy Document, being “*annuity strategy*” and “*retirement benefits counselling*”.

1.2. IMPORTANT DEFINITIONS AND REQUIREMENTS OF THE DEFAULT REGULATIONS

1.2.1. ANNUITY STRATEGY

An “*annuity strategy*” is defined in the Default Regulations as:

- “a strategy, as determined by a board, setting out the manner in which a member's retirement savings may be applied, with the member's consent, to provide an annuity or annuities by the fund or to purchase an annuity on behalf of the member from an external provider, which annuity or annuities may either be in the name of the member or in the name of the fund and which complies with the requirements of regulation 39 and any conditions that may be prescribed from time to time.”

In order to comply with the Default Regulations, the annuity strategy must reflect the following:

- **Appropriateness:** In choosing annuity products, the Board should consider the expected pension that will be provided; inflation and other risks to the pension; and the level of pension that will be provided to dependants on the death of the pensioner.
- **Costs:** The fees and charges associated with the annuity must be reasonable and competitive.
- **Retirement benefits counselling:** Members must have access to retirement benefits counselling not less than three months and not more than six months before their normal retirement age. The Board should make every effort to ensure that the information provided during the retirement benefits counselling is still relevant and appropriate at retirement age.
- **Annual review:** The Board must review the annuity option at least annually to ensure continued compliance with the Default Regulations and continued appropriateness for members.
- In the case of a **living annuity** included in the annuity strategy:

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- **Communication:** The “*asset class composition of investments, their performance and changes in the incomes in respect of the annuity*” must be clearly and regularly communicated to members in a format which may be prescribed (such format had not been prescribed at the date of revision of this Annuity Strategy Document). All fees and charges, direct and indirect and implicit, must be disclosed regularly to the Board, and “*relevant information*” must be “*appropriately disclosed to members*”, again in a clear manner in a format which may be prescribed (such format had not been prescribed at the date of revision of this Annuity Strategy Document).
- **Investment choice:** Investment choice must be limited to four portfolios. The investment portfolios chosen should be consistent with Regulation 37 (default investment strategy) and should also comply with Regulation 28.
- **Draw-down levels:** The draw-down levels should comply with any “*prescribed standard*” (such standard had not been prescribed at the date of revision of this Annuity Strategy Document). Where the living annuity is paid from the Fund, the Default Regulations place an onus on the Fund to monitor the sustainability of the income drawn by living annuitants and make such members aware if their draw-down rates are deemed not to be sustainable.

The Fund’s “annuity strategy”, adopted in accordance with the requirements of the Default Regulations, is referred to herein as the “default annuity strategy”, although it is highlighted that such terminology should not be misconstrued as implying that members who do not make an election will automatically be enrolled in such strategy. A member’s benefit may only be applied in line with the default annuity strategy with the member’s consent. This terminology is simply used to differentiate the “annuity strategy”, adopted in terms of Regulation 39, from “alternative annuity strategies” that may be made available by the Fund to members (but do not form part of the “annuity strategy” nor do they necessarily comply fully with the requirements of Regulation 39).

1.2.2. RETIREMENT BENEFITS COUNSELLING

“*Retirement benefits counselling*” is defined in the Default Regulations as “*the disclosure and explanation, in a clear and understandable language, including risks, costs and charges, of:*

- a) *the available investment portfolios;*
- b) *the terms of the fund's annuity strategy;*
- c) *the terms and process by which a fund, handles preserved benefits in terms of regulation 38; and*
- d) *any other options made available to members.”*

Importantly, the Default Regulations only require the disclosure and explanation of information and do not require the provision of advice.

Furthermore, the Default Regulations do not stipulate the format of retirement benefits counselling, i.e. this can be written, verbal, one-on-one or delivered to a wide audience (or a combination of these).

The primary aim of the of the Default Regulations is to ensure that members have enough information about their benefits, the Fund’s default options and other options to empower

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them to make informed choices regarding their benefits in the Fund, specifically when a decision is available to the member (for example on withdrawal or retirement). This aligns to the objectives of the Fund's current Communication Policy.

1.2.3. OTHER DEFINITIONS

For the purposes of this Annuity Strategy Document, unless the context indicates otherwise, the following terms can be interpreted as follows:

- **"Beneficiary"** refers to the beneficiary of a DB or DC member in the case of the death of such member whilst in service or a surviving spouse in the case of the death of a living annuitant,
- **"Dependent"** refers to the dependent of a DC deferred pensioner who passes away prior to retirement or withdrawal or to dependents of a living annuitant who passes away and leaves no eligible surviving spouse and to the dependent of the surviving spouse in receipt of a living annuity who passes away. The allocation of the death benefit is approved by the Board in terms of Section 37C of the Act.
- **"DB member"** includes DB active members, deferred pensioners, deferred members and paid-up members.
- **"DC member"** includes DC active members, DC members who are in receipt of a Disability Income Benefit and DC deferred pensioners.
- **"Guarantee period"** means the period of time that a life annuity is guaranteed to be paid, regardless of whether the annuitant and/or contingent annuitants (i.e., an eligible spouse, child and other dependants, as applicable) survive to the end of the guarantee period. In the event of the death of the annuitant within the guarantee period, the annuity continues in full for the balance of the guarantee period and is allocated amongst the contingent annuitants in proportion to their contingent rights at the date the annuity payments are due. If there are no contingent annuitants, then the annuity is payable for the balance of the guarantee period in terms of Section 37C of the Act in the form of a lump sum as determined by the Fund Actuary.
- **"Insurer"** means a South African insurer registered in terms of the Long-Term Insurance Act, 1998, as amended.
- **"Member"** includes DB members and DC members.
- **"Spouse"** means a spouse or widow / widower, as defined in the Rules of the Fund, and includes, where applicable, an approved life partner.

2. PURPOSE

The primary purpose of this Annuity Strategy Document is to document the Fund's default annuity strategy in respect of retirees from the defined benefit ("DB") and defined contribution ("DC") sections of the Fund, as required by the Default Regulations. Furthermore, it documents:

- The alternative annuity options available to DB and DC members outside of the default annuity strategy;
- The annuity options available to beneficiaries and dependents;

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- The rights and obligations of members, beneficiaries and dependents as they relate to the payment of annuities from the Fund or the purchase of annuity policies from an insurer outside the Fund or a combination of an annuity purchased from the Fund and from an insurer outside the Fund; and
- The practice adopted by the Fund when applying the relevant rules as they relate to the payment or purchase of annuities.

This Annuity Strategy Document replaced the Fund's previously adopted practice note, entitled "Life and living annuities on retirement and death of a member in service" with effect from 1 March 2019. The provisions of this revision of the Annuity Strategy Document apply with effect from 1 July 2025.

2.1 TREATING MEMBERS AND BENEFICIARIES FAIRLY

The fair treatment of members and other beneficiaries / dependents is central to the culture and operation of the Fund. In designing the default annuity strategy and the various alternative annuity options available from the Fund and communicating these to members and beneficiaries, the Board believes the fairness outcomes, as set out in the "Treating Customers Fairly" roadmap, will be achieved. Specifically, this Annuity Strategy Document aims to ensure that:

- The default annuity strategy and alternative annuity options available to members, dependents and beneficiaries are designed to meet the needs of such members, dependents and beneficiaries and are communicated appropriately;
- Members, dependents and beneficiaries are given clear information and are kept appropriately informed before, during and after making a decision regarding their annuity at retirement or following the death of a member;
- Members receive accurate and relevant information from the Fund and are encouraged to seek independent professional advice from certified financial advisors prior to making an election regarding an annuity either in the Fund or through an external provider or a combination of the two;
- Members are provided with benefits that perform as the Fund has led them to expect, and the associated service is both of an acceptable standard and what they have been led to expect; and
- Members understand as far as reasonably possible the terms and conditions relating to their annuity election and in particular, any potential restrictions on income or replacement after the commencement of the annuity.

3. RULES OF THE FUND

3.1 DB MEMBERS

The value of the pension in respect of DB members is defined in the Rules of the Fund and the details have, therefore, not been repeated herein. DB members are, on their retirement election date, entitled to elect:

- a "guaranteed" pension payable for life from the Fund (a life annuity), subject to the benefit formula set out in the Rules of the Fund and any amount commuted for cash; or

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- a pension or pensions in a format chosen by the DB member, in the DB member's own name, from an insurer outside the Fund, subject to any amount commuted for cash;
- a combination of a pension in the form of a "guaranteed" pension payable for life partly paid from the Fund and a pension or pensions in a format chosen by the DB member, in the DB member's own name, from an insurer outside the Fund, subject to any amount commuted for cash; or
- a transfer of the full amount of the DB member's benefit to a Retirement Annuity Fund, Pension Preservation Fund or Provident Preservation Fund (no amount may be commuted where this option is elected).

3.2 DC MEMBERS

The value of a DC member's pension is determined by the value of their Fund Credit at the retirement election date. DC members are, on their retirement election date, entitled to elect:

- a pension in the form of a life annuity from the Fund, subject to any amount commuted for cash; or
- a pension in the form of a living annuity payable by the Fund, subject to any amount commuted for cash; or
- a pension paid as a combination of a life annuity and living annuity from the Fund, subject to any amount commuted for cash; or
- a pension or pensions in a format chosen by the DC member, in the DC member's own name, from an insurer outside the Fund, subject to any amount commuted for cash; or
- a pension in the form of a life annuity, living annuity or combination of a life annuity and living annuity partly paid from the Fund and a pension or pensions in a format chosen by the DC member, in the DC member's own name, from an insurer outside the Fund, subject to any amount commuted for cash; or
- a transfer of the full amount of the DC member's benefit to a Retirement Annuity Fund, Pension Preservation Fund or Provident Preservation Fund (no amount may be commuted where this option is elected).

3.3 BENEFICIARIES

Beneficiaries are, on the death of a DB or DC member whilst in service; entitled to elect:

Beneficiary of a DB member

- Spouse and child pensions paid subject to benefit formula set out in the Rules of the Fund, a "guaranteed" pension payable from the Fund (a life annuity) for the spouse (for life) and child (limited period per the rules), subject to any amount commuted for cash. Refer to section 5.1.3 and 5.1.4 below.

Beneficiary of a DC member or living annuitant

- a pension in the form of a life annuity from the Fund (either payable for life, in respect of major beneficiaries or for a period of time, in respect of minor beneficiaries), subject to any amount commuted for cash; or

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- a pension or pensions in a format chosen by the beneficiary (or the guardian of such beneficiary), and in the name of the beneficiary, from an insurer outside the Fund, subject to any amount commuted for cash.
- a pension in the form of a life annuity, living annuity or combination of a life annuity and living annuity partly paid from the Fund and a pension or pensions in a format chosen by the beneficiary and in the beneficiary's own name, from an insurer outside the Fund, subject to any amount commuted for cash; or
- a pension in the form of a living annuity from the Fund, subject to the purchase of a minimum level of life annuity from the Fund,

provided that the option to receive all or part of a benefit in the form of a living annuity shall only be available to major beneficiaries.

3.4 DEPENDENT

After the Board has allocated the death benefit in terms of Section 37C of the Act, a dependent is, on the death of a DC deferred pensioner prior to retirement or withdrawal; a living annuitant who leaves no eligible surviving spouse; or a surviving spouse who was in receipt of a living annuity, entitled to elect:

- a pension in the form of a life annuity from the Fund (either payable for life, in respect of major beneficiaries or for a period of time, in respect of minor beneficiaries), subject to any amount commuted for cash; or
- a pension or pensions in a format chosen by the beneficiary (or the guardian of such beneficiary), and in the name of the beneficiary, from an insurer outside the Fund, subject to any amount commuted for cash.
- a pension in the form of a life annuity, living annuity or combination of a life annuity and living annuity partly paid from the Fund and a pension or pensions in a format chosen by the beneficiary and in the beneficiary's own name, from an insurer outside the Fund, subject to any amount commuted for cash; or
- a pension in the form of a living annuity from the Fund, subject to the purchase of a minimum level of life annuity from the Fund,

provided that the option to receive all or part of a benefit in the form of a living annuity shall only be available to major dependents.

4. DESIGNING THE DEFAULT ANNUITY STRATEGY AND ALTERNATIVE ANNUITY OPTIONS

4.1 A RISK FRAMEWORK

Retirees must deal with a complex array of risks in retirement, with most retirees struggling to understand the intricacies and interplay of these risks. The key risks considered by the Board in designing a suitable default annuity strategy and alternative annuity options have been described below.

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4.1.1 INVESTMENT RISK

Investment risk is, simply put, the risk of poor investment outcomes. Positive real returns are required to ensure that any invested capital continues to grow whilst it is being drawn against for monthly annuities. Failure of the capital to grow in real terms will result in it being depleted quickly, especially if the income drawn is continuously increased with inflation.

The stability of the investment returns can play a key role in the eventual outcome for members. Very large negative returns, particularly at the outset of the member's retirement, can have a large impact on the annuity that can be drawn, i.e. not all paths to a compounded 100% return over 10 years are the same. This risk is known as sequencing risk (in other words the strategy is "path-dependent") and can have a significant impact on the outcomes for annuitants.

The other investment-related risks that retirees often deal with are high fees and receipt of poor advice – the fundamental purpose of Regulation 39 is to mitigate these risks.

4.1.2 LONGEVITY RISK

Unlike investment risk, longevity risk increases with age. The best way to mitigate this risk is via insurance in the form of a life annuity, provided that such insurance is fairly priced. Life expectancy is meaningfully correlated to income in South Africa where access to high quality health care (which increases life expectancy), today, is largely an affordability issue.

Longevity risk is routinely under-estimated by retirees. The Fund's best estimate post-retirement mortality tables suggest that for a recently retired couple, both aged 60 years at retirement, there is an 80% probability that at least one of the two will still be alive at age 80 and a 35% probability that at least one of the two will still be alive at age 90.

4.1.3 INFLATION RISK

Inflation risk is more acute in a country like South Africa and relates to the risk of the retiree's income being eroded by inflation. Again, inflation risk is more subtle than it appears at first – certain components of inflation have a greater impact on retirees, notably health care and food costs.

Ensuring that the income delivered by the annuity solution over time is protected against the effects of inflation is important to members. Providing a very high initial income relative to actual living costs, but with the deliberate intention that such income will remain relatively constant whilst living costs increase, will require discipline on the part of the member to save the excess up front.

4.1.4 CONSUMPTION RISK

Consumption risk may be a particularly adverse risk, specifically for retirees that have saved too little for their retirement. Such retirees face a trade-off between taking a higher income to make ends meet in the short-term at the ultimate price of increasing the chances of running out of money as they age.

An income stream that fluctuates from year to year may be an unacceptable risk to some retirees. Most retirees will place great value on an income that is secure, and inflation protected and may be willing to pay an insurance premium for this. Equally, retirees' needs

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are not constant from month-to-month and sometimes unexpectedly (or expectedly) large expenses arise which the retiree must pay.

In addition, retirees need to decide how important their bequest motive is. The trade-off in this case is that the higher the bequest motive, the less income the retiree can draw as he or she needs to finance the self-insurance of their longevity risk. The motive is driven largely by the consideration that both the retiree and his or her spouse may die within the first decade of his or her retirement, albeit that the probability of such an event is very small. In addition, many retirees regard the amount saved as part of the bequest motive as a “nest-egg” for aged care, high medical costs and travelling.

4.2 LIFE ANNUITIES VS. LIVING ANNUITIES

Certain risks are more material for a life annuity (i.e., loss of capital on early death) whereas other risks are more acute for a living annuity (i.e., excessive draw-down rate, longevity risk, inappropriate investment choices). The most significant of the above risks are the investment and longevity risks. The crux is that with a life annuity, the retiree chooses to secure insurance against the risk of living too long. This contrasts to a living annuity where the retiree, in effect, looks to self-insure longevity risk.

It would be rational for the following two categories of retirees to self-insure longevity risk:

- A retiree who is so wealthy that he or she almost certainly will not run out of money even if he or she lives for a very long time. Nevertheless, the question that remains is to determine the level of wealth the retiree needs to have before he or she can safely self-insure the risk of living too long; or
- A retiree who can reasonably determine that the insurance cost for longevity risk is too expensive. This will be an individual that has a reduced life expectancy compared to that implicit in the life annuity pricing.

Very few retirees definitively fall into the category of having enough capital at retirement so that they can comfortably self-insure their longevity risk. The Default Regulations require that the Board put a default annuity strategy in place to cater for the “average” member, or failing that, to take certain factors into account in determining defaults for different members. Clearly, there is no such thing as an “average” member - it is ultimately the personal circumstances of each individual member that will dictate which annuity will be best for them. It is, however, difficult to refute the thesis that:

- The vast majority of members retire with insufficient retirement capital to provide for a reasonable level of income in retirement – implementing a default annuity strategy made up of only a living annuity for such members is clearly inappropriate as they will likely have to draw too much to sustain a reasonable level of income for life;
- For the vast majority of members, their retirement benefit is the largest sum of money they will ever have to manage – most members are not able to appropriately manage a large lump sum;
- The vast majority of members are not sufficiently financially sophisticated to properly manage both their investment and mortality risk after retirement; and
- No member knows exactly when they (and their spouse, if applicable) will die.

Considering the above, the Board believes that a life annuity is likely to be the right decision for those members who are least likely to be able to obtain good financial advice or, having obtained

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such advice, are able to make the right decisions, not only for themselves, but for their dependents and beneficiaries.

Furthermore, the Board believes that providing such life annuity from the Fund has material benefits over requiring retirees to purchase such an annuity from an insurer. These benefits include:

- Governance and oversight by a Board that has a fiduciary duty to act in the best interests of the Fund and its members and has the TCF principles firmly in place in all aspects of the operation of the Fund;
- No commissions are payable;
- The Board and management of the Fund has no profit motive and no shareholder conflicts;
- There is no capital requirement for the Fund to offer life annuities so there is a discount on the pricing of these annuities;
- The Fund is able to secure extremely competitive institutional investment management costs; and
- Targeted communication, taking account of the specific profile of the Fund's retirees can and is implemented.

Finally, the Board recognises that no single annuity strategy is going to be the best fit for all members. As such, the Board has made a wide range of alternative annuity strategies available to allow members who have different needs and personal circumstances to elect the annuity strategy that will best meet their needs and risk profile.

5. DEFAULT ANNUITY STRATEGY

A DB or DC member may, on his or her retirement election date, and at his or her sole and absolute discretion elect to receive an annuity in the form of a life annuity from the Fund. This life annuity may be determined in line with the default annuity strategy, described in section 5, or the alternative life annuity strategy, described in section 6.

The default annuity strategy, adopted in line with the provisions of Regulation 39, is described below (separately for DB members and DC members).

5.1 DB MEMBERS

The default annuity strategy, after any lump sum amount commuted for cash, in respect of DB members is a life annuity paid by the Fund on their retirement election date. The following provisions shall apply in respect of such life annuity:

- 5.1.1 **Determination of a monthly pension:** The monthly pension payable to a DB member who elects the default annuity strategy shall be calculated in line with the defined pension formula and other relevant provisions of the Rules of the Fund.
- 5.1.2 **Guarantee period:** The default annuity strategy provides for no guarantee period.
- 5.1.3 **Spouse's pension on death:** For DB members with a spouse at retirement, provision must be made for a spouse's pension of 66% of the annuitant's pension at the date of death, payable on the death of the annuitant. (If there are multiple spouses at retirement, a spouse's annuity of 66% divided by the number of spouses must be provided for each spouse equally.)

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5.1.4 **Other contingent pensions on death:** For annuitants with a spouse and a child or children at the date of death (who were also defined as a spouse and a child at retirement), a pension shall be payable to such children as follows:

- **17%** of the annuitant's pension at the date of death, if there is only one child; or
- **34%** of the annuitant's pension at the date of death, if there are two or more children (to be split equally between the children).

If the annuitant does not have an eligible spouse, the children's pensions shall be increased as follows:

- **40%** of the annuitant's pension at the date of death, if there is only one child; or
- **80%** of the annuitant's pension at the date of death, if there are two or more children (to be split equally between the children).

5.1.5 **Lump sum payment on death:** If applicable in terms of the Rules of the Fund, a lump sum shall become payable on the death of a retiree from the DB section of the Fund.

5.1.6 **Regular annual pension bonus:** A regular annual pension bonus equal to 60% of the monthly pension shall be payable in respect of retirees and beneficiaries from the DB section of the Fund in November each year.

5.2 DC MEMBERS

The default annuity strategy, after any lump sum amount commuted for cash, in respect of DC members is a life annuity paid by the Fund on their retirement election date. The following provisions shall apply in respect of such life annuity:

5.2.1 **Determination of a monthly pension:** The monthly pension payable to a DC member who elects the default annuity strategy shall be calculated as described in section 7.1.

5.2.2 **Guarantee period:** The default annuity strategy provides for a 5-year guarantee period.

5.2.3 **Spouse's pension on death:** For DC members with a spouse at retirement, provision must be made for a spouse's pension of **50%** of the annuitant's post commutation annuity payable on the death of the annuitant. (If there are multiple spouses at retirement, a spouse's annuity of 50% divided by the number of spouses must be provided for each spouse equally).

5.2.4 **Other contingent pensions on death:** No provision is made for the pension to continue to a contingent child or other dependant on the death of the annuitant.

5.2.5 **Lump sum payment on death:** No lump sum benefit shall be payable on the death of a retiree from the DC section of the Fund.

5.2.6 **Regular annual pension bonus:** No regular annual pension bonus shall be payable in respect of retirees from the DC section of the Fund.

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6. ALTERNATIVE ANNUITY STRATEGY IN THE FORM OF AN IN-FUND LIFE ANNUITY

The alternative in-Fund life annuity strategy is described below (separately for DB members and DC members).

6.1 DB MEMBERS

DB members who do not elect the default annuity strategy shall be entitled to elect an alternative in-Fund life annuity from the Fund. The following provisions shall apply in respect of such life annuity (which does not form part of the Fund's default annuity strategy in terms of Regulation 39):

6.1.1 **Determination of monthly pension:** The monthly pension payable to a DB member who elects the alternative life annuity strategy shall be calculated in line with the defined pension formula and other relevant provisions of the Rules of the Fund.

6.1.2 **Guarantee period:** The alternative annuity strategy provides for no guarantee period

6.1.3 **Spouse's pension on death:** For DB members with a spouse at retirement, provision must be made for a spouse's pension not exceeding **100%** of the annuitant's pension at the date of death, payable on the death of the annuitant. (If there are multiple eligible spouses at retirement, the spouse's annuity, as above, shall be divided by the number of spouses and must be provided for each spouse equally).

6.1.4 **Other contingent pensions on death:** For annuitants with a spouse and an eligible child or children at the date of death, a pension shall be payable to such children as follows:

- no more than **25%** of the annuitant's pension at the date of death, if there is only one child; or
- no more than **50%** of the annuitant's pension at the date of death, if there are two or more children (to be split equally between the children).

If the annuitant does not have a spouse, the children's pensions shall be increased as follows:

- no more than **60%** of the annuitant's pension at the date of death, if there is only one child; or
- no more than **120%** of the annuitant's pension at the date of death, if there are two or more children (to be split equally between the children).

6.1.5 **Lump sum payment on death:** If applicable in terms of the Rules of the Fund, a lump sum shall become payable on the death of a retiree from the DB section of the Fund.

6.1.6 **Regular annual pension bonus:** A regular annual pension bonus equal to 60% of the monthly pension shall be payable in respect of retirees and beneficiaries from the DB section of the Fund in November each year.

6.2. DC MEMBERS

DC members who do not elect the default annuity strategy shall be entitled to elect an alternative in-Fund life annuity from the Fund. The following provisions shall apply in respect of such life annuity (which does not form part of the Fund's default annuity strategy in terms of Regulation 39):

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- 6.2.1 **Determination of monthly pension:** The monthly pension payable to a DC member who elects the default annuity strategy shall be calculated as described in section 7.1.
- 6.2.2 **Guarantee period:** A DC member may elect a guarantee period of **0, 5, 10, 15, 20** or **25** years.
- 6.2.3 **Spouse's pension on death:** For DC members with a spouse at retirement, provision must be made for a spouse's pension, as elected by the DC member, of either **50%, 60%, 70%, 80%, 90%** or **100%** of the annuitant's post commutation pension payable on the death of the annuitant. (If there are multiple spouses at retirement, the spouse's annuity, as above, shall be divided by the number of spouses and must be provided for each spouse equally).
- 6.2.4 **Other contingent pensions on death:** A DC member may elect a contingent pension for a child or other dependent on death after retirement. This contingent pension shall be payable for a specified period (to age 21 or 25, as elected by the retiring DC member) in respect of children and for life in respect of disabled major or minor children, subject to the following restrictions:
- **Children: 10% or 25%** (per child) of the annuitant's post commutation pension payable on the death of the annuitant;
 - **Other dependants: 10%, 25% 50%, 60%, 70%, 80%, 90% or 100%** of the annuitant's post commutation pension payable on the death of the annuitant (as well as for instances where a member who has an eligible spouse also has a disabled dependant in addition to other dependants); and
 - The total of all the contingent pensions (i.e. for each spouse, child or other dependants) shall be no more than 100%. (This is to avoid the DC member's pension from being reduced too much by the contingent provisions).
- 6.2.5 **Lump sum payment on death:** No lump sum benefit shall be payable on the death of a retiree from the DC section of the Fund.
- 6.2.6 **Regular annual pension bonus:** No regular annual pension bonus shall be payable in respect of retirees from the DC section of the Fund.

7. CONDITIONS WHICH APPLY TO THE PAYMENT OF IN-FUND LIFE ANNUITIES

Conditions set out in this section are applicable to DC members (electing such annuity at retirement from the Fund in terms of section 5.2 or 6.2), DC beneficiaries or dependents (electing such an annuity as a result of the death of a DC member, DC deferred pensioner or living annuitant) or living annuitants (electing to convert all or part of their living annuity account to a life annuity in terms of section 9.2). Such individuals are referred to in this section as "eligible members".

7.1 BASIS FOR THE DETERMINATION OF A LIFE ANNUITY FOR AN ELIGIBLE MEMBER

- 7.1.1 The basis for the determination of a life annuity for an eligible member is as follows:
- The "pricing" basis which is used to convert a lump sum amount into a monthly life annuity pension is determined based on a set of long-term assumptions as agreed by the Board, on the advice of the Fund Actuary. There may be instances where such pricing basis may change, for example as a result of changes in long term interest rates or inflation rate expectations. The Board will, in consultation with the Fund Actuary:

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- (i) review the financial assumptions underlying the DC pension conversion rate on at least a biannual basis, based on closing market yields as at 28/29 February or 31 August (or such other relevant interim date) each year, as applicable – this will be done with reference to the solvency reserving basis; and
- (ii) review the mortality assumptions or (under extreme circumstances) assumptions regarding future pension increase expectations, on at least a triennial basis, coinciding with the Fund's statutory valuation dates,

and will make such changes to the "pricing" basis as are deemed necessary following such reviews.

- b) The starting monthly life annuity that can be purchased from the Fund with the capital amount (Fund Credit, death benefit or living annuity capital account, as applicable) available to the eligible member is determined using a life annuity calculator as supplied by the Fund Actuary.
- c) The pricing interest rate in the life annuity calculator is set by the Board, in consultation with the Fund Actuary, taking cognisance of the Fund's life annuity (pension) increase policy and the underlying investment strategy of the pensioner pool, i.e. the notional pool of assets set aside specifically for the benefit of Fund life annuitants (being retirees, dependents and beneficiaries from the DB and DC sections of the Fund).
- d) The Board shall, with effect from 1 April each year, revise the monthly expense charge in respect of each life annuity in payment from the Fund, which amount is debited to the pensioner pool monthly for all life annuities in payment.
- e) The annuity calculator is revised as soon as practically possible after the Board has approved a change to the pension conversion rate, mortality assumption or expense provision (which the calculator assumes to escalate in future in line with future assumed inflation).

7.2 NO CHANGES TO LIFE ANNUITY OR CONTINGENT ANNUITANTS AFTER COMMENCEMENT

- 7.2.1 Once payment of the in-Fund life annuity has commenced, no changes may be made to the structure and nature of the annuity, nor may there be any changes or additions to the contingent annuitants. Refer to section 7.8 for the provisions which apply on divorce.

7.3 LIFE ANNUITY (PENSION) INCREASE POLICY

- 7.3.1 The Fund Actuary undertakes an annual valuation of the pensioner liability and compares the liability to the value of the pensioner pool with effect from 1 October. The Fund Actuary then recommends a pension increase effective 1 January of the following year to the Board. This recommendation takes account of the funding level of the pensioner pool and the pension increase policy and distributions practice note adopted by the Board in consultation with the Principal Employer and the Fund Actuary.
- 7.3.2 The Board shall, after reviewing the recommendation of the Fund Actuary, and subject to the provisions of the Fund's Pension Increase Policy and Fund Practice Note entitled "Distributions to Pensioners", declare an annual pension increase. The Board may further declare a once off pension payment (payable in one or more tranches), at its discretion, subject to affordability and following consultation with, and approval by, the Principal Employer.

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7.4 INVESTMENT STRATEGY

7.4.1 The investment strategy for the assets making up the pensioner pool is determined by the Board on the recommendation of the Investment Board Committee. This strategy is considered to be appropriate by the Board considering the nature and term of the liabilities of the pensioner pool and is tailored to meet the reasonable benefit expectations of life annuitants in the pool. The investment strategy applies to all life annuitants and life annuitants do not have investment choice.

7.4.2 The investment strategy is documented in the Fund's Investment Policy Statement.

7.5 ASSET / LIABILITY MONITORING

7.5.1 Monthly reconciliations of assets (units in the unitised portfolios) backing the pensioner pool are undertaken between the administrators and the Fund's unitiser.

7.6 COSTS

7.6.1 The Investment Board Committee and the Fund's Board monitors the costs of managing the pensioner pool (which include administration and Fund management costs and investment management costs) on a regular basis. Such costs (including all fees and charges) associated with the in-Fund life annuity are considered to be reasonable and competitive.

7.7 SWITCHING FROM AN IN-FUND LIFE ANNUITY TO ANOTHER ANNUITY

7.7.1 Due to the structure, inherent risks and cross-subsidies and the prospect of anti-selection against the Fund, an annuitant that has elected to receive an in-Fund life annuity may not elect to convert such life annuity to an in-Fund living annuity or to transfer their life annuity to an insurer outside the Fund. This is specifically precluded in terms of the Rules of the Fund.

7.8 DIVORCE FOLLOWING RETIREMENT

7.8.1 In the event that a life annuitant (who was formerly a DC member) subsequently divorces a spouse who was covered for a contingent annuity at retirement, the divorced spouse retains rights to the contingent annuity on the death of the annuitant, except to the extent that the divorce agreement provides otherwise.

8. ALTERNATIVE ANNUITY STRATEGY IN THE FORM OF AN IN-FUND LIVING ANNUITY

DC members who do not elect the default annuity strategy or alternative in-Fund life annuity shall be entitled to elect an alternative in-Fund living annuity from the Fund. The following provisions shall apply in respect of such living annuity (which does not form part of the Fund's default annuity strategy in terms of Regulation 39):

8.1 CONDITIONS UNDER WHICH THE FUND MAY AGREE TO APPLY UP TO 100% OF A DC MEMBER'S FUND CREDIT AND HIS OR HER 'DEFERRED DEFINED BENEFIT' IF ANY, TO THE PURCHASE OF A LIVING ANNUITY FROM THE FUND AFTER ANY LUMP SUM AMOUNT COMMUTED FOR CASH

8.1.1 The Fund will only agree to apply up to 100% of a DC member's Fund Credit (and therefore not to apply the requirements for a minimum life annuity as set out in section 8.2 below) and

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his or her 'deferred defined benefit', if any, (after commutation), to secure a living annuity if the Board is satisfied on the basis of the information and documentation supplied to it by the DC member that:

- a) the DC member has received and will continue to receive expert financial advice in respect of:
 - (i) his or her financial needs and the extent to which they are required to be met from the pension payable to him or her from the Fund;
 - (ii) the amount of his or her living annuity which he or she may draw in any financial year without jeopardising his or her financial security or that of his or her spouse or other beneficiary(ies); and
 - (iii) that the member has other assets of such a value as to adequately minimise the risk that the member will be made destitute if he or she draws down too much of the living annuity capital in the early years of his or her retirement;
- b) the DC member understands and accepts the conditions under which the Fund has agreed to apply 100% of the Fund Credit amount to the provision of a living annuity including, but not limited to, those set out in the Rules and the conditions determined by the SARS or Financial Sector Conduct Authority from time to time;
- c) the DC member's financial advisor, who is authorised in terms of the Financial Advisory and Intermediary Act, 2002, to furnish such advice, must confirm the contents of paragraph 8.1.1 above in writing to the Fund (annexure "A") and the DC member must confirm the contents of paragraphs 8.1.1(a) and 8.1.1(b) above in writing to the Fund (annexure "B");
- d) the DC member's spouse if any, has in writing confirmed that he or she is aware of DC member's application for the requirement of a minimum life annuity not to apply and that he or she understands the potential implications of this for him or her (annexure "C");
- e) the DC member has, in writing, waived any claims for losses they or their dependants may suffer as a result of their elections and have indemnified the Fund, the members of its Board and its employees against any claim by any of them or their beneficiaries for compensation for any loss sustained, including any claim for costs, arising from the election of a living annuity from 100% of his or her Fund Credit (annexure "D");
- f) where the DC member does not require the services of a financial advisor, the member is required to complete an appropriate declaration stating that the member has not utilised the services of a financial advisor and that they are competent to make the necessary decisions.

8.1.2 The DC member and spouse will be required to complete the standard declarations in respect of the above before being able to elect to receive a 100% living annuity (after any lump sum amount commuted for cash).

8.2 MINIMUM LIFE ANNUITY FROM THE FUND

8.2.1 This section only applies where the provisions of section 8.1 above have not been met.

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- 8.2.2 A DC member's Fund Credit must first be used to purchase a life annuity from the Fund up to a minimum starting level (subject to the amount of the retirement capital available) as decided by the Board and advised to DC members from time to time, prior to a living annuity from the Fund being considered. The minimum starting life annuity, after deducting any commutation amount, is approximately 2.5 times (in the case of a single member) and five times (in respect of a member and spouse) the monthly State Old Age Pension ("SOAP").
- 8.2.3 The Board reviews the above minima with effect from 1 March each year (to tie in with the Fund's financial year) taking cognisance of changes to the SOAP (any change is implemented with effect from 1 April each year, or such other date as agreed to by the Board).

8.3 MINIMUM LIFE ANNUITY AND MINIMUM LIVING ANNUITY CAPITAL

- 8.3.1 Once a DC member has secured the minimum life annuity from the Fund, the DC member may elect that the balance of the Fund Credit be used to secure a living annuity from the Fund, provided that such balance shall not be less than the minimum capital amount to be determined annually by the Board (or such other limit as the Board shall decide from time to time) and communicated to DC members.

8.4 MINIMUM LIVING ANNUITY BALANCE

- 8.4.1 A minimum living annuitant balance, as decided by the Board on the advice of the Fund Actuary and advised to DC members, beneficiaries, and annuitants from time to time, will be set. Once a living annuitant's balance decreases below this level, the living annuitant is required to convert the living annuity to a life annuity, either in the Fund or through the purchase of an annuity policy from an insurer outside the Fund. The minimum balance is reviewed by the Board in with effect from 1 March each year (any change is implemented with effect from 1 April each year, or such other date as agreed to by the Board).

8.5 MEMBER DECLARATION

- 8.5.1 Members (and their spouse, if applicable) who elect a living annuity will be required to make a declaration that they understand the investment and longevity risks that they are taking on. Refer to section 8.1 above.

9. CONDITIONS WHICH APPLY TO THE PAYMENT OF IN-FUND LIVING ANNUITIES

9.1 ANNUITY DRAW-DOWN REQUIREMENTS

- 9.1.1 Taking account of industry best practice, the provisions of the Income Tax Act and to ensure that additional protection for members is built into the Fund's living annuity offering, the following conditions apply:
- The draw-down percentage must be between a minimum of 2.5% and a maximum of 17.5% per annum of the balance in the living annuity capital account.
 - The draw-down percentage must be reviewed annually by the annuitant in receipt of a living annuity and may only be amended annually on the anniversary of the set-up of the living annuity.
 - The draw-down must at all times be such as to attempt to preserve the capital of the living annuity from dilution. As such:

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- (i) The Board shall strongly encourage annuitants to draw down at no more than the following:

Age group	Maximum recommended draw-down rate
50 - 54	4.0%
55 – 59	4.5%
60 – 64	5.0%
65 – 69	5.5%
70 – 74	6.5%
75 – 79	8.0%
80 – 82	10.0%
83 – 85	12.5%
86 – 88	15.0%
Over 89	17.5%

Actuarial modelling, performed by the Fund Actuary, suggests setting the probability of ruin on account of investment returns at the end of the planned life expectancy at 50% and probability of surviving beyond the planned life expectancy at 5% provides a good balance between the sustainability of the draw-down plan and receiving a reasonable pension. The recommended maximum draw-down rates per age, as reflected above, have been derived using such a model. The model makes a number of assumptions regarding, amongst others, the long-term investment strategy and mortality of annuitants. The Board views the communication of the assumptions and inherent risks as critical to ensuring better outcomes for living annuitants.

- (ii) The Board is, however, cognisant that making the maximum draw-down rates too restrictive will drive a disproportionately high number of DC members outside the Fund. Should the in-Fund draw-down rates be too low, then members will almost certainly not select the in-Fund living annuity option and may rather elect a retail product (which may allow a higher draw-down rate, subject to the legislated maximum, but may also be subject to substantially higher management fees, investment related fees and commissions). In contrast, should the Fund allow annuitants to draw too much, then annuitants would stand the very real risk of having insufficient funds later on the life. A balance must therefore be struck between reasonable draw-down rates and ensuring the living annuity account balance will provide a reasonable and sustainable income for the lifetime of the annuitant.
- (iii) Accordingly, the Board shall not enforce the recommended sub-maxima, as set out in paragraph 9.1.1(c)(i), but will limit the draw-down, initially and at each review date to the following sub-maximum:
- Sub-maximum draw-down = Living annuity account balance

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Where:

Z = The rounded average, per agreed age band, of the relevant annuity rates, determined by the Fund Actuary as follows:

- The relevant annuity rate used is the guaranteed level single life annuity rate, calculated on the Fund's solvency reserving assumptions, as amended from time to time;
- allowing for a guaranteed payment period, reducing from 10-years to 5-years uniformly between the ages of 80 and 90 years;
- allowing for a reasonable expense provision, as determined by the Fund Actuary from time-to-time taking account of the Fund's administration fee applicable to living annuitants; and
- subject to the maximum permitted draw down rate per legislation.

- (iv) At the written request of an annuitant who is in poor health, the Board may agree to a sub-maximum greater than that calculated above but not more than the maximum draw-down permitted by SARS from time to time (currently 17.5%). Subject to medical evidence acceptable to the Board indicating that the annuitant has, with high probability, a significantly reduced life expectancy, the Board may, in consultation with the Actuary, modify Z. Such medical evidence as required by the Board shall be obtained at the expense of the annuitant.

- 9.1.2 It is noted, and shall be communicated as such to living annuitants, that drawing down at the Board's recommended sub-maxima (as set out in paragraph 9.1.1(c)(i)) or the sub-maxima which will be enforced by the Board (as set out in paragraph 9.1.1(c)(iii)) does not guarantee that an annuitant will have a reasonable and sustainable income for life. It is the responsibility of each living annuitant to obtain financial advice and manage their living annuity account in such a way that they that it is expected to provide a reasonable and sustainable income for their lifetime, taking their particular circumstances into account.

9.2 SWITCHING FROM AN IN-FUND LIVING ANNUITY TO AN IN-FUND LIFE ANNUITY

- 9.2.1 An in-Fund living annuitant may convert the whole of his or her living annuity capital account into an in-Fund life annuity at any time. An in-Fund living annuitant may also convert a part of his or her living annuity capital account into an in-Fund life annuity at the date of each anniversary of the set-up of the living annuity (a maximum of two tranches is allowed). In this regard:

- Each living annuitant will, at the date of each anniversary of the set-up of the living annuity, have a once-off opportunity to elect, in writing, to convert a portion of their living annuity account (a partial conversion) into an in-Fund life annuity, subject to a minimum conversion amount and a minimum remaining living annuity account balance after conversion, as decided by the Board on the advice of the Fund Actuary, and advised to DC members and living annuitants from time to time;
- The provisions of sections 8 and 9 will continue to apply to the balance remaining in the living annuity account after any once-off conversion exercised by the annuitant;

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- c) The full living annuity account balance or any remaining balance in the living annuity account after a once-off partial conversion, may be converted to an in-Fund life annuity at any time at the election, in writing, of the annuitant;
- d) The Fund Actuary shall determine the terms of a full or partial conversion in accordance with the provisions of this Annuity Strategy Document. In particular, the provisions of section 7.1 shall apply;
- e) No administration costs will be charged for such switch;
- f) Switching back to a living annuity is not permitted and the provisions of section 7.7 shall apply mutatis mutandis;
- g) The options set out in sections 5.2 and 6.2 shall be available and terms and conditions set out in section 7 shall apply in respect of in-Fund living annuitants who elect to convert all or part of their living annuity account to an in-Fund life annuity, provided that:
 - (i) Reference to the "spouse/s at retirement" shall, for these individuals, be replaced with "spouse/s at the date of the conversion of all or that part of the living annuity capital account elected by the living annuitant to be replaced with an in-Fund life annuity;
 - (ii) The life annuity purchased by a portion of the Fund Credit at retirement, if applicable, and each amount converted from a living annuity to a life annuity thereafter shall be established and maintained by the Fund as a separate life annuity record. The guarantee period and contingent pensions applicable in respect of each such life annuity record shall be in line with those elected by the DC member / annuitant at the time of each purchase or conversion; and
 - (iii) Where there is more than one in-Fund life annuity, only one will include a recovery of administration and other Fund management costs in the calculation of the annuity.

9.3 CONDITIONS UNDER WHICH THE FUND MAY AGREE TO REPLACE AN IN-FUND LIVING ANNUITANT'S LIVING ANNUITY CAPITAL ACCOUNT WITH AN ANNUITY POLICY BOUGHT BY THE FUND FROM AN INSURER IN THE NAME OF THE ANNUITANT

- 9.3.1 The Fund will not agree to replace an in-Fund living annuitant's living annuity capital account or part thereof (where part of the living annuity capital is transferred, it can only be done on the anniversary of the set of the living annuity) with a life or living annuity purchased by the Fund from an insurer in the name of the annuitant unless the Board is satisfied on the basis of the information and documentation supplied to it by the annuitant that:
- a) the annuitant has the financial expertise or has received and will continue to receive expert financial advice in regard to his or her financial needs and the extent to which they are required to be met from the pension payable to him or her from the insurer;
 - b) if the annuitant's decision has not been taken in reliance on financial advice given to him or her by a financial advisor, the annuitant will be required to complete an appropriate declaration stating that the annuitant has not utilised the services of a financial advisor and that such annuitant has the necessary skills or expertise to make such decision without expert assistance;

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- c) if the annuitant's decision has been taken in reliance on financial advice given to him or her by a financial advisor, that financial advisor:
- (i) is authorised in terms of the Financial Advisory and Intermediary Services Act, 2002, to furnish such advice; and
 - (ii) has confirmed in writing that, in his or her opinion, and after taking into account all relevant information made available to him or her, the replacement of the annuitant's living annuity account with an annuity payable by the insurer selected by the annuitant on the terms proposed by the insurer to the annuitant in its quotation will better serve the interests of the annuitant than the retention of his or her right to a living annuity payable by the Fund;
- d) the annuitant understands and accepts:
- (i) the conditions under which the Fund has agreed to replace all or part of his or her living annuity with an annuity purchased by the Fund from an insurer in the name of the annuitant, including, but not limited to, those set out in the Rules of the Fund and the conditions determined by the SARS and/or the Financial Sector Conduct Authority from time to time;
 - (ii) that once the annuity policy has been purchased for the annuitant (if the full living annuity capital was used), and the transfer of the Fund's liability towards the annuitant to the insurer has been approved by the Financial Sector Conduct Authority, the Fund will have no further liability to the annuitant, and, if applicable, his or her spouse and/or other dependants insofar as they are recorded as such and stood to benefit from that part of the living annuity formerly payable to the annuitant;
 - (iii) that if the living annuity to be replaced by the annuity policy purchased from an insurer is the only pension payable by the Fund to the annuitant, on the purchase of the annuity policy, the Fund will have no further liability whatsoever towards the annuitant and his or her spouse and/or other dependants recorded as above;
 - (iv) that the capital standing to the credit of the annuitants living annuity capital account will remain invested in the portfolio elected by the annuitant until the date on which the annuity is purchased from the insurer unless directed otherwise by the annuitant following standard Fund procedures in this regard;
 - (v) that once the purchase of the annuity with the insurer has been effected, the annuitant will not be able to use the amount standing to his credit with the insurer to purchase an annuity from the Fund;
 - (vi) the nature of the annuity being purchased, including but not limited to, commissions payable to the intermediary (if applicable), the cost structure of the annuity and the operation of the annuity;
 - (vii) that the Board has implemented sub-maxima draw-down rates to protect living annuitants and to comply with industry best-practice. To the extent that the insurer does not apply sub-maxima, annuitants may be at greater risk of outliving their retirement capital;

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(viii) that the annuitant will be liable for any commissions and other costs originating from the insurer; and

(ix) that the Fund will only bear the costs originating from the Fund relating to the replacement of all or part of the annuitant's living annuity account with an annuity policy purchased from an insurer.

- e) the annuitant's spouse, if any, has in writing supported the annuitant's replacement application;
- f) the annuitant and his or her spouse have in writing disclaimed and indemnified the Fund and its board against any claim by the annuitant or any third party for compensation for any loss sustained or expense incurred by the claimant arising out of the replacement of the annuitant's living component with an annuity policy purchased from a registered insurer in the name of the annuitant;
- g) the annuitant fulfils such other conditions as the board may deem appropriate in the specific circumstances of the annuitant;
- h) the annuitant has completed all the forms (including, the waiver or indemnity) in respect of the above conditions; and
- i) the insurer from which the annuity policy is to be purchased has furnished to the Fund, in writing, confirmation that any living annuity will comply with the conditions set out in the definition of 'living annuity' in the Income Tax Act, 1962, if applicable.

9.3.2 Where the annuitant has elected to purchase an annuity from an outside insurer, the annuitant may not at a future date elect to reverse this decision.

9.4 PROVISIONS APPLICABLE TO ANNUITIES FOR BENEFICIARIES OR DEPENDENTS WHO BECOME ENTITLED TO AN ANNUITY ON THE DEATH OF A LIVING ANNUITANT

9.4.1 The options available to a beneficiary or dependent who becomes entitled to an annuity from the Fund as a result of the death of a living annuitant are set out in sections 3.3 or 3.4, as applicable. Should such a beneficiary or dependent:

- a) elect a life annuity, this life annuity shall be subject to the conditions contained in this document provided that the life annuity will be provided on a single life basis only (i.e. these life annuities do not provide for contingent spouse, child or other dependant pensions); or
- b) elect a living annuity, this living annuity shall be subject to the conditions contained in this document provided the conditions set out in section 8.3 need not be met.

9.5 INVESTMENT STRATEGY

9.5.1 The investment options available to in-Fund living annuitants are determined by the Board on the recommendation of the Investment Board Committee. Each living annuitant is required to select an investment portfolio from the life-stage and cash investment portfolios offered to in-service DC members, subject to such terms and conditions, including that applicable to investment portfolio switches, as specified by the Board from time to time. Specifically, as the in-Fund living annuity option does not form part of the Fund's default annuity strategy, the Board shall not restrict the portfolio options available to living annuitants to four portfolios.

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9.5.2 The investment strategy and options in respect of in-Fund living annuitants is documented in the Fund's Investment Policy Statement.

9.6 EXPENSE CHARGES

9.6.1 The Board shall establish and annually revise the switching charges and monthly expense charges that are to be debited monthly to living annuitant's capital accounts. Such expense charges (including all fees and charges) associated with the in-Fund living annuity are considered to be reasonable and competitive.

9.6.2 Living annuitants will be advised of these charges at the time of electing to take a living annuity and then on an on-going basis.

10. ALTERNATIVE ANNUITY STRATEGY IN THE FORM OF AN ANNUITY PURCHASED FROM AN INSURER

10.1 DB and DC members who do not elect an annuity payable by the Fund shall be entitled to elect an alternative annuity (either a life or a living annuity) purchased in the member's own name from an insurer. Such annuities do not form part of the Fund's default annuity strategy in terms of Regulation 39. DB and DC members electing such annuities will also be required to comply with the provisions of section 9.3 with the exception of the following paragraphs:

- a) 9.3.1(d)(i) and 9.3.1(d)(iv); and
- b) the wording of paragraph 9.3.1(c)(ii) changed to reflect the purchase of an annuity on retirement.

10.2 Life annuities secured from an Insurer on retirement or death of a DC member or living annuitant must make provision for:

- a) A spouse's pension payable for life of at least 50% of the member's post commutation annuity payable on the death of the annuitant (if the member is married at date of retirement). This does not apply in the case of annuities purchased from an Insurer by a beneficiary on the death of a DC member or on the death of a living annuitant. In special circumstances the member may request that the Fund waives this requirement; and
- b) Future pension increases.

11. PROVISIONS APPLICABLE TO ANNUITIES PAYABLE AS TO BENEFICIARIES OR DEPENDENTS A RESULT OF THE DEATH OF A DC MEMBER OR LIVING ANNUITANT

11.1 Life or living annuities payable to beneficiaries or dependents as a result of the death of a DC member or living annuitant shall be subject to the conditions contained in this document provided that, where such a beneficiary elects the payment of a life annuity from the Fund, the following shall apply:

- a) the life annuity for each beneficiary is provided on a single life basis only (i.e. these life annuities do not provide for contingent spouse, child or other dependant pensions);
- b) a major beneficiary may elect a guarantee period of **0, 5, 10, 15, 20 or 25** years; and

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- c) a minor beneficiary shall not be entitled to elect a guarantee period.

12. RETIREMENT BENEFITS COUNSELLING AND COMMUNICATION INITIATIVES

12.1 RETIREMENT BENEFITS COUNSELLING

- 12.1.1 The Fund has adopted a communication strategy taking account of the requirements of the Default Regulations. Such strategy is documented in the Fund's Communications Policy, including the Fund's approach to providing members and annuitants with access to retirement benefits counselling.

12.2 COMMUNICATION

- 12.2.1 Communication processes have been in place to assist members in understanding the concept of annuities and the practice adopted by the Fund when applying the relevant Rules and policies as set out in this strategy document. The following communication processes have been implemented:

- a) The Fund has a comprehensive member guide which is updated annually and when required. The member guide is supplied to all new members, is available to all current members on request and is also on the Fund web site. In addition, a pensioner guide is also available. These guides clearly indicate the retirement and annuity options available to members and also highlight the issues to be considered by members in making decisions in this regard.
- b) Voluntary pre-retirement workshops are offered to members (45 years and over) with reading material on the characteristics and the risks and rewards of life and living annuities. These sessions may be held in person or via Microsoft Teams.
- c) Fund officials hold individual discussions with retirees or beneficiaries of members who die in service in order to provide personalised information on the characteristics, pricing of life annuities and living annuities, and the combination options.
- d) The Fund provides information (including approximate calculation quotes) to members regarding choices at retirement and to beneficiaries and dependents following the death of a DC member or living annuitant. All approximate quotations are provided with the necessary disclaimers stating that they are based on the data provided, the prevailing unit price applicable at the time of preparing the quote (the quote is therefore subject to change) and are subject to errors and omissions.
- e) Should a member/beneficiary require advice of any nature regarding his/her pending retirement/benefit, he/she is advised to obtain this independently from a third party external to the Fund as the Fund and its officials are not permitted and do not provide financial advice. Costs in this regard are borne by the member/beneficiary. The Fund is not permitted to provide referrals in this regard other than referring members/beneficiaries to listings of professional advisors as provided by professional bodies.
- f) In all their discussions and communications with members/beneficiaries, Fund officials make it clear that they represent the Fund and that they only provide information about the annuity options available from the Fund. The members/beneficiaries are advised that they should obtain independent advice from a suitably qualified third-party financial advisor external to the Fund as to which

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annuity option from the wide range available in the market is best suited to their individual personal circumstances.

12.3 SPECIFIC COMMUNICATION: LIFE ANNUITANTS

- 12.3.1 Life annuitants receive monthly payslips where their monthly net pension fluctuates. The remaining annuitants will receive a payslip at least twice a year (at the time of the annual pension increase, when there are changes in the personal income tax scales and where applicable, a bonus is paid). There is also a Pensioner Information Booklet on the Fund website, which deals extensively with matters relevant to life annuitants. Furthermore, life annuitants also receive a bi-annual newsletter dealing with issues specifically affecting life annuitants. Pensioners also have access to a death benefits pamphlet detailing the benefits payable on the death of a life annuitant.

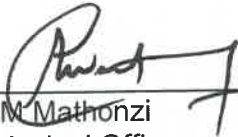
12.4 SPECIFIC COMMUNICATION: LIVING ANNUITANTS

- 12.4.1 A monthly benefit statement is sent to in-Fund living annuitants and in addition living annuitants can access their living annuity benefit statement on the internet. Access to this facility is password controlled. The monthly investment returns, asset allocations and investment fees and charges of the various portfolios are also available to living annuitants on the member website. Pensioners also have access to a death benefits pamphlet detailing the benefits payable on the death of a living annuitant.
- 12.4.2 Subject to guidance from the Financial Sector Conduct Authority (still pending at the date of the current revision to the Annuity Strategy Document), living annuitants will also receive an annual projection, prior to their anniversary date, which provides details of the sustainability of their elected draw-down rate and the likelihood of their income reducing in future. Living annuitants will be encouraged to review this information and take corrective action, if necessary.

13. SIGNATORIES

This document represents the Annuity Strategy Document of the **De Beers Pension Fund** and records the issues considered by the Board of the Fund in establishing an appropriate default annuity strategy in terms of Regulation 39 and for putting in place alternative annuity strategies for retiring members and other beneficiaries of the Fund.

SIGNED at Kimberley on this 30 day of July 2025


 SM Mathonzi
 Principal Officer

On behalf of the Board the **De Beers Pension Fund**

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REVISION HISTORY

Revision no	Description	Date Reviewed	Date Approved	Minute no
001	New practice note created	Not applicable	27 September 2018	54.18.13
002	Amendments in respect of Disaster Management Tax Relief Bill	15 May 2020	29 May 2020	Board Resolution 3 of 2020
003	Reviewed to incorporate Amendment 4 of the rules	November 2021	16 November 2021	Not required in terms of the Schedule of policies and other governance documents as approved by the Board at the Sept 2021 meeting.
004	Annual review and Reviewed to incorporate Amendment 5 of the rules	September 2022	16 September 2022	Not applicable
005	Annual review and Reviewed to incorporate Amendment 6 of the rules	May 2024	23 May 2024	Not applicable
006	Annual review and reviewed to incorporate changes to living annuity sub-maxima	May 2025	30 July 2025	Not applicable