



National Tertiary Retirement Fund

Pension Increase Recommendation: 1 March 2026

25 February 2026



Agenda

- How your pension works
- Investment Returns
- Pension increase policy and changes
- Pension Increase considerations
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- History of increases

How your pension works

It is all about how the cake is eaten



The cake belongs the Pensioner Pool

- Your retirement money needs to provide you with a lifelong pension
- You can also choose that your surviving spouse should receive a pension on your death and guarantee period of 5 or 20 years.
- Now you need to decide what pension increases you would like to receive – 65% or 100% of inflation target noting such increases are not guaranteed
- Now we need cut the cake according to your needs
 - Providing a spouse's pension means the slices need to be smaller depending on the age difference and gender
 - Providing for pension increases also means the slices need to be smaller as the Fund needs to increase the pension; the higher the provision for future pension increases the smaller the slices

It is all about how the cake is eaten



- If the targeted level of pension increases is 65% of inflation, the initial size of your cake is about 20 % bigger than if you choose targeted increases of 100% of inflation
- After being on pension for about 9 to 11 years the 100% of inflation pension may catch-up with the 65% of inflation pension, but this all depends what inflation is. The lower inflation, the longer it takes to catch-up and vice versa
- Majority of retirees are on the target of 65 % of inflation increases

Investment Returns

Investment returns

Previous Strategy

- The Fund invested your money in the pensioner pool so that it can generate growth
- It took on more risk on the basis (hope) that if the cake gets bigger, the Fund can provide bigger slices (via higher pension increases). However, if investment returns are poor, the slices will need to get smaller (via lower increases) or even zero.
- Low correlation between the investment return used by actuary to calculate liabilities and that earned by assets of pensioner pool
- The strategy resulted in unpredictable increases and with **no increases granted in 2019**

Current Strategy

- NTRF decided to follow an approach (so called LDI Strategy) so that it can be reasonably sure of granting pension increases in line with the inflation targets of 65% or 100%. Majority of assets are used for an LDI strategy (mainly bonds) with some assets invested in a growth portfolio (more risky) to possibly improve funding level.
- Implies a higher correlation between investment return used by actuary to determine pensioner liabilities and that of the pensioner pool.

Investment returns

▪ Pensioner Obligation (LDI)

The actuary must ensure that all future pension payments are met. Therefore projects future payments (cashflows) based on

- on the pensions elected by pensioners
- probability of the pensioner receiving the future pensions

The present value of these cashflows (liability) are then calculated by using bond yields to calculate the pensioner obligation – the higher the yield the lower the liability and vice versa.

▪ Pensioner Assets (LDI)

The actuary supplies the cashflows to investment manager (same as used in pensioner obligation).

The investment manager then uses bonds and other instruments to match cashflows and ensure that the similar investment return is obtained as what the actuary used for pensioner liability calculations.

- Simple illustration of an LDI Strategy

Year of cashflow	Expected Cash flows (annually in arrears)	Bond Yields					
		10%		8%		12%	
		Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
1	100.00	90.91	90.91	92.59	92.59	89.29	89.29
2	98.00	80.99	80.99	84.02	84.02	78.13	78.13
3	96.04	72.16	72.16	76.24	76.24	68.36	68.36
4	94.12	64.29	64.29	69.18	69.18	59.81	59.81
5	92.24	57.27	57.27	62.78	62.78	52.34	52.34
6	90.40	51.03	51.03	56.97	56.97	45.8	45.8
7	88.59	45.46	45.46	51.69	51.69	40.07	40.07
8	86.82	40.5	40.5	46.91	46.91	35.07	35.07
9	85.08	36.08	36.08	42.56	42.56	30.68	30.68
10	83.38	32.15	32.15	38.62	38.62	26.85	26.85
Total	914.67	570.84	570.84	621.56	621.56	526.40	526.40
Funding level		100.00%		100.00%		100.00%	

- Investment impact
 - Increase in yields will reduce assets and liabilities protecting the funding level of the pensioner account but still be able to grant inflation target increases
 - Decreases in yields, will increase assets and liabilities and again protecting the funding level and inflation target increases

Pension Increase Policy

Changes to Pension Increase Policy

In 2025, the Board made some changes to the Pension Increase Policy:

- Inflation measure: Pension increases will now be based on the average inflation rate (CPI), instead of the headline CPI figure.
- Funding level guideline: The funding level of the pensioner account will also be considered.
 - If the account is well-funded, there may be additional increases.
 - If the account is under pressure, increases may be reduced to protect the sustainability of the fund

Changes to Pension Increase Policy

Funding Level	Inflation	65% inflation target	Spreading of excess/shortfall				Adjusted increase	Recommended increase
			Less than 98%	Between 98% and 102.5%	Between 102.5% and 106.5%	Greater than 106.5%		
95%	3.20%	2.08%	-3.00%				-0.92%	0.00%
100%	3.20%	2.08%		0.00%			2.08%	2.08%
105%	3.20%	2.08%			1.25%		3.33%	3.33%
108%	3.20%	2.08%			2.00%	1.50%	5.58%	5.58%

Pension Increase Considerations

Pension increase considerations

Item	30 Sept 2024 R'm	31 Dec 2024 R'm	30 Sept 2025 R'm	31 December 2025 R'm
Present value liability	4 953.4	4 891.7	5 379.5	5 782.6
Market value of assets	5 167.4	5 198.8	5 575.9	5 955.5
Surplus / (Shortfall)	214.1	307.1	196.37	172.85
Funding level	104.3%	106.3%	103.7%	103.0%

- From above and in line with guideline, an additional increase of

Excess over 102.5% = $(103\% - 102.5\%) = 0.5\%$

Excess smoothed over 2 years = $0.5\% / 2 = 0.25\%$

- Based on above reasoning and discussion by Board, comfortable to allocate an additional 0.5% reducing funding level to 102.5%

Pension Increase Recommendation 2026

Recommendation

	65% of CPI	100% of CPI	Corresponding funding level
Increase based on CPI target	2.08%	3.20%	103.0%
Additional recommended increase	0.52%	0.50%	
Increase recommended (maximum)	2.60%	3.70%	102.5%
Percentage of CPI	81.3%	115.6%	

- A pensioner who has been in receipt of his/her pension for less than a year as at date of the increase, shall receive a pro-rated increase
- While investment markets can be unpredictable, it's important for pensioners to stay informed and manage expectations. It's wise to plan for the possibility that regular increases above 65%/100% of inflation may only occur from time to time.

History of increases

History of increases

Year	Average Inflation	Increase granted-65%	Percentage of inflation-65%	Increase granted-100%	Percentage of inflation-100%
01-Mar-15	6.10%	6.50%	106.6%		
01-Mar-16	4.60%	5.50%	119.6%		
01-Mar-17	6.40%	5.00%	78.1%		
01-Mar-18	5.30%	4.00%	75.5%		
01-Mar-19	4.70%	0.00%	0.0%		
01-Mar-20	4.10%	2.25%	54.9%		
01-Mar-21 ⁽¹⁾	3.30%	2.00%	60.6%		
01-Mar-22	4.50%	4.50%	100.0%		
01-Mar-23	6.90%	5.00%	72.5%		
01-Mar-24	6.00%	5.10%	85.0%		
01-Mar-25	4.40%	4.25%	96.6%	5.30%	120.5%
01-Mar-26	3.20%	2.60%	81.3%	3.70%	115.6%

(1) LDI strategy was implemented during 2020