

Momentum Golden Income With-Profit Annuities overview



momentum
corporate

What is a with-profit annuity?

- The retiree buys a with-profit annuity with their retirement savings from the insurer. The insurer then pays them a guaranteed pension for life.
- There is an increase to the pension each year and the new pension amount is guaranteed.
- The increase granted targets a % of inflation, but is not guaranteed and is based on the investment returns of the underlying Bonus Generating Portfolio (BGP).

Momentum with-profit annuities

These are the with-profit annuities that we offer:

- The Momentum Golden Income With-Profit Annuity (GIWPA), where the BGP is the Momentum Enhanced Growth portfolio, and is managed by Momentum Investments.
- The Momentum Golden Income With-Profit Annuity – Performer Life (GIWPA – PL), where the BGP is the Alexforbes Performer Life portfolio, and is managed by Alexforbes Investments.

What is the BGP?

- This portfolio is the engine driving the potential future increases.
- Momentum Investments' and Alexforbes Investments' respective strategies aim to maximise the probability of meeting the specific objectives.

The strategic asset allocations are:

Asset classes	GIWPA	GIWPA - PL
Equities	40%	35% - 45%
Bonds	13%	12% - 17%
Cash	10%	2% - 9%
Property	7%	1% - 3%
Global	30%	Max 30%
Africa		Max 2%
Alternatives		2% - 9%

Post-retirement interest rate

The post-retirement interest rate (PRI) influences the:

- Level of the initial guaranteed pension (the higher the PRI, the higher the starting pension).
- Level of inflation targeting for future increases (see the next table).
- The minimum investment return that must be earned on the BGP before increases are declared.

A range of PRI rates is available, each targeting a % of inflation for the increases:

PRI	Targeted inflation (% of CPI)
2%	100%
2,5%	90%
3%	80%
3,5%	70%

How annual increases are determined

Increases are determined annually in December based on the weighted annual investment returns of the BGP over the previous 6 years. The measurement date is 30 November.

	Year	t-6	t-5	t-4	t-3	t-2	t-1
GIWPA	Weight %	5	7,5	15	17,5	25	30
GIWPA - PL	Weight %	16,66	16,66	16,66	16,66	16,66	16,66

The annual bonus declared is calculated using 75% of the smoothed returns, then deducting the annual product fee and adjusted by the impact of any experience items, eg mortality profits/losses:

$$\text{Increase} = (1 + \text{bonus} - \text{risk fee}) / (1 + \text{PRI})$$

Historical increases for the 2% PRI (100% CPI targeting):

Year	GIWPA	GIWPA - PL	CPI
2014	6,37%	5,51%	5,35%
2015	7,35%	8,85%	5,80%
2016	5,58%	7,79%	4,77%
2017	3,82%	6,42%	6,61%
2018	5,00%	6,63%	4,62%
2019	3,13%	3,88%	5,18%
2020	4,01%	2,57%	3,56%
2021	0,00%	1,96%	3,17%
2022	4,50%	3,92%	5,47%
2023	4,01%	4,41%	7,41%
3-year average	2,82%	3,42%	5,33%
5-year average	3,12%	3,34%	4,95%
10-year average	4,36%	5,17%	5,19%

Fees

Fees	GIWPA	GIWPA - PL
Ongoing: product fee	1,00% pa	0,90% pa
Ongoing: net priced assets*	0,17% pa	0,33% pa
Ongoing: risk fee	0,05% for each 0,5% above a 2,5% PRI	
Once-off: premium fee (initial)	R3 900 (individual)	
Recurring administration fee	R67,73 per month (2023)	

*Estimate as at 31 March 2022

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