



Sanlam With-Profit Annuity

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Financial Planning | Retirement | Insurance | Health | Investments | Wealth | Credit

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Sanlam With-Profit Annuity

The **Sanlam With-Profit Annuity** augments the Sanlam annuities product range, to give pensioners access to quality retirement solutions. It provides a guaranteed income for life and offers pension increases linked to market performance. Underlying investments, in **Balanced** and **Absolute return funds**, are smoothed over six years before declaring pension increases

Pensioners can choose from various options based on their preference for a higher starting pension or higher future pension increases. The guarantee offered ensures that pension increases are never negative, even in poor market conditions. Pensioners are paid for as long as they, and their nominated spouse, may live.

If you have employees who are nearing retirement, now is the time to plan.



Why choose Sanlam?

- > More than 100 years industry experience
- > Largest insurer in South Africa
- > We administer over 345 000 annuities
- > Annuity Book Size: R200 billion
- > Solvency cover ratio of 170%
- > Level 1 BBBEE certified

Why Choose Sanlam With-Profit Annuity

- > SWPA is a well priced life annuity with a **variety of increase options**
- > The underlying investment portfolios are specifically set up to target returns that can **achieve good, stable pension increases**
- > Pensions are guaranteed to be paid for life and are **guaranteed never to decrease**
- > A reliable, and high performing underlying fund and smoothed averaging of returns mean pension **increases participate in investment** returns but are **less exposed to short-term market volatility**

Sanlam With-Profit Annuity **Options**

Growth

Pensions grow fastest with the Growth option. Pension increases have full investment participation (IPR). Starting pension will be lower than other options. This option will preserve the purchasing power of your pension the longest. The PRI is 3.5%.

Optimal

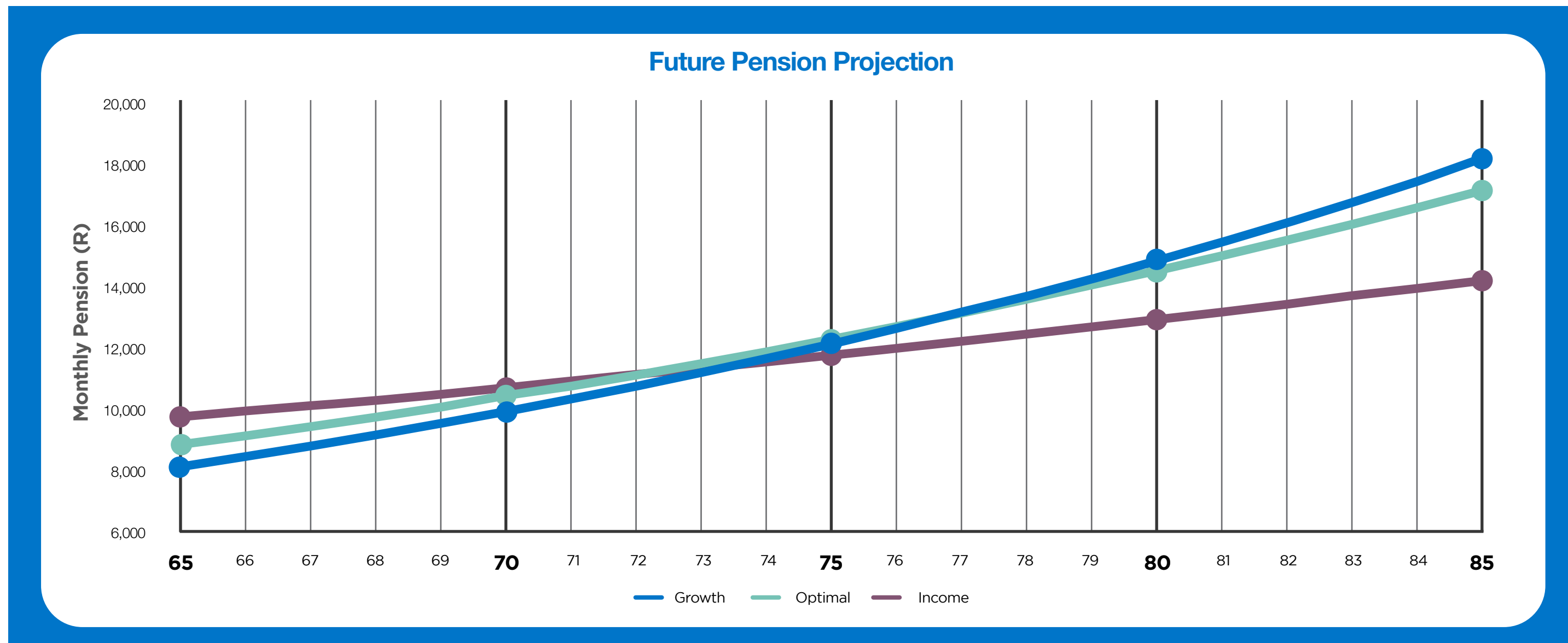
Pensions grow steadily with the Optimal option, whilst still offering a competitive starting pension. Pension increases have 75% investment participation. This option offers a balance between a high starting pension and strong future pension increases. The PRI is 2%.

Income

The starting income will be higher than other options. Pensions grow with good investment returns, but at a slower rate than other options. Pension increases have 75% investment participation. The PRI is 3.5%.

Sanlam With-Profit Annuity Options

The following example demonstrates the approximate starting pension that a 65 year old male retiree might expect to receive, and how it progresses in the future. Whilst the Income option starts off higher, the Growth option overtakes it later if the underlying investments achieve good net returns, with the Optimal option somewhere in-between. Future pensions shown assume a 10% gross return on underlying investments.



Pension Increases

At inception of the policy, pensioners select their increase option. Pension increases will then be based on:

- 1 the **PRI** and **IPR** of the increase option selected at inception
- 2 **return**: the underlying fund's gross smoothed return
- 3 annual **product charge** of 1.5%
- 4 **profit experience** (group longevity)

The increase is calculated as follows:

$$(\text{Return} \times \text{IPR}) - \text{PRI} - \text{Product Charge} + \text{Profit Experience}$$

The formula above is subject to the guarantee that pensions cannot decrease.

The mathematical **pension increase formula** defines these components more precisely. Each of these components is explained next.



Elements of a **With-Profit Annuity**

Post-Retirement Interest Rate (PRI)

Only participating returns above the PRI are converted into pension increases.

Investment Participation Rate (IPR)

The proportion of investment returns that pension increases will participate in.

Product Charge

1.5%, which covers the cost of the guarantee that pensions cannot decrease. Net of fees returns are used in the pension increase formula.

Profit Experience

Small adjustment if mortality experience differs from expected, because pensioners share in each others' profits and losses.



Investment Strategy

The underlying reference portfolio is invested in **60%** in **SMM Moderate Absolute Return Fund** and **40%** in **SWPA Bonus Balanced Fund**

SMM Moderate Absolute Return Fund

SMM Moderate Absolute Return Fund is designed to target a return of inflation plus 5% over rolling 3-year periods, while protecting capital over rolling 12-month periods. The fund is diversified across several underlying investment managers, asset classes and financial instruments.

SWPA Bonus Balanced Fund

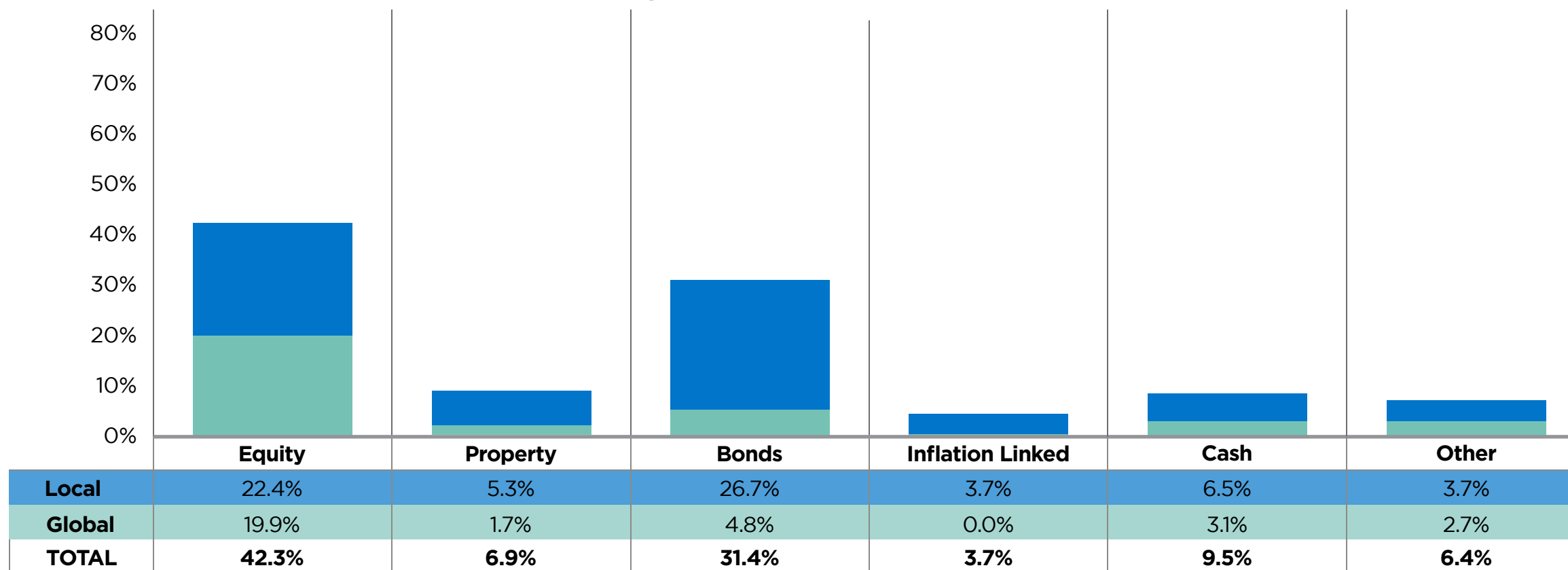
SWPA Bonus Balanced Fund uses the same asset allocation as the Stable Bonus and Monthly Bonus Portfolios which have been successfully managed to provide stable and smoothed returns for their investors. The asset allocation follows that of a moderately aggressive balanced fund.



Underlying Investments

The underlying fund is invested in balanced and absolute return funds which blend diversified strategies including alternatives, both locally and offshore, to manage risk and enhance performance potential by capturing different sources of returns. A high proportion of assets whose long term expected returns exceed inflation, such as equities and property, drives strong increases.

Underlying fund: Asset Allocation



Portfolio Returns

Time Period	Annual Return
1 Year	7.40%
3 Years	9.13%
5 Years	7.77%
10 Years	6.63%

Other assets include credit assets and alternative investments.

The asset allocation and returns shown are effective August 2023 when the combined funds' size was R 17 billion.

Past Pension Increases

Pension increases are granted to pensioners every year based on smoothed returns on the underlying fund, during the bonus period between 1 November and 31 October.

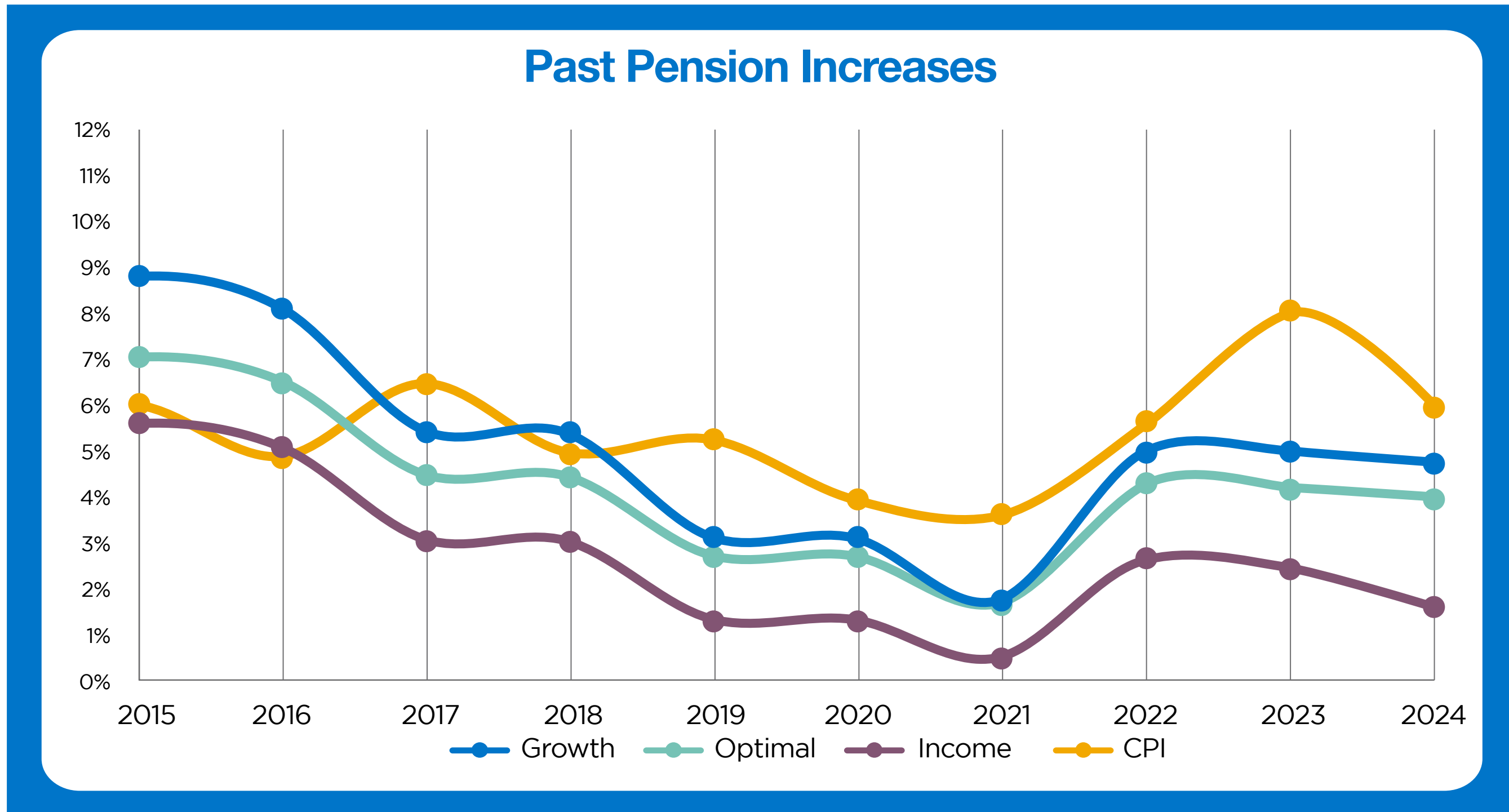
The new pension, once granted, is also guaranteed for life and subject to non-negative increases going forward.



Pension increases for the past ten years are as in the table below, with a longer history shown on the following page.

Increase Option:	Growth	Optimal	Income	CPI
2020	2.78%	2.36%	0.87%	3.70%
2021	1.27%	1.21%	0.00%	3.30%
2022	4.35%	3.56%	2.05%	5.00%
2023	4.16%	3.41%	1.91%	7.60%
2024	3.60%	2.98%	1.49%	5.92%
10 Year Average	4.73%	3.85%	2.37%	5.24%
10 Year (% of CPI)	90%	73%	45%	100%

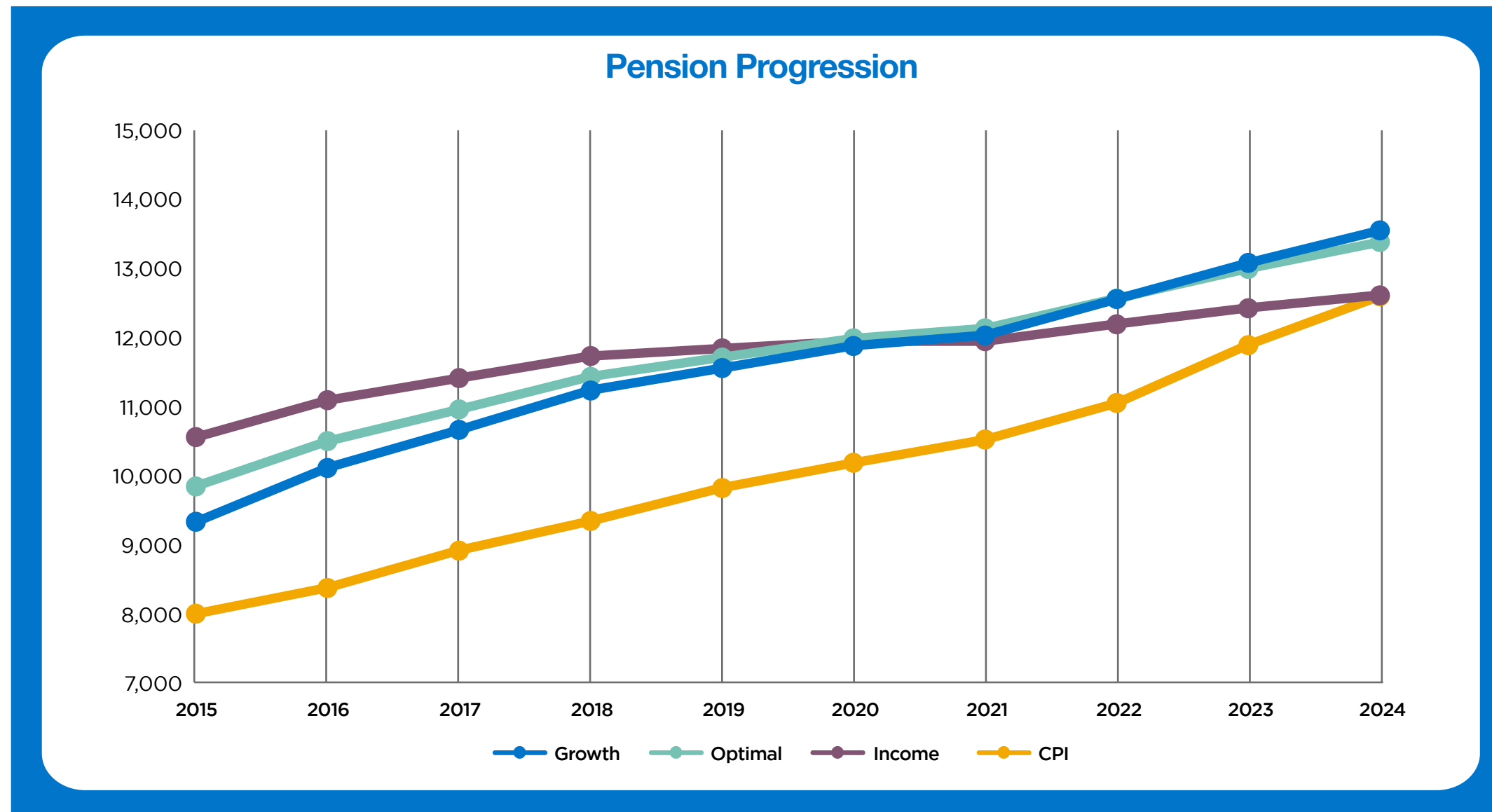
Pension increases for various options, for the past ten years are shown in the following illustration, alongside CPI inflation.



Note 1: Backtested results are used prior to product inception.

Past Pension Progression

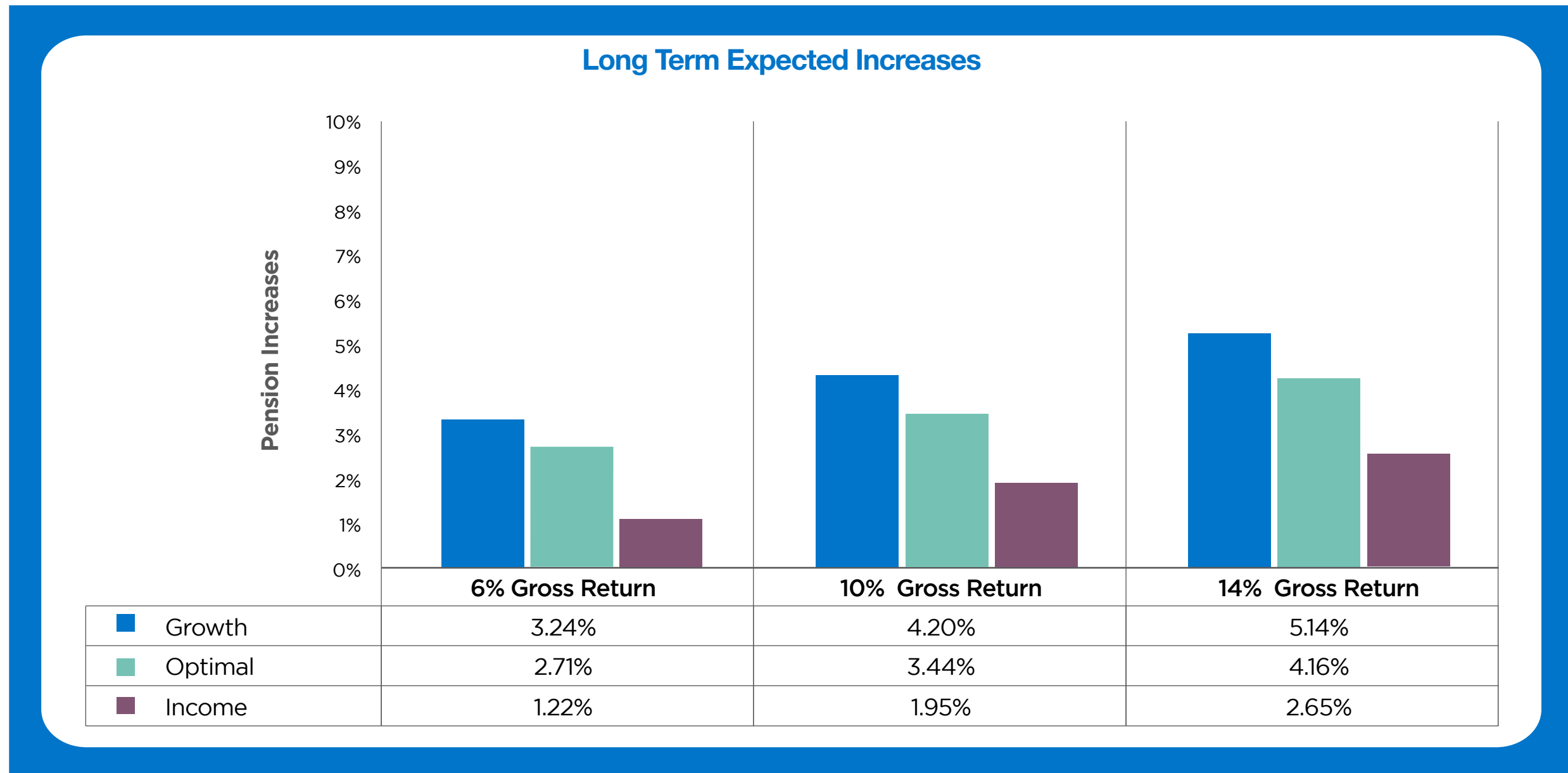
For a R 1m purchase amount, a 65 year old male might have seen his pension, under the various increase options, progress as follows, over the past ten years. The starting pension for each increase option will differ in practice, and varies based on pensioner-specific details and economic indicators at the time of quotation.



For a quotation to determine the starting income a pensioner will receive on their preferred option, please [contact us](#).

Future Pension Increases

The future increases depend on the performance of the underlying investment portfolio going forward. We present the following scenarios to illustrate what increases are to be expected under a range of scenarios of differing underlying fund returns:



Declaring Pension Increases

Increases are calculated using the net return on the underlying funds, for the past six years. The 2023 increases use a smoothed average return of 6.90% which was calculated using the geometrically weighted average of the returns between 2017 and 2022. The 2024 increase uses returns between years 2018 to 2023, and so on.

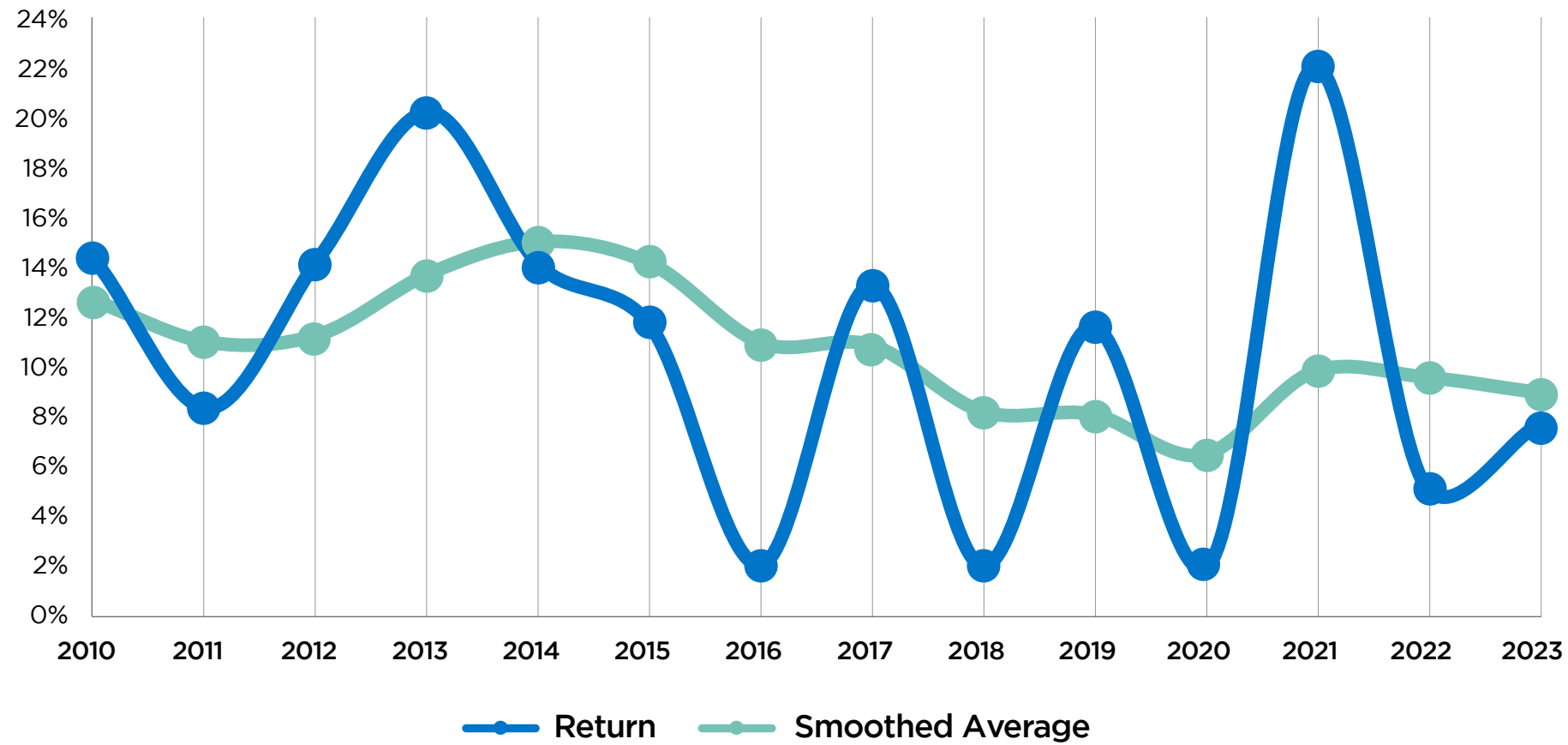
Averaging the returns over six years ensures more stable long term pension increases for pensioners. Smoothing also limits the extent that one year's poor returns can negatively impact the pension increase.

The table below details the calculation of the smoothed average return, using returns on the underlying fund.

		Bonus Year					
		2023	2024	2025	2026	2027	2028
Return Year	2017	13.05%					
	2018	2.02%	2.02%				
	2019	11.41%	11.41%	11.41%			
	2020	2.14%	2.14%	2.14%	2.14%		
	2021	21.60%	21.60%	21.60%	21.60%	21.60%	
	2022	5.24%	5.24%	5.24%	5.24%	5.24%	5.24%
	2023		7.46%	7.46%	7.46%	7.46%	7.46%
	2024			Return 2024	Return 2024	Return 2024	Return 2024
	2025				Return 2025	Return 2025	Return 2025
	2026					Return 2026	Return 2026
	2027						Return 2027
	Smoothed average	9.40%	8.85%	Declared 2024	Declared 2025	Declared 2026	Declared 2027

The following graphic demonstrates the impact of smoothing on stability of pension increases. Without smoothing there is significant fluctuation in the returns.

Impact of Smoothing Returns



Year	Return	Smoothed Average
2010	13.84%	12.35%
2011	8.21%	10.79%
2012	14.12%	11.10%
2013	19.84%	13.48%
2014	13.79%	14.72%
2015	11.43%	13.85%
2016	2.06%	10.77%
2017	13.05%	10.68%
2018	2.02%	8.11%
2019	11.41%	7.99%
2020	2.14%	6.41%
2021	21.60%	9.65%
2022	5.24%	9.44%
2023	7.46%	9.65%

Additional Resources

Click on any of the following topics to browse to the resource on our website:

Products Info Sheet

The Sanlam Inflation-Linked Annuity is Sanlam's flagship annuity product, which provides guaranteed, regular income for investment and inflation risk.

Why choose Sanlam?

- More than 100 years industry experience
- Largest issuer in South Africa
- We administer over 250 000 annuities
- Annuity track size: R75 billion
- Sanlam's cover ratio of 117%
- Level 1 BBBB+ certified

Why Sanlam Inflation-Linked Annuity?

- The Sanlam Inflation-Linked Annuity is a life annuity which guarantees inflation-linked income to match your needs in the purchasing power of your pension over time.
- The Sanlam Inflation-Linked Annuity has a 20 year track record.
- Pensions are guaranteed to be paid for life and increase in line with inflation.
- Pensions are not exposed to investment volatility as any economic volatility does not impact your pension.

Future Pension Increases

Pension pension increases are based on four month lagged CPI inflation published by Stats SA. Increases are about 10% or 12% of CPI or 100% of CPI increases. The amount of CPI increases higher than inflation also adds CPI volatility increases, where 1% larger than 1% to 1% - these will begin with a lower starting pension.

Future Pension Disposition

Compare the value and future monthly pension payments for a 20 year annuity starting at 100k.

Year	100% of CPI	120% of CPI	100% of CPI + Volatility
0	100,000	100,000	100,000
10	110,000	120,000	115,000
20	121,000	144,000	130,000
30	133,100	172,800	145,000
40	146,410	207,360	160,000
50	161,051	248,832	175,000
60	177,156	298,608	190,000
70	194,912	357,120	205,000
80	214,403	424,704	220,000
90	235,843	501,648	235,000
100	259,427	589,376	250,000

Video | The Centenarian: Financial Strategy in Old Age

How much is enough?

R 10,000 p.m. (R 120k p.a.)

Age	Monthly Pension	Total Value
Age 80	20x120k	R 2.4m
Age 90	30x120k	R 3.6m
Age 100	40x120k	R 4.8m

Video | Decisions at Retirement

Decisions at Retirement

Life Annuity Product Range

Life Annuity Product Range

Video | Retirement and Annuities

Retirement and Annuities

See more of our product range [here](#)

Contact us

Quotations, support and questions:

Toll-free : 0800 247 248

Email : annuitysupport@sanlam.co.za

Free SMS : 38300



Appendix

Complete Pension Increase Formula

The complete pension increase formula details the mathematical application of geometric averaging and sets out how the increase is calculated mathematically. Increases are, in practice, calculated as follows:

$$\text{Increase} = \text{Max} \left\{ \frac{1+(i \times \text{IPR})}{1+\text{PRI}} \times (1 - \text{Product Charge}) - 1 + \text{Profit Experience} ; 0 \right\}$$

The formula uses variables, defined as follows:

- ① PRI: Post-Retirement Interest Rate
- ① IPR: Investment Participation Rate
- ① Product Charge is 1.5%
- ① Profit Experience: Adjustment for mortality and trading impact
- ① i : Return, gross of investment fees on underlying reference portfolio
- ① $1+i = (1+i_1)^{w1} \times (1+i_2)^{w2} \times (1+i_3)^{w3} \times (1+i_4)^{w4} \times (1+i_5)^{w5} \times (1+i_6)^{w6}$
- ① Weightings: $w1=25\%$; $w2=25\%$; $w3=20\%$; $w4=15\%$; $w5=10\%$; $w6=5\%$
- ① i_1 = underlying reference portfolio return of most recent bonus period
- ① i_2 = underlying reference portfolio return of 2nd most recent bonus period, etc.



Sanlam Life is a Licensed Life Insurer, Financial Services
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