



#### Annuity Strategy

Recently we have seen some exciting new developments unfolding within the pension and retirement fund industry, as well as within NJMPF in terms of our strategic positioning, improved member service and other benefit offerings. Articles on the retirement reform and the default regulations were published in the media and in the communication issued by the Fund.

The default regulations of the Pension Funds Act state that for all retiring members, a retirement fund should have an annuity strategy. The annuity strategy is designed to help the member to convert the Fund Credit at retirement into a regular income after retirement. The regulation states that such annuities should be appropriate for members, well communicated and offer good value for money. The regulation requires that members of pension and retirement funds need to be informed and given the best support pre- and post-retirement in this regard.

The NJMPF Provident Fund has had an annuity strategy since 2019 and has been offering retiring members the option of purchasing our in-fund living annuity. A living annuity converts the Fund Credit at date of retirement into monthly income for the member and is payable for as long as the Fund Credit lasts. The minimum and maximum amounts that the member can take as income is legislated but the member is afforded even more protection by the default regulations in that it requires the Fund to put limits on the minimum and maximum income amount so that the member has the biggest chance of receiving the income for the remainder of their lifetime (the term used for this is "sustainability of income"). The minimum and maximum criteria are applied once in each year (and not every month) at the anniversary date when the Living Annuity Pensioner resets the level of their monthly pension.

#### Alternative Living Annuity

The Board of Trustees have decided to offer a second in-fund living annuity to members. The Alternative Living Annuity may not be suitable for all members and hence the Annuity Strategy is still the option considered appropriate and suitable for the typical member within the Fund. However, the Trustees recognise that circumstances may differ between members and hence have increased the age-related maxima on the drawdown percentages for the Alternative Living Annuity to higher than the maxima imposed under the Annuity Strategy.

The maxima for the Alternative Living Annuity were set so that the Living Annuity Pension is expected to increase at 50% of price inflation over the longer term if the investment return objectives in the Fund's Investment Policy Statement are met. Given the uncertainty of future investment returns, this level of increase cannot be guaranteed.

This table sets out the minimum and maximum drawdown percentages allowed by the Fund under the Living Annuity Policy. (but see note below the table).

Annuity Strategy			Alternative Living Annuity		
Age	Drawdown Percentage		Age	Drawdown Percentage	
	Minimum	Maximum		Minimum	Maximum
up to 55	2.5%	4.5%	up to 55	2.5%	8.5%
56 - 59	2.5%	4.5%	56 - 59	2.5%	8.5%
60 - 64	2.5%	5.0%	60 - 64	2.5%	9.0%
65 - 69	2.5%	5.5%	65 - 69	2.5%	10.0%
70 - 74	2.5%	7.0%	70 - 74	2.5%	11.0%
75 - 79	2.5%	9.0%	75 - 79	2.5%	12.0%
80 - 84	2.5%	11.0%	80 - 84	2.5%	13.5%
85 - 89	2.5%	15.0%	85 - 89	2.5%	15.5%
90 plus	2.5%	17.5%	90 plus	2.5%	17.5%

