

STATEMENT OF ADDITIONAL INFORMATION
FOR
SMART FOUNDATION VARIABLE ANNUITY
an individual variable and fixed deferred annuity contract — flexible purchase payments
issued by
THE PENN MUTUAL LIFE INSURANCE COMPANY
and funded through
PENN MUTUAL VARIABLE ANNUITY ACCOUNT III
of
The Penn Mutual Life Insurance Company
PO Box 178, Philadelphia, Pennsylvania 19105
800-523-0650

May 1, 2022

This Statement of Additional Information (the “SAI”) is not a prospectus. It should be read in conjunction with the current prospectus dated May 1, 2022 for the individual variable and fixed annuity contract (the “Contract”). The Contract is funded through Penn Mutual Variable Annuity Account III (referred to as the “Separate Account” in the prospectus and this SAI). To obtain the prospectus you may write to The Penn Mutual Life Insurance Company (“Penn Mutual” or the “Company”), Customer Service Group, PO Box 178, Philadelphia, Pennsylvania 19105 or visit our web site at www.pennmutual.com or you may call (800) 523-0650. Terms used in this SAI have the same meaning as in the prospectus.

Table of Contents

The Penn Mutual Life Insurance Company	2
Administrative and Recordkeeping Services	3
Distribution of Contracts	3
Custodian	3
Experts	3
Legal Matters	3
Financial Statements	3

THE PENN MUTUAL LIFE INSURANCE COMPANY

The Penn Mutual Life Insurance Company is a Pennsylvania mutual life insurance company, chartered in 1847. We are licensed to sell life insurance and annuities in the District of Columbia and all states except New York. Our corporate headquarters are located at 600 Dresher Road, Horsham, Pennsylvania, 19044, a suburb of Philadelphia. Our mailing address is The Penn Mutual Life Insurance Company, PO Box 178, Philadelphia, Pennsylvania 19105.

Penn Mutual Variable Annuity Account III

Penn Mutual established Penn Mutual Variable Annuity Account III (the “Separate Account”) on April 13, 1982. The Separate Account is registered with the Commission as a unit investment trust under the Investment Company Act of 1940 (the “1940 Act”) and qualifies as a “separate account” within the meaning of the federal securities laws.

The valuation of accumulation units in the Variable Investment Options is determined by multiplying the accumulation unit value for the prior valuation period by the net investment factor for the current valuation period.

For any Subaccount, the net investment factor for a Valuation Period is determined by dividing (a) by (b) and subtracting (c):

Where (a) is:

The net asset value per share of the mutual fund held in the Subaccount, as of the end of the Valuation Period.

plus

The per share amount of any dividend or capital gain distributions by the mutual fund if the “ex-dividend” date occurs in the Valuation Period.

plus or minus

A per share charge or credit, as we may determine as of the end of the Valuation Period, for provision for taxes (if applicable).

Where (b) is:

The net asset value per share of the mutual fund held in the Subaccount as of the end of the last prior Valuation Period.

plus or minus

The per share charge or credit for provision for taxes as of the end of the last prior Valuation Period (if applicable).

Where (c) is:

The base contract expenses.

The “Valuation Period” is the period from one valuation of underlying fund assets to the next. Valuation is performed each day the New York Stock Exchange (“NYSE”) is open for trading.

Your assets in the Separate Account are held as Accumulation Units of the Subaccounts that you select. We value Accumulation Units as of the close of regular trading on the NYSE (generally, 4:00 p.m. ET).

When you invest in, withdraw from or transfer money to a Subaccount, you receive the Accumulation Unit value next computed after we receive and accept your purchase payment or your withdrawal or transfer request at our Administrative Office. Allocation, withdrawal and transfer instructions received at our Administrative Office after the close of regular trading on the NYSE will be valued based on the Accumulation Unit value computed as of the close of regular trading on the next NYSE business day. In order to receive a day's closing price, instructions sent by facsimile transmission must be received by our fax server prior to the close of regular trading on that day. Telephone instructions must be received in full, containing all required information and confirmed back to the caller prior to the close of regular trading in order to receive that day's closing price.

ADMINISTRATIVE AND RECORDKEEPING SERVICES

Penn Mutual performs all data processing, recordkeeping and other related services with respect to the Contract and the Separate Accounts.

DISTRIBUTION OF CONTRACTS

Honor, Townsend & Kent, LLC ("HTK"), a wholly owned subsidiary of The Penn Mutual Life Insurance Company ("Penn Mutual"), serves as principal underwriter of the Contracts. The address of HTK is 600 Dresher Road, Horsham, Pennsylvania 19044. For 2021, 2020, and 2019, the Company paid to HTK underwriting commissions of approximately \$1,088,378, \$1,012,808, and \$1,383,933, respectively.

The Contracts will be distributed by HTK through broker-dealers. Total commissions on purchase payments made under the Contract will not exceed 8% and trailer commissions based on a percentage of Contract Value, other allowances and overrides may be paid. The offering of the Contract is continuous, and Penn Mutual does not anticipate discontinuing the offering of the Contract, although we reserve the right to do so.

CUSTODIAN

The Company is custodian of the assets held in the Separate Account.

EXPERTS

The financial statements of the Company (i) as of December 31, 2021 and for each of the two years in the period ended December 31, 2021 and (ii) as of December 31, 2019 and for each of the two years in the period ended December 31, 2019 and for the financial statements and financial highlights of the Separate Account of the Company as of December 31, 2021 and for the periods indicated, included in this SAI constituting part of this Registration Statement, have been so included in reliance on the reports of PricewaterhouseCoopers LLP, independent registered public accounting firm, given on the authority of said firm as experts in auditing and accounting. PricewaterhouseCoopers LLP's principal business address is at 2001 Market Street, Suite 1800, Philadelphia, Pennsylvania 19103.

LEGAL MATTERS

Morgan, Lewis & Bockius LLP has provided advice on certain matters relating to the federal securities laws and the offering of the Contract. Their offices are located at 1111 Pennsylvania Avenue, NW, Washington, D.C. 20004.

FINANCIAL STATEMENTS

The financial statements of the Separate Account and the statutory financial statements of the Company are incorporated into this SAI by reference to the Separate Account's most recent Form N-VPFS filed with the SEC. The statutory financial statements of the Company should be considered only as bearing upon the Company's ability to meet its obligations under the Contract.

