VERSO®
BENEFITS ADMINISTRATOR (PTY) LTD

UNDERSTANDING THE TWO-POT RETIREMENT SYSTEM

IMPLEMENTATION: **01 SEPTEMBER 2024**

WHY IS THE GOVERNMENT IMPLEMENTING THE TWO-POT SYSTEM?

1. To allow emergency access to a small portion of your retirement savings while employed.
2. To improve the retirement income that members receive when they retire. Members will only be able to access the bulk of their retirement savings at retirement.

Your retirement savings in your Fund will be divided into 3 pots (or components), a vested, savings and retirement pot (component). Different rules apply to each component.

RETIREMENT SAVINGS UP TO 31 AUGUST 2024 (VESTED POT)

- Your Fund will do a once-off transfer of **10%** or **R30 000** (whichever is the lowest) of your retirement savings on 31 August 2024 to the **Savings Pot**.
- The rest of the money will remain in your **Vested Pot**.
- The money in your vested pot will still be subject to the current rules.
- Members who were older than 55 on 1 March 2021 do not have to participate in the two-pot system.
- When you leave your employer, you can either:
  - stay as a paid-up member of the Fund, or
  - take your money in cash, or
  - transfer the money to another fund.

TWO-POT STARTS FROM 1 SEPTEMBER 2024 (SAVINGS POT / RETIREMENT POT)

- Your retirement contributions from 1 September 2024 will be split into 2 components.
- One third of your contributions will go to Savings Pot, and two thirds of you contributions will go to your Retirement Pot.
- Once per tax year you can withdraw from the Savings Pot.
- You can withdraw a minimum of R2 000 (before fees and taxes) with no maximum amount (provided you have more than R2 000 in your Savings Pot.)
- You cannot withdraw from the Retirement Pot when you leave your employer. This money must remain invested until your retirement.

The money in your savings pot is part of your savings for retirement and should only be accessed in an emergency. This should be your last resort after all other options have been used. Remember if you take money from your savings pot, you are taking money from your future self (your retirement benefit).

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TWO-POT RETIREMENT SYSTEM EXAMPLE:

You have R25 000 in your retirement fund on 31 August 2024 (vested pot) and monthly contribution is R300 per month.

1 — **R 22 500**
10% seeding (max R30 000)

VESTED POT

- R2 500 (10% of R25 000) will be transferred to your savings pot.
- The remaining retirement savings in your vested pot will be R22 500 plus any growth.
- No further contributions will go into your vested pot.

2 — **R 2 500**
plus R 100pm

SAVINGS POT

- The amount in your savings pot will be R2 500.
- R100 (1/3 of R300) of your monthly contribution will go to your savings pot.
- The amount in the savings pot can be accessed annually or at retirement.

3 — **R 200pm**

RETIREMENT POT

- R200 (2/3 of R300) of your monthly contribution will go to your retirement pot.
- You will not be allowed to access or withdraw this money in cash until retirement.

T-DAY RULES FOR PROVIDENT FUND MEMBERS - 1 MARCH 2021

- Legislation changed on 1 March 2021. These changes were known as the T-Day changes, which required that member shares be split into T-Day vested and T-Day non-vested portions.
- The T-Day vested portion was the retirement savings up to 28 February 2021 (plus future growth thereon).
- The T-Day non-vested portion is the retirement savings from 1 March 2021 (plus growth thereon).
- On retirement, members may take their full T-Day vested portion and a maximum of 1/3rd of their T-Day non-vested portion in cash.The remaining T-Day non-vested portion must be used to buy an annuity.
- This is different for members who were 55 years and older on T-Day.

PROVIDENT FUND MEMBERS OVER 55 ON 1 MARCH 2021

- Members who were older than 55 years on 1 March 2021 will continue to contribute to the vested pot.
- These members must elect to participate in the two-pot system.
- If you do not participate in the two-pot system, all your contributions will go to the vested pot, and you will not have a separate savings pot and retirement pot.
- This means you will not be able to make withdrawals while you are still employed.

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