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FREQUENTLY ASKED QUESTIONS

TWO-POT RETIREMENT SYSTEM

1. What is the Two-Pot retirement system?

- The two-pot system will split your future retirement savings into two pots.
 - **Savings pot:** For one-third of your future savings from which you can withdraw once in a tax year without leaving your job or the fund.
 - **Retirement pot:** For two-thirds of your future retirement savings that must be preserved until retirement and 100% used to buy a pension.
- Although it is called the two-pot system, there will be a third pot as well.
 - **Vested pot:** This pot will be made up of all your savings up to 31 August 2024 and you will still have access to it if you resign from your fund. No further contributions can be allocated to it.

2. How will the savings pot be seeded from my existing retirement savings?

- On the implementation date, 10% of the market value in your account on 31 August 2024, subject to a maximum of R30 000, will be seeded from your vested component to your savings component

3. How much will the two-pot system allow me to withdraw?

- Retirement fund members in eligible funds will be able to withdraw from the savings pot of their retirement fund on or after 1 September 2024 without leaving their job.
- The minimum withdrawal amount is R2 000.
- Your withdrawal may be denied in certain limited circumstances such as:
 - A court order stating you cannot be paid your benefit;

The Office of the Pension Funds Adjudicator was established in terms of Section 30B of the Pension Funds Act, 24 of 1956. The service offered is free to members of the public.

Centralised Complaints Helpline for Other Financial Ombud Schemes 0860 OMBUDS (086 066 2837)

- Your employer has a judgment against you stating that you owe damages;
- You are getting divorced;
- You owe maintenance; or
- You have a housing loan guaranteed by your fund.

4. Is my withdrawal taxable?

- Withdrawals from your savings component are taxed at your marginal tax rate which is the highest rate of tax that applies to you according to the personal income tax table. You will receive the after-tax amount, less any amounts owing to SARS and minus fund admin costs.
- Such payment may push you into a higher tax bracket for the year of assessment

5. Which Retirement funds will fall under the Two-pot system?

Applicable to:

- Pension funds, provident funds, preservations funds and retirement annuity funds
- Defined benefit funds
- Public sector funds

6. Which type of Retirement Funds will NOT be affected by the Two-pot system?

- Unclaimed benefit funds
- Annuity payments
- Beneficiary funds
- Legacy Retirement Annuity Funds on application
- Terminating funds and funds in liquidation

7. Which member categories will NOT be affected by the Two-pot system?

- Pensioners
- Provident fund members who were 55 or older on 1 March 2021, and who remained in the same fund are excluded unless they opt in. These members can choose to take their full benefits or purchase an annuity at retirement

8. Can any money be deducted from my retirement savings?

- If you are a member of a retirement fund and your savings remain in your fund they are protected and your creditors cannot attach them, except in exceptional circumstances.

- There are only a few instances where money can be deducted from your savings:
 - If you default on a pension-backed home loan which records your savings as security for the loan.
 - If you share your retirement savings with a former spouse on divorce.
 - If you fail to comply with an order for maintenance for your child or children or former spouse it is enforced.
- When you leave an employer, certain deductions can be made from your savings for:
 - Tax you owe;
 - Maintenance you have failed to pay;
 - Divorce awards;
 - Compensation owed to your employer if you have committed fraud or been dishonest, if certain conditions are met.

9. Does withdrawing from the savings pot affect my cash lump sum at retirement?

- The two-pot system gives you early access to the cash lump sum you can take at retirement.
- If you access it before retirement, you may have less or nothing to take in cash at retirement.
- If you access your cash lump sum before retirement, you may reduce or lose the tax benefit you could enjoy at retirement.

10. How will the two-pot system work in defined benefit funds?

- Defined benefit funds will be part of the two-pot system.
- The benefits you accumulate from 1 September 2024 will be split between the two pots using your years of pensionable service.
- Your savings pot will be seeded with 10 percent of the value of your benefit as at 31 August 2024 up to R30 000, and the years of service used to determine the value of your vested savings (made before 1 September 2024) will be reduced accordingly.

11. What can I withdraw from each pot when I leave employment and the fund?

- If you resign or lose your job, you will still be able to withdraw from your employer-sponsored fund any savings you made before 1 September 2024 (your vested pot).
- If you already made a withdrawal in the tax year in which you lost your job, you will also be able to withdraw what is in your savings pot if it is less than R2 000.

- Currently you will not be able to withdraw the money you have saved in your retirement pot after 1 September 2024.
- Legislation may be introduced in the future to give people who are retrenched and have exhausted their savings pot access to their retirement pot, but currently they can only access their vested savings.