

WHAT IS THE TWO-POT SYSTEM?

The Two-Pot System is a legislative reform that allows members to access a portion of their retirement savings while still employed, preserving a portion that can only be accessed upon retirement. The goal is to improve retirement outcomes by ensuring members have an income at retirement and providing access to savings when in financial distress throughout their employment years.

It is important as a member to educate yourself about the Two-Pot system and understand the implications of this new legislation.

HOW WILL THE DIFFERENT POTS BE ESTABLISHED?

“Each fund must amend its rules to implement the Two-Pot system. Funds will also have to update their administration system to be able to apply the Two-Pot system”.

WHAT IS IN EACH POT?



1. VESTED POT

This pot contains your contributions accumulated up until 31 August 2024, plus any growth on the amount. The current legislation and tax rules will apply to this pot. This means that if you are a member of a pension fund or provident fund, you will be able to access the full amount in this pot when you leave employment due to resignation, dismissal, or retrenchment. This would be considered a withdrawal which will be taxed on the withdrawal tax tables.

If you belong to a Retirement Annuity Fund, you can access this pot before retirement, provided the amount is not less than R15 000.

A once-off seed capital will be calculated at 10% of the value of as at 31 August 2024 capped at R30 000 whichever is lesser to fund the savings pot and reflect as an opening balance from 1 September 2024.

2. SAVINGS POT

This pot will contain the once-off seed capital as an opening balance on or after 1 September 2024.

One-third of net contributions from 1 September 2024 must be allocated to this pot.

The full value of this pot will be accessible every tax year (1 March – 28/29 February) provided the value of the withdrawal is not less than R2 000. (If the amount in this pot is less than R2 000 you cannot claim, however, you can claim at a later stage once the amount reaches the minimum of R2 000).

A second withdrawal will be permitted in one tax year upon leaving employment if the amount in this pot is less than R2 000. Members with multiple contracts are allowed one withdrawal per contract.

Any savings withdrawal will be taxed at a member's marginal rate and any outstanding tax owed to SARS (i.e., IT88) will be deducted before payment is made, each member must understand the marginal rate applicable to them. It is also a member's responsibility to check if there are any amounts owed to SARS that may be deducted before the payment is made.

Admin fees charged by funds will be deducted before a savings withdrawal is paid. Remember each fund or administrator has its own fees applicable for these withdrawals.

Retirement tax tables will apply to the value at retirement and any amount remaining can be taken as a cash lump sum.

3. RETIREMENT POT

Two-thirds of net contributions from 1 September 2024 must be allocated to this pot.

The amount in this pot cannot be taken as a cash withdrawal while still employed, it must be preserved until retirement.

At retirement, the amount in this pot will be used to purchase an annuity subject to *de minimis* threshold.

Where a member purchases an annuity, tax will apply to the monthly pension paid to the pensioner.

4. WHICH RETIREMENT FUNDS WILL FALL UNDER THE TWO-POT SYSTEM?

The Two-Pot system will apply to:

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

5. HOW CAN I CLAIM MY SAVINGS WITHDRAWAL BENEFIT?

Note: The amount in the savings pot is intended to assist members in financial distress. Members must ensure that they understand the tax implications and the impact the savings withdrawal will have on their future benefits.

You can claim the amount in the savings pot by submitting a claim with your fund or administrator. It is important to note that each fund may have its own administration processes and payment timelines.

6. WHICH FUNDS AND MEMBERS DOES THE TWO-POT SYSTEM NOT APPLY TO?

Unclaimed benefit members

Pensioners

Beneficiary fund members

Legacy Retirement Annuity Funds who meet the exemption conditions issued by the FSCA

Non-contributing members of terminating funds and funds in liquidation

Provident fund and provident preservation fund members who were 55 or older on 1 March 2021, who remained in the same fund, these members can opt into the Two-Pot system.

7. WHAT IF I HAVE A QUERY OR COMPLAINT RELATED TO THE TWO-POT SYSTEM?

You can contact the Principal Officer of your fund to enquire about the Two-Pot system. If you have a complaint, you can direct it to the fund first for the fund to resolve the complaint internally. Should you not be satisfied with the response received from the fund, you may then complain to the Pension Funds Adjudicator.

To lodge a complaint with the OPFA, or e-mail: enquiries@pfa.org.za or visit www.pfa.org.za