



# OLD MUTUAL

## EMPLOYEE GROUP IN SUPERFUND



### Dear Member

#### New conduct standard impacting Old Mutual's Absolute Growth Portfolios

The Financial Sector Conduct Authority (FSCA), recently published Conduct Standard 5 of 2020, which specifies the conditions or criteria for smoothed bonus portfolios to qualify as a default investment portfolio. This Conduct Standard Supplements Regulation 37 of the Pension Funds Act, which requires all retirement funds to select one or more default investment portfolios with an objective to offer a better-quality solution for members over the long term.

#### New bonus formula

The new Conduct Standard specifies several key criteria such as a fully disclosed formula that must be used to determine the smoothed bonuses being declared, and the triggers for declaration of negative bonuses. This requires a new bonus formula for the Old Mutual Absolute Growth Portfolios (AGP) and the CoreGrowth 100 Portfolio. The product provider believes these changes will enable more consistent customer outcomes and ensure a simple, easily understandable formula with a clear rationale.

#### What is the impact on OMEGS members?

The Old Mutual Absolute Growth Portfolios are already largely compliant with the criteria of the new Conduct Standard. However, there are now limits on the discretion that providers of smoothed bonus portfolios can apply in the management of these portfolios, and how returns are distributed over the short term. This means that several product enhancements had to be made, and the current bonus formula had to be refined. The new formula does not change the long-term return targets or impact on the fees and charges associated with these portfolios.

#### Benefits of the new formula

- It is now easier to understand and can be more easily explained.
- The risk of sudden jumps in bonuses are limited.
- If a negative bonus is declared (as was seen in April 2020 due to the market impact of Covid-19), the new formula allows for the size of this negative bonus to be more manageable.

The details of the new AGP bonus formula are set out in the [AGP New Bonus Formula Booklet](#). It clarifies how the new formula works and provides you with examples of bonus formula calculations.

#### Stay safe and healthy!

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DO GREAT THINGS EVERY DAY

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