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LA RETIREMENT FUND
Formerly known as the Cape Joint Pension Fund
Securing your retirement

20/11/2025

Pension Increase – 1 January 2026

Dear Pensioner

Your pension increase effective on 1 January 2026 takes, amongst other things, the following into account:

1. The Fund's Pension Increase Policy
2. Investment returns and interest rates
3. The financial strength of the Pensioner Account

Pension Increase Policy:
The Fund's Pension Increase Policy formally confirms the rationale underpinning the annual increase granted to pensioners.

In the April 2025 newsletter, we proudly announced that the Board of Trustees approved an improvement to the Pension Increase Policy, whereby the pension increase target was increased from 80% to **100%** of the Consumer Price Index (CPI) to the preceding 30 June. The increase target of 100% of CPI takes into account the value of any bonus awarded by the Board of Trustees. The pension increase is subject to affordability as determined by the Actuary having regard to investment returns and the financial strength of the Fund.

Investment returns and interest rates:
The investment return on pensioner assets was 9.4% p.a. for the year ending 30 June 2025. The Fund needed to earn a return of 6.4% p.a. to support level pensions from investment returns alone. Investment return thus contributed 3.0% towards the pension increase.

The pensioner's liability driven investment strategy means that investment returns should not be viewed in isolation but rather together with the *change* in the value of the promised benefits (liabilities). This is because a large portion of the assets (bonds) move in a similar way to the value of the liabilities when interest rates change. When interest rates rise, the value of both the assets and the liabilities decreases and vice-versa.

Financial strength of the Pensioner Account:
When the Board of Trustees considers the annual pension increase, financial soundness is always foremost in mind. The Fund's investment strategy and reserves helped protect the Fund's investment returns against the impact of the Covid-19 pandemic. The provisional funding level of the Pensioner Account exceeds 100% as at 30 June 2025. The Pensioner Account therefore remains in a very sound financial condition.

Pension increase and bonus

Due to the level of surplus within the Fund, the Board of Trustees has been able to grant a pension increase that is once again higher than the Fund's Pension Increase Policy. As mentioned above, the policy targets a pension increase of 100% of price inflation, including the value of any bonus. Part of the targeted pension increase may be exchanged for a bonus.

As the Pensioner Account continued to hold a strong surplus, the Board of Trustees resolved to award a pension increase that exceeds the increased target of 100%.

I am pleased to confirm that your gross pension will be increased by **4%** with effect from 1 January 2026. This pension increase represents an increase of 100% of year-on-year CPI to June 2025 plus a distribution of surplus from the Pensioner Account to pensioners amounting to R11.3 million. Your January 2026 pension payslip will reflect your increased pension.

In addition, you will receive a bonus to be paid during December 2025 amounting to 100% of your gross December pension. This represents a further distribution of surplus to pensioners of R11.7 million. Your December pension payslip will reflect your bonus payment. Please note that there is no requirement for the Fund to pay bonuses and there should be no expectation for these to necessarily be repeated in future.

The pension increase and bonus are equivalent in value to an increase of 167% of CPI to June 2025. This exceeds the target of 100% of price inflation because of the additional distribution of surplus to fund both the pension increase in excess of the target and the bonus payment.

The Board of Trustees is once again delighted that they were able to distribute surplus resulting in a higher pension increase and a bonus this year. The Board reminds pensioners that the Pension Increase Policy remains unchanged and the awarding of an additional pension increase this year does not set a precedent. Pensioners should therefore not expect future pension increases to automatically exceed the Fund's Pension Increase Policy as various factors, mentioned above, are considered in determining the pension increase each year.

On behalf of the Trustees, I extend our best wishes to you and your family over the festive season and for the coming year.

Yours sincerely

Johan Jacobs
Chairperson