



31 October 2022

Dear Nedbank Pensioner

THE 2023 PRMA SUBSIDY

The purpose of this communication is to inform eligible pensioners that the PRMA subsidy will increase by 7,8%, effective 1 January 2023. We set out below further information for your reference:

1. What is the PRMA subsidy?

This is a fixed rand amount payable each month to the relevant medical aid scheme, namely Bonitas Medical Fund (Bonitas), the Discovery Health Medical Scheme (Discovery) or the Bestmed Medical Scheme (Bestmed), on behalf of eligible Nedbank pensioners to partially subsidise the cost of their medical aid contribution. The amount of the post-retirement medical aid (PRMA) subsidy depends on the family make-up of the pensioner and is published annually. The attachment lists the revised subsidy amounts.

2. Who is eligible to receive the PRMA subsidy?

Nedbank pensioners (and their eligible dependents) who had an unbroken employment service with Nedbank of at least 5 years at retirement and who retired before 1 June 2018 (when the PRMA subsidy was terminated for active employees) and retained continuous membership of Nedgroup Medical Aid Scheme until 31 December 2021, and thereafter with either Bonitas, Discovery Health or Bestmed medical aid schemes. The term 'pensioners' is used to refer to retirees and dependents of deceased members. The PRMA subsidy extends to the spouse on death of the eligible pensioner. New spouses and/or dependants after retirement do not qualify for the PRMA subsidy.

3. What is the contractual arrangement behind the PRMA subsidy?

Eligible pensioners enjoy a contractual right to this PRMA subsidy which originates from their terms and conditions of employment agreement with Nedbank. This is a Nedbank obligation. There is consequently no separate additional individual PRMA agreement between Nedbank and the eligible pensioner. You will continue to enjoy this subsidy as long as you belong to one of the current eligible Nedbank medical schemes, which are Bestmed, Bonitas and Discovery Health.

4. How does the PRMA subsidy work with three medical schemes?

The introduction of the three medical schemes that replaced the Nedgroup Medical Aid Scheme (NMAS), effective 1 January 2022, did not change your contractual right to the PRMA subsidy. The PRMA subsidy will follow the medical scheme and benefit plan you choose, whether that be with Bonitas, Discovery Health or Bestmed. Remember that you can choose a different benefit plan or medical aid scheme each year.

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As was the case with NMAS, should you, or your dependents, withdraw membership with one of these schemes, the PRMA subsidy will also end (or reduce accordingly). The PRMA subsidy is not decided by any specific plan choice as long as you belong to one of the three mentioned schemes. The amount of the PRMA subsidy is limited to the cost of the medical scheme contribution – it cannot exceed the medical scheme contribution. The annual subsidy and the annual increase in the subsidy is also the same, regardless of the medical aid scheme. Therefore the PRMA subsidy will be the same regardless of the medical scheme (Bonitas, Discovery Health, and Bestmed) you belong to.

5. How is this PRMA subsidy obligation funded?

Since 2014, Nedbank insured this obligation with Old Mutual (OM) who has issued an annuity policy to Nedbank. Since 2018 the underlying policy assets were matched to the liability, which meant that the assets underlying the annuity policy were converted to include a matched (level guarantee) and an unmatched (growth) portion. Each year a transfer from the growth portfolio to the level guarantee is required to fund the subsidy increase. The PRMA subsidy is paid in terms of the policy by OM to the three medical schemes on behalf of Nedbank, in respect of the eligible Nedbank pensioners, being members of one of the three mentioned medical schemes. Eligible Nedbank pensioners are not parties to the OM Annuity Policy. The parties are Nedbank, OM and the three mentioned medical aid schemes.

6. How are increases to the PRMA subsidy decided?

There is no fixed arrangement that determines annual increases to the subsidy. A committee, consisting of senior employees from Nedbank Group Finance and Group HR source input from OM as the annuity policy provider and consultants. The main considerations in deciding the increase are the performance of the policy assets and inflation. Increases will tend to be below inflation in periods where investment performance has deteriorated in order to protect the sustainability of future increases. In periods of strong performance, the increases could be at, or possibly even above inflation.

- **Investment performance:** The underlying assets available to provide for the subsidy increases are invested by OM with Nedgroup Investments, in the Core Guarded Fund (75%) and the Core Diversified Fund (25%). Over the last 12 months, both these funds performed in line with the benchmark average (Association for Savings and Investments South Africa (ASISA)).
- **Inflation:** CPI at 31 July 2022 was 7.8% and the expected weighted average contribution increase for the three schemes for 2023 has been calculated at 5%. The average of the three medical aid scheme's inflation is necessarily weighted by their Nedbank eligible pensioner membership. The majority of our pensioners members are with Bonitas which has communicated a 4.4% effective increase across their plans for the full year 2023 (5,9% effective 1 April 2023). Bestmed's increase is 8,5% effective 1 January 2023. Discovery had an average increase of 7,9% on 1 October 2022 and communicated an intended 0% increase on 1 January 2023, with a planned annual increase effective 1 April 2023. Discovery has to date not announced this increase which has been assumed for the purposes of this average calculation to be 6.0%. The weighted average increase of the three schemes, weighted by membership, is 5%.

Nedbank endeavours to maintain the PRMA subsidy increase in step with changes in the average medical scheme contribution increases of the three schemes, over time, after taking into account the investment performance of the policy assets. Because of past prudent decisions, the committee is able to increase the subsidy by 7,8%. This increase comfortably exceeds the calculated weighted average medical aid increase of 5% which is a positive outcome.

7. How and when can I get more information?

You will receive 2023 medical aid and benefit plan information from Alexander Forbes Health to support your selection of a medical scheme and plan. You will have until **15 December 2022** to make your selection. There will be sufficient **support in the form of walk-in centres, consultations, call centres, e-mail enquiries**, to assist you in making this important decision.

You can also call the Alexander Forbes call centre on 011 269 2690 or e-mail nedbankmedicalaid@alexforbes.com.



This communication is not intended to be a legal opinion or agreement. It aims to provide you with an overview of the principles applicable to the continuation of the PRMA subsidy for eligible Nedbank pensioners.

NEDBANK GROUP REWARD AND PERFORMANCE



Attachment: Subsidy table

	Member		Adult		Child	
2022						
Hospital income band (R0 - R9 430)¹	R	1 440	R	1 252	R	454
All levels	R	1 476	R	1 476	R	591
2023						
All levels²	R	1 591	R	1 591	R	637

Notes

- 1 If choosing Bonitas Boncap, Bestmed Rhythm 2 or Discovery Keycare Plus or Keycare Start
- 2 The income band subsidy has been discontinued from 1 January 2023