

As a member of the 10X Pension Fund, 10X Pension Preservation Fund or 10X Retirement Annuity Fund, once you reach retirement, legislation allows you to access up to one third (33.33%) of your fund credit in cash, the balance must be placed with a registered insurer in an annuity. You will have the choice of which type of annuity to invest your savings in.

Regulation 39 of the Pension Funds Act requires that the fund have in place a default annuity strategy for members to opt in to should they chose to do so.

The board of Trustees of the funds have carefully considered the options and decided that the following types of annuities may be appropriate for you.

**Living Annuity**

**Guaranteed Annuity**

**Living Annuity**

A Living Annuity is the most flexible type of annuity. It is an investment product that pays you a regular income but the risk that you outlive your income is yours to bear, that is to say, the income you receive is not guaranteed for life and may run out before you die. In exchange, you have the flexibility to decide on the level of income you would like to draw (subject to regulated limits) and the underlying investments your annuity is invested in. In a living annuity, unlike a guaranteed annuity, if you die before your capital runs out, your beneficiaries are entitled to the investment balance.

In deciding on the underlying investments, it is vital that you ensure your investment has enough exposure to growth assets to make sure that your income keeps up with inflation.

In terms of income, currently you must draw between 2.5% and 17.5% of your fund balance. You can elect to receive this monthly, quarterly, semi-annually or annually. You need to re-elect your income draw percentage at each policy anniversary date (yearly). Your income drawdown deducted is before tax. It is your responsibility to ensure that the income that you select is at a level that would be sustainable for the rest of your life. You need to carefully manage your income drawdown relative to the investment return to achieve this. The table below can be used as a guide.

*Years before your income will start to reduce*

*Source: ASISA*

		Investment return after fees				
		2.50%	5.00%	7.50%	10.00%	12.50%
Initial income draw (%)	2.50%	21	30	50+	50+	50+
	5.00%	11	14	19	33	50+
	7.50%	6	8	10	13	22
	10.00%	4	5	6	7	9
	12.50%	2	3	3	4	5
	15.00%	1	1	2	2	2
	17.50%	1	1	1	1	1

Once the number of years in the table above has been reached, your income will diminish rapidly in the subsequent years.

You may also switch your living annuity to a guaranteed annuity at any stage.

## Guaranteed Annuity

A guaranteed annuity is a product that guarantees your income for life. You pay the insurance company your fund credit and in exchange, the insurer promises to pay you an income for life. In this case, there is no risk of outliving your investment. Unlike the living annuity, your income is determined by the insurer depending (primarily) on the amount of money you have saved up to invest and your age. You may not transfer a guaranteed annuity or change provider, the investment is final and inflexible. When you die, the income payments cease and the insurer keeps whatever remains of your investment.

There are various types of guaranteed annuities with differing attributes that make these products difficult to compare.

The two kinds of guaranteed annuities the board has considered appropriate are inflation-linked guaranteed annuities and with-profit annuities.

Inflation-linked annuities guarantee your income but annual increases are also guaranteed to increase with the published consumer price index (CPI). This ensures your income is guaranteed to keep pace with inflation.

With-profit annuities guarantee a minimum income that will never decrease but increases are determined by a formula that includes investment return, fees and other insurance factors.

The board believes it is appropriate, for members who are married, to have a 10-year guarantee period in place with a 75% spousal benefit. This means that if you pass away within the first 10 years of the policy, your spouse will receive a pension of 75% of your income for the remaining years. For example, if you die seven years after the start of the policy and were paid R10,000 per month, your spouse will receive a pension of R7,500 per month for the remaining 3 years, at which point the payments will stop.

As the board has negotiated the terms of these guaranteed annuities, there is no commission payable and you benefit from the collective bargaining power of all members. As a result your monthly income will be higher than if you approached an advisor or the provider directly.

	Living Annuity	Inflation-Linked Annuity	With-Profit Annuity
Inflation		✓	
Longevity		✓	✓
Flexibility	✓		
Estate	✓		

The board has considered the above kinds of annuities and decided on three providers who represent the best value for members in the event one of the above products meets your unique requirements and circumstances.

## 10X Living Annuity

The 10X Living Annuity is a simple, low cost living annuity, ensuring you get the most out of your retirement savings.

For default annuitants, 10X charges a single low fee of 0.50% excluding VAT. This includes all policy administration and investment management.

10X offers three portfolios for living annuitants, 10X High Equity, 10X Medium Equity and 10X Low Equity. The High Equity portfolio is expected to deliver the best long term returns but may be more volatile in the short term. The fee saving and index tracking methodology with 10X allows members to avoid poor investment management decisions and benefit from low fees, ensuring your income lasts as long as possible.

## Sanlam Inflation-linked Guaranteed Annuity

The Sanlam inflation-linked guaranteed annuity guarantees a level of starting income for life with annual increases guaranteed to be in line with inflation.

### Important features of the product include:

- 75% spouse benefit
- 10-year guarantee period
- Inflation-linked increases

## Old Mutual With-Profit Annuity: Platinum Pension 2003

A with-profit annuity also guarantees you a pension for life, but the increases are not guaranteed, they are determined by a formula that accounts for investment market returns, fees and other insurance factors.

These products tend to offer higher starting incomes because you take on more risk of not achieving increases that are not in line with inflation.

### Important features of this product include:

- 75% spouse benefit
- 10-year guarantee period
- 3% PRI

**Increase =**

$$\frac{1 + (Inv - Fees + a + BSR\ cont)}{1 + 3\%} - 1$$

**Where:**

**Increase** = Annual increase percentage (min of zero)

**Inv** = Return – Fees

**Fees** = Investment fees and capital charges

**a** = Mortality and other basis changes adjustments, if any (can be +ve or -ve)

**BSR** = BSR contribution to increase (can be +ve or -ve)

**PRI** = Post Retirement Interest Rate (3%)

An indicative comparison of the starting incomes of the two guaranteed annuities is below:

		Age			
		55	60	65	
Single Male	Old Mutual WPA	R 2 819	R 3 050	R 3 312	Indicative starting incomes for a R 500,000 investment  Source:
	Sanlam Inflation-Linked Annuity	R 2 643	R 2 977	R 3 044	
Single Female	Old Mutual WPA	R 2 557	R 2 785	R 3 056	
	Sanlam Inflation-Linked Annuity	R 2 330	R 2 587	R 2 934	

		Age			
		55	60	65	
Married Male	Old Mutual WPA	R 2 342	R 2 530	R 2 763	Indicative starting incomes for a R 500,000 investment  Source:
	Sanlam Inflation-Linked Annuity	R 2 170	R 2 374	R 2 639	
Married Female	Old Mutual WPA	R 2 378	R 2 585	R 2 851	
	Sanlam Inflation-Linked Annuity	R 2 191	R 2 408	R 2 700	

It's not compulsory for you to choose one of the above options. You are still able to purchase any annuity of your choosing.

Should you wish to discuss any of the above options further, here are the contact details:

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