

DE BEERS PENSION FUND

FUND POLICY DOCUMENT

PENSION INCREASE POLICY

Revision no	Review cycle	Effective date
002	Triennial	29 September 2022



DEFINED BENEFIT



DEFINED CONTRIBUTION

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1. PURPOSE

The purpose of this document is to record the Fund policy regarding pension increases taking into account the requirements of the Pension Funds Act No. 24 of 1956, as amended and regulations thereto (the Act), Fund Rule A.4.14 and the agreement with the Principal Employer dated 21 April 2011.

2. SCOPE

This policy applies to pensions in payment (including life annuity components, but excluding living annuity components) and Defined Benefit (DB) Deferred Pensioners. Increases to the accrued pensions of Paid-Up Pensioners are regulated separately by Fund Ruling No 36.

This policy does not apply to pension increases or additional pension payments which may be granted as a result of the apportionment of surplus by the Board in terms of Section 15C of the Act.

3. RESPONSIBILITY AND AUTHORITY

Designation	Responsibility
Principal Employer	To approve the policy and revisions on the recommendation of the Fund Actuary.
Board of Trustees (the Board)	To approve the policy and revisions on the recommendation of the Actuarial Board Committee, subject to approval by the Principal Employer.
Actuarial Board Committee	To review and recommend the policy to the Board of Trustees for approval on recommendation of the Fund Actuary.
Principal Officer	- To take ownership of the policy and provide interpretation as required; - To ensure that this policy is implemented and updated, as appropriate; - To promote and ensure compliance with the policy; and - To deal with any queries in relation to the policy.
Fund Manager	- To draft and maintain the policy in consultation with Fund Management and the Fund Actuary; - To align the policy with associated Fund policies and procedures, as well as regulatory requirements and provisions; and - To advise the Principal Officer of any non-compliance with the policy.

Any matter concerning pension increases not provided for in this policy must be referred to the Principal Officer who may in consultation with the Fund Actuary, the Principal Employer and the Chairpersons of the Actuarial Board Committee and the Board exercise his/her discretion in dealing with the issue prior to reporting the matter at the next scheduled meeting of the Board, along with any proposed policy changes, if appropriate.

4. POLICY

4.1 Life Annuitants (pensioners)

The following basic principles will be applied to pension increases and, if applicable, additional pension payments, considered by the Board for Life Annuitants (pensioners):

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- (a) Pension increases, if any, will usually be considered for implementation annually on 1 January (hereinafter referred to as the “pension increase date”). The Board may, at its discretion and subject to the consent of the Principal Employer, consider an increase for implementation at any other date;
- (b) The Fund will use the year-on-year change in the Headline Consumer Price Index for all urban areas, as published by Statistics South Africa (CPI) up to 30 September of the preceding year, as a benchmark for pension increase considerations;
- (c) The Fund will target pension increases equal to 100% of the increase in the CPI, as described in 4.1(b) above on an annual basis, subject to affordability;
- (d) Should any annual increase that the Board may wish to grant be in excess of the year-on-year increase in the CPI and be certified by the Fund Actuary to be affordable (refer to section 5 below for details), the approval of the Principal Employer will need to be obtained before such increase is implemented. In accordance with the provisions of the agreement with the Principal Employer, such approval will not be unreasonably withheld by the Principal Employer;
- (e) The Board may, at its discretion and subject to the consent of the Principal Employer, grant an additional pension payment to pensioners at the pension increase date, either with the pension increase being considered at that date or as an alternative to a pension increase, or any other date in terms of the provisions in Rule 4.14.3;
- (f) The Fund will aim to smooth pension increases from year to year (relative to CPI) in order to provide pensioners with greater certainty over time;
- (g) The Fund does not guarantee any increase to the pensions in terms of its Rules nor does it guarantee any additional pension payments, other than as specified in Fund Rule A.4.14.4. Any pension increases and additional pension payments are, therefore, discretionary. In order to avoid creating unreasonable expectations, communication to pensioners will be clear that any pension increase granted in excess of the pension increase target and/or any additional pension payment cannot be guaranteed in future and future increases/additional payments are subject to affordability.
- (h) The Board will grant the same pension increase to all pensioners, unless there is reasonable justification for applying a different increase to different pensioner groups. Any such justification will be clearly documented and communicated to pensioners. For example:
 - Pensioners who became entitled to receive a pension increase fewer than 12 months before the pension increase date will receive an increase pro-rated in accordance with the period from (and including) the date on which the pensioner first became entitled to a pension increase. The pro-rated basis means that if, for example, 100 days have elapsed from (and including) the date on which the pensioner first became entitled to a pension increase and until the date of the first increase in his or her pension, he or she will receive an increase equal to $100/365^{\text{ths}}$ of the full pension increase granted from the pension increase date; and
 - For DB pensioners (pensioners who retired from the DB section of the Fund) who retire before the age of 55 (in terms of retrenchment conditions) and between the ages of 55 and 60 (standard early retirement conditions) and who elect to receive no pension increase up to age 55 or age 60 (whichever is applicable), the first pension increase received after he or she turns 55 or 60 (whichever is applicable) will be pro-rated in accordance with the period from (and including) the day after the date on which the pensioner attained age 55 or age 60 (whichever is applicable) and until the applicable

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pension increase date. The pro-rated basis means that if, for example, 100 days have elapsed from (and including) the day after the date on which the pensioner attained age 55 or age 60 (whichever is applicable) and the date of the first increase in his or her pension, he or she will receive an increase equal to $100/365^{\text{ths}}$ of the full pension increase granted from the pension increase date;

- (i) Additional pension payments as described in 4.1(e) above will be paid to all pensioners, actively in payment at the time of additional payment, and will not be reduced on a pro-rated basis as described in section 4.1(h) above; and
- (j) A minimum pension increase in terms of Section 14A(1)(d) of the Act will be considered at least once every three years, coinciding with the Fund's statutory actuarial valuations and will, if necessary, be granted to pensioners taking account of the guidance set out in Interpretation Note 1 of 2010 issued by the Financial Sector Conduct Authority (FSCA) (previously the Financial Services Board).

4.2 DB Deferred Pensioners

The following basic principles will be applied to pension increases considered by the Board for DB Deferred Pensioners:

- (a) DB Deferred Pensioners receive the same percentage increase to their base pension as approved by the Board for life annuitants (pensioners), as described in 4.1 above;
- (b) As DB Deferred Pensioners are not in payment, they do not receive any additional pension payment which may be granted to pensioners in terms of 4.1(e) above;
- (c) DB Deferred Pensioners, who became entitled to receive a pension increase fewer than 12 months before the pension increase date, will receive an increase pro-rated in accordance with the period from (and including) the date on which the DB Deferred Pensioner first became entitled to a pension increase. The pro-rated basis means that, for example, if 100 days have elapsed from (and including) the date on which the DB Deferred Pensioner first became entitled to a pension increase and until the date of the first increase in his or her pension, he or she will receive an increase equal to $100/365^{\text{ths}}$ of the full pension increase granted from the increase date; and
- (d) When a DB Deferred Pensioner retires and purchases an in-Fund life annuity, he/she will receive a full pension increase when they become entitled to receive an increase (no pro-rated increase will apply).

5. CERTIFICATION BY THE FUND ACTUARY

The Fund Actuary will be required to certify:

- (a) that any proposed pension increase and/or additional pension payment to be made in accordance with this policy, which forms the basis of the reasonable benefit expectations of pensioners, is affordable; and
- (b) that on a best estimate basis, the proposed pension increase will not have the effect of putting the Fund into deficit or having a negative impact on the long-term viability of the Fund.

If the Fund Actuary certifies that any proposed pension increase is not affordable, the Board will not grant such increase.

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If the Fund Actuary certifies that future pension increases in line with the pension increase target, as set out in section 4.1(c) of the Pension Increase Policy, are not expected to be affordable, the Board, acting on the advice of the Fund Actuary, will be required to amend the Pension Increase Policy in order to appropriately reduce the reasonable benefit expectations of pensioners.

6. AUTHORISATION AND APPROVAL

Any revisions to this policy must be formally approved by the Board of Trustees and the Principal Employer, in consultation with the Fund Actuary.

Approved by the Principal Employer

R Hannie
Chairperson of De Beers Group Service

Approved by the Chairperson of the Fund

C W Coltman
Chairperson of the Fund

Approved by an Employer appointed Trustee

C J Blanckenberg
Employer appointed Trustee

Approved by a member elected Trustee

NJ Soyizwaphi
Member elected Trustee

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REVISION HISTORY

Revision no	Description	Date Reviewed	Date Approved	Minute no
001	Policy review	February 2011	24 March 2011	06.11.7
002	Triennial review and alignment of terminology with other Fund governance and policy documents and requirements of the Act.	August 2022	29 September 2022	