

# **Absa Pension Fund**

**Living Annuitant Pensioners 2021** 

2021

Adele Roux

### How does it work?

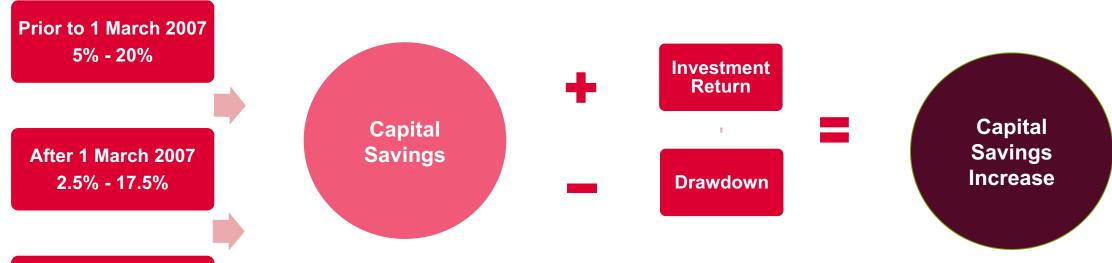
Select level of pension/draw down

Investment Choice Various portfolios

**Balance paid out - Death** 

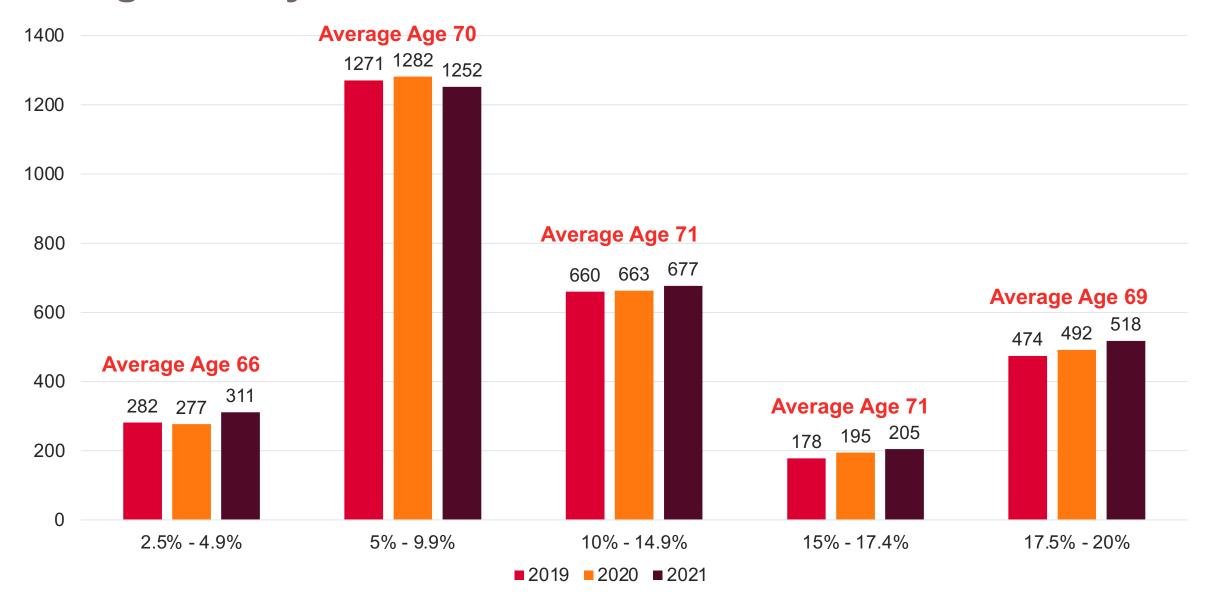
**Pensioner carry risk** 

- Investment
- Inflation
- Longevity



Pension percentage option effective date 1 April annually

## **Living Annuity Pensioners Withdrawal Rates**



### **Inflation Risk**

### Inflation erodes your wealth & purchasing power over time



### Inflation

### The prices they are a changing

A basket of goods that cost R100 in 1961 would cost almost R9700 in 2020.





















Maize meal







Cigarettes







White bread









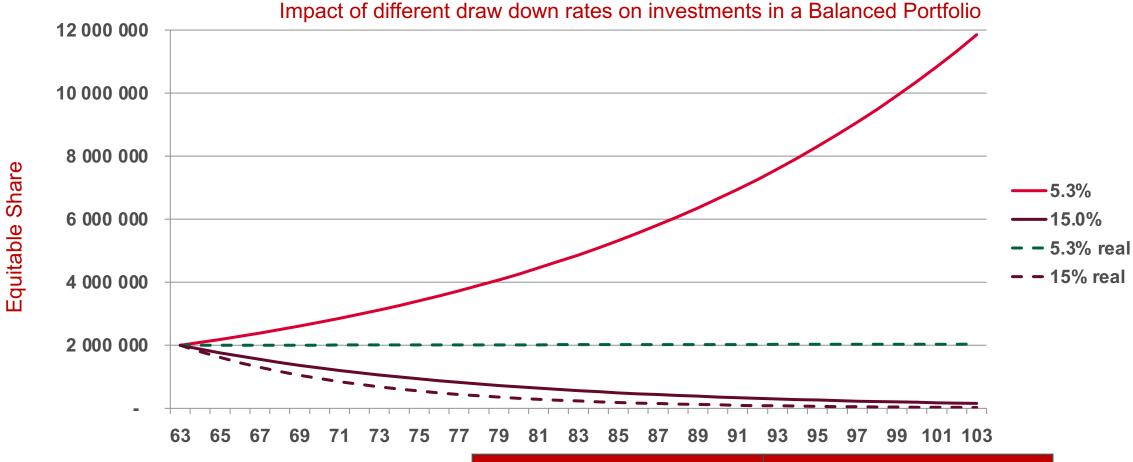
1961 - 2020

Source: Consumer Price Index, average prices, 1960 and 2020





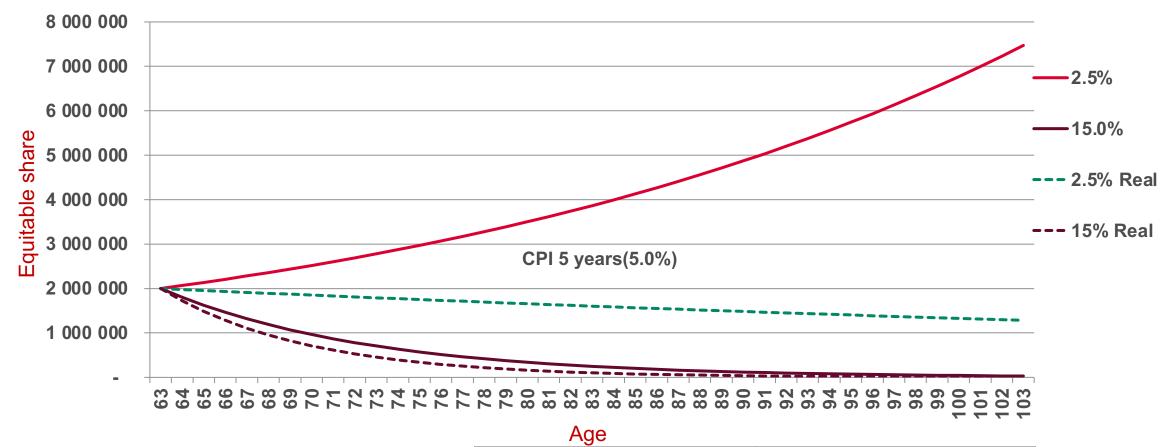
## Impact of Draw Down Rates – Balanced Portfolio (10.4%)



	Nominal return environment		Real return environment	
Withdrawal Rate	5.3%	15.0%	5.3%	15%
Equitable Share at age 80	4,260,434	678,619	2,015,937	321,106
Equitable Share at age 85	5,321,685	493,817	2,020,648	187,503
Equitable Share at age 103	11,852,012	157,235	2,037,701	27,033

## Impact of Draw Down Rates – Cash Portfolio (6%)

Impact of different drawdown rates on investments in a cash portfolio



	Nominal return	environment	Real return environment		
Withdrawal Rate	2.5%	15.0%	2.5%	15%	
Equitable Share at age 80	3,501,936	339,900	1,657,033	160,833	
Equitable Share at age 85	4,129,149	201,825	1,567,842	76,633	
Equitable Share at age 103	7,472,213	30,904	1,284,688	5,313	

## **Living Annuities – Portfolio Structure**

**Interest Bearing** 

#### **Fixed Deposit**

- March 2021 tranche: 4.599%
- Managed by Absa,
  Nedbank, RMB,
  Standard Bank, Investec
- Fixed 12-month period

**Domestic Money Market** 

- Low Risk
- Managed by Absa Asset Management
- SA bank deposit shortterm fixed-interest investments

**Guarantee Portfolios** 

**Return Guarantee** 

**Capital Guarantee** 

Market Linked

**Wealth Preservation** 

- Medium Volatility
- No Capital Guarantee

**Wealth Creation** 

- High Volatility
- No Capital Guarantee

**Closed Portfolios** 

**Sanlam Monthly Bonus** 

**Old Mutual Coregrowth** 

**RETURN** 

Less

More

Less

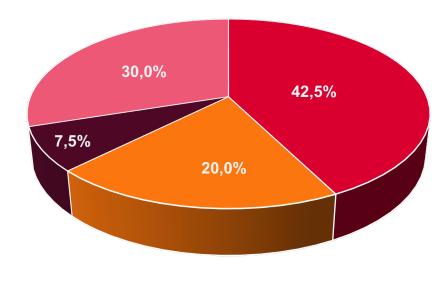
RISK

Mor.

### **Wealth Creation**

Strategy	Investment manager	Weight	
	Allan Gray	12.0%	
Domestic Balanced	Coronation	12.0%	
(Flexible asset allocation)	Ninety-One	12.0%	
	AEON	4.0%	
	ABAM Equity	9.8%	
	Kagiso Equity	6.0%	
Specialist Mandates	Aluwani Bonds	4.3%	
	Absa Flexible Interest Bearing	8.7%	
	Futuregrowth	1.2%	
	Capitalworks Private Equity	0.0%	
	Old Mutual RAFI	6.0%	
Foreign Portfolios	Old Mutual MSCI ESG Fund	12.0%	
	Schroders Core Equity Fund	12.0%	
Total Wealth Creation		100%	

# Real Return Target: Inflation plus 6% rolling 5 years



Local Equities

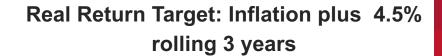
Local Bonds

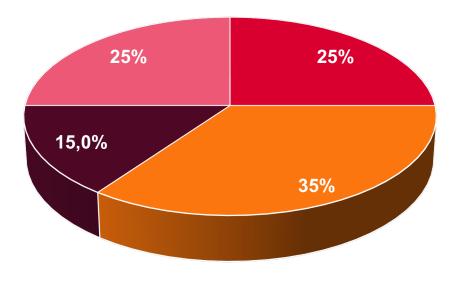
■ Local Money Market

International Equities

### **Wealth Preservation**

Strategy	Investment manager	Weight	
	Allan Gray	9.0%	
<b>Domestic Balanced (Flexible</b>	Coronation	9.0%	
asset allocation)	Ninety-One	9.0%	
	AEON	3.0%	
	Matrix Absolute Return	17.3%	
Absolute Return	Absa Absolute	27.8%	
Foreign Portfolio	Old Mutual RAFI	5.0%	
	Old Mutual ESG Fund	10.0%	
	Schroders Equity Fund	10.0%	
Demonstration of the control of the	Capitalworks Private	0.007	
Domestic Specialists	Equity	0.0%	
Total Wealth Preservation		100%	





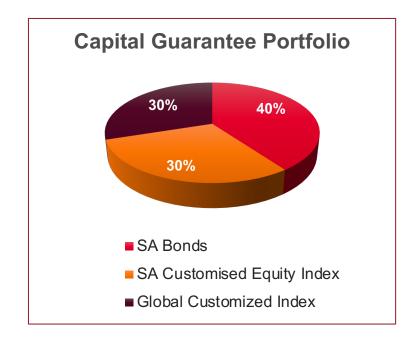


■ Local Money Market ■ International Equities

### **Guarantee Portfolios**

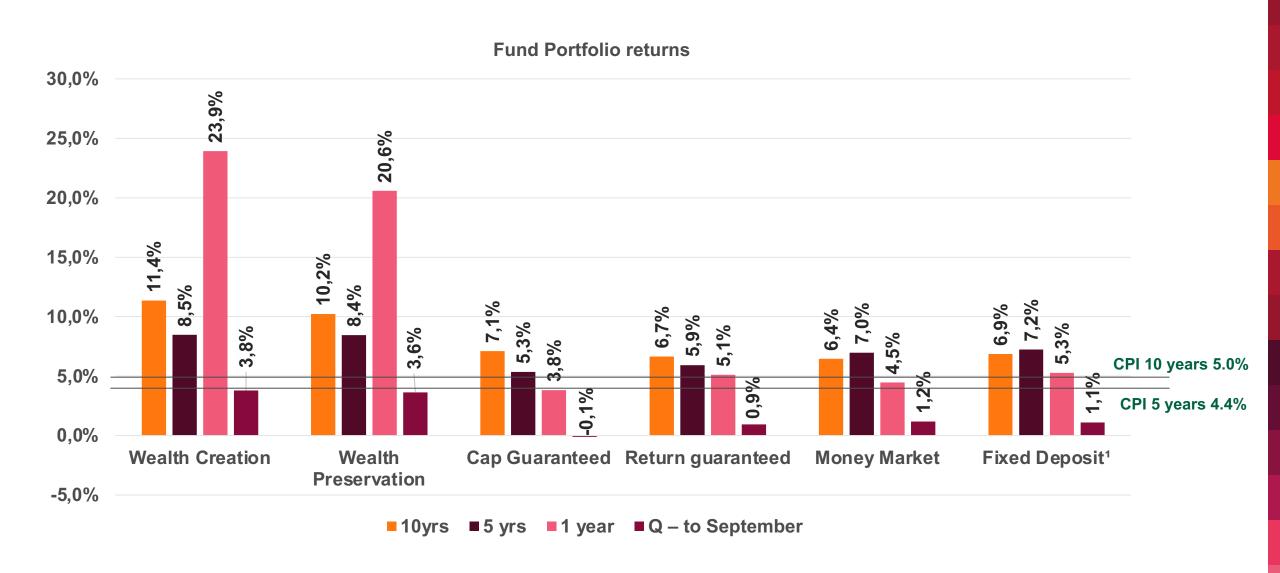
### **Managed by Ashburton Asset Management**

	Capital		Return	
	Minimum	Maximum	Minimum	Maximum
Implemented	100.0%	Unlimited	102.5%	Unlimited

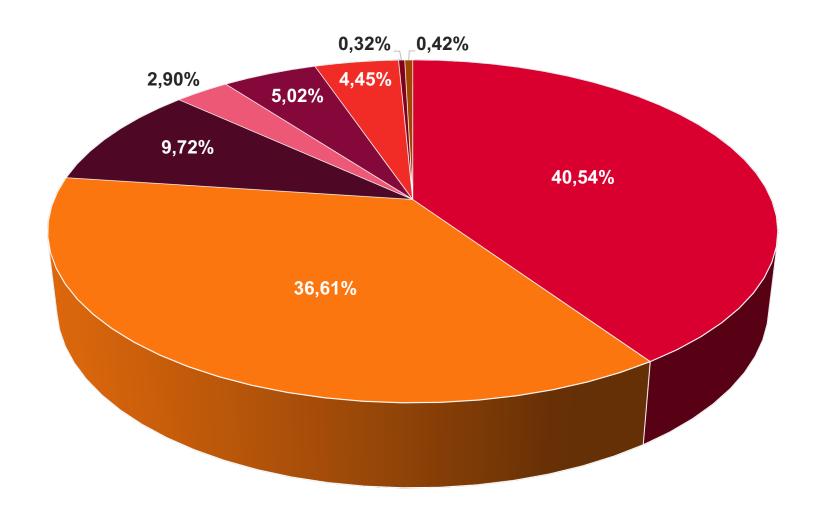




## Portfolio Performance – September 2021



## Living Annuitants – Investments per Portfolio 2021



- Wealth Creation
  - realth Creation wealth Preservation
- Domestic Money Market
- Wealth Preservation
- Fixed Deposit

- Capital Guarantee
- Old Mutual CoreGrowth
- Minimum Return Guarantee
- Sanlam Monthly Bonus

### **General information**

#### **Investment Switches**

#### **Anytime switching**

Via Internet - Memberweb

#### March switch

- Full communication
- Free of charge

#### **Guaranteed portfolios and fixed deposits**

- Only at date of expiry of structure
- Annually in March

#### **Death Benefits**

#### **Absa Pension Fund**

Equitable share - pension or lump sum (if requested within 12 months of pensioner's death)

### Plus (If selected at retirement)

#### **Group Life Scheme**

- Payable to nominated beneficiaries
- Maximum of 50% of life cover
- Benefit equals monthly premium divided by R1,0885 multiplied by R1 000 from 1 July 2020
- Possible increase in premium