



# Retirement Navigator disclosure document



Investments



## Introduction

**This document provides the following disclosures for the Retirement Navigator solution, which is underwritten and distributed by Alexander Forbes Investments Limited (referred to as Alexforbes) and reinsured by Momentum Metropolitan Life Limited (referred to as the reinsurer):**



Bonus smoothing  
formula



Management  
actions



Asset  
allocation

This disclosure document applies to Retirement Navigator, including additional bonus series that may be launched. The content of this document will be updated when required.

Retirement Navigator is compliant with the Financial Services Conduct Authority (FSCA) Conduct Standard 5 of 2020 (RF), which contains the conditions that smoothed bonus portfolios need to adhere to, to be considered as a default investment portfolio under Regulation 37 of the Pension Funds Act, number 24 of 1956 (Pension Funds Act).

Additional information on Retirement Navigator is available on the portfolio's marketing content and Principles and Practices of Financial Management (PPFM) which are available on the Alexforbes [website](#).

## Bonus smoothing formula

The bonus smoothing formula for Retirement Navigator follows the reinsurer's bonus smoothing philosophy, while trying to manage the funding level within a specific range to manage cross-subsidies. The aim of the bonus smoothing formula is to reduce the short-term market volatility of Retirement Navigator's underlying asset portfolio and to provide investors (which may include retirement fund investors) with a smoother return profile, while ensuring the equitable treatment of different investors and different generations of investors. Additionally, there is no insurer guarantee underlying the solution - Retirement Navigator offers no investment guarantees and all bonus rates declared are non-guaranteed.

As a general rule, and if the Retirement Navigator funding level is within the desired range, the calculated bonus rate is equal to the monthly equivalent of the portfolio's investment objective, with an adjustment for the excess or deficit funding level, above or below the target funding level, spread over a specified period. If the funding level is outside the desired range, a bonus rate, which may be negative, will be declared to bring the funding level within the desired range.

As per the FSCA's Conduct Standard 5 of 2020, the declared bonus rate may deviate from the calculated smoothing formula bonus rate to allow for expected future market movements. The deviation from the calculated smoothing formula bonus rate may not exceed 2% per annum.

The bonus smoothing philosophy for Retirement Navigator allows for the declaration of monthly bonus rates, special bonus rates and intra-month ad-hoc bonus rates.

**Monthly bonus rates**

Monthly bonus rates may be positive, zero or negative and are calculated using the bonus smoothing formula.

Positive and negative monthly bonus rates are declared in advance and applied to the investment account value during the month.

**The different bonus rates are:**

**Special bonus rates**

Positive or negative special bonus rates may be declared to make sure that the cross-subsidy between different investors and different generations of investors is not unacceptably high. Special bonus rates, positive and negative, are applied immediately to the investment account value.

**Intra-month ad-hoc bonus rates**

Positive or negative intra-month ad-hoc bonus rates may be declared following extreme market movements. Intra-month ad-hoc bonus rates, positive and negative, are applied immediately to the investment account value.

Bonus rates declared are gross of the Alexforbes investment management fee.

The monthly bonus rates are determined using this smoothing formula:

Funding level	Monthly bonus rate
FL < 90%	$\left[ \frac{FL}{90\%} - 1 \right] + \left[ \frac{90\% - 100\%}{12} \right]$
90% ≤ FL < 95%	$\frac{FL - 100\%}{12}$
95% ≤ FL < 100%	0%
100% ≤ FL < 110%	Monthly objective + $\frac{FL - 100\%}{12}$
FL ≥ 110%	$\left[ \frac{FL}{110\%} - 1 \right] + \left[ \text{Monthly objective} + \frac{110\% - 100\%}{12} \right]$

**Where:**

'Monthly objective' is the monthly equivalent of the portfolio investment objective, gross of the Alexforbes management fee. Retirement Navigator has the same portfolio investment objective as the underlying asset portfolio, i.e. CPI + 5% per year.

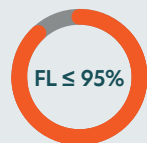
For the purpose of calculating the monthly bonus rate, CPI is the annualised 5-year inflation figure, lagged by 2 months, and is capped at 6%.

## The following special bonus rate conditions apply to **Retirement Navigator**:



If the funding level is below 100% for 6 consecutive months, a negative bonus rate may be declared to recover the funding level to 100%, and

- If the above condition has been triggered, this implies that a negative bonus rate may be declared for funding levels between 95% and 100%.



If the funding level remains at 95% and below 95% for a period of 3 months, an additional adjustment of -1% per month will apply to the bonus rate until the funding level returns to 100%.



If the funding level remains at 105% and above 105% for a period of 3 months, an additional adjustment of 1% per month will apply to the bonus rate until the funding level returns to 100%.

The following special bonus rate conditions are subject to the reinsurer's discretion. While it is likely that the reinsurer will apply the special bonus rate in most circumstances, there may be situations where the reinsurer decides not to do so. The reinsurer's discretion to apply the special bonus rate is based on various factors, including but not limited to the overall performance of the investment portfolios and the prevailing economic conditions.

The reinsurer carefully evaluates these factors to ensure that the decision aligns with the best interests of investors and the long-term sustainability of Retirement Navigator:

- A special bonus rate may be declared if an expected cashflow is projected to result in a funding level movement of more than 0.5% in either direction.
- For policy benefit cash outflows, a bonus rate can be declared before processing the cash outflow, ensuring that the funding level movement is limited to 0.5% after the cashflow has been processed.
- For large cash inflows, a bonus rate can be declared prior to processing the cash inflow, aiming to maintain the funding level within a tolerance funding level range. The tolerance funding level range is defined to be between 99.5% and 100.5%
- If sharp movements impact the funding level, a special positive or negative bonus rate can be declared, which may be intra-month. An impactful movement in the funding level is defined as a variation of 5% or more in either direction and is deemed essential to effectively manage cross-subsidy risk. If a movement like this occurs, a bonus rate can be declared to maintain the funding level.
- Where additional bonus series of the main portfolio exist, a positive special bonus rate can be declared on the new bonus series to facilitate the merger between this bonus series and the main bonus series, provided the special bonus does not result in the funding level decreasing below 100%. A positive special bonus rate will only be declared to the extent that it closer aligns the funding levels of the new and the main bonus series to facilitate a merger of the two bonus series.

# Examples of the bonus rate calculation

This table illustrates the **bonus rate calculation** using the bonus smoothing formula for various funding levels:

Funding level	Inflation*	Capped inflation	Calculated bonus rate**
80.0%	5.0%	5.0%	-11.94%
85.0%	6.0%	6.0%	-6.39%
95.0%	3.0%	3.0%	-0.42%
100.0%	4.0%	4.0%	0.75%
105.0%	9.0%	6.0%	1.33%
115.0%	5.0%	5.0%	6.21%

\*Annualised 5-year inflation figure, lagged by 2 months.  
 \*\*The Retirement Navigator investment objective is CPI + 5% per year.  
 Bonus rates are rounded to two decimal places.

The **declared bonus rates for Retirement Navigator** can deviate from the calculated bonus rate by 2% per annum over rolling 12-month periods.

# Management actions

This section outlines the management actions for Retirement Navigator.

## Closing the Retirement Navigator to new inflows

Alexforbes may temporarily close Retirement Navigator to new inflows when the funding level is significantly above or below 100%. Alexforbes will communicate the closure of Retirement Navigator, and the subsequent re-opening when applicable.

The following guidelines apply:

The portfolio may be temporarily closed to lump-sum investments if the funding level remains above 105% for a specified period, or if the funding level exceeds 107.5%. The portfolio will be re-opened once the funding level is deemed to have stabilised below 105%.

The portfolio may be temporarily closed to lump-sum investments if the funding level is below 95% for a specified period, or if the funding level falls below 92.5%. This includes switches in and Section 14 transfers. The portfolio will be re-opened once the funding level is deemed to have stabilised above 95%.

If a portfolio has been temporarily closed to lump-sum investments, a new bonus series may be opened for new investments. The new bonus series will be merged with the main portfolio once funding levels allow and the merger will be done according to the PPFM.

Alexforbes will advise if there are restrictions on recurring premiums.

## De-risking the asset portfolio

De-risking the asset portfolio is only expected to occur in the most severe of adverse market scenarios. In this scenario, Alexforbes may reduce a portfolio's total exposure to equities, global and local. The reduction in equity exposure will adhere to the asset allocation deviation limits.

## Asset allocations

Retirement Navigator complies with Regulation 28 of the Pension Funds Act.

### Retirement Navigator

Retirement Navigator invests fully in the Alexforbes Performer portfolio. The Performer portfolio does not reference a strategic asset allocation (SAA) as its asset allocation is dynamic and changes in line with the peer group. That is, the Performer portfolio is benchmarked relative to the peer group, represented by the Alexander Forbes Global Large Manager Watch™.

For more information on Performer, please visit the fund fact sheet on the [website](#).

## Conversion to a market-linked solution

Due to the 'last man standing risk' present in the solution, a specified threshold will trigger a full conversion to a market-linked solution. The trigger can be expressed in a variety of different ways, including but not limited to:

- The number of investors in the portfolio at a particular time (the number of investors reaching a critical minimum), and/or
- A monetary amount (the portfolio declining to a size whereby it is no longer viable).





## How can I get more information?

### Questions about your retirement fund

#### Client Contact Centre

Telephone: 0860 100 333

Email: [admin@alexforbes.com](mailto:admin@alexforbes.com)

#### Financial advice

My Money Matters Centre

Telephone: 0860 000 381

Email: [mymoneymatters@alexforbes.com](mailto:mymoneymatters@alexforbes.com)

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