

TWO-POT RETIREMENT SYSTEM FREQUENTLY ASKED QUESTIONS



When will the two-pot retirement system be implemented?

The proposed implementation is 1 September 2024.

Why is the government implementing the two-pot retirement system?

- To allow **emergency** access to a small portion of your retirement savings while employed.
- 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.

How does the two-pot retirement system work?

Your existing retirement contributions (past and future) will be divided into three “pots”. Your accumulated retirement savings up until 31 August 2024 will go into a vested pot.

From 1 September 2024:

- **One-third of your contributions will go into your savings pot.**
This will receive a once-off capital boost from your vested pot (minimum of 10% of your retirement fund value on 31 August 2024, up to R30,000.00). After that, one-third of all new contributions will go into this pot, which will also grow with investment returns.
- **The remaining two-thirds of all new contributions will go into your retirement pot.**
These contributions, together with all further growth and earnings cannot be accessed until retirement. These savings must then be used to purchase a retirement income, unless legislated minimum values apply.

For example, if you contribute R3,000.00:

- R2,000.00 will go to your retirement pot, and
- R1,000.00 will go to your savings pot.

You will only be able to access your savings pot once the balance reaches a minimum value of R2,000.00. This does not include any contributions you made up until 31 August 2024.

What is the “vested pot”?

These are all the savings that accumulated in your retirement fund up until 31 August 2024. These retirement savings will continue to be regulated in terms of the rules that apply up to 1 September 2024. Where applicable, your vested and non-vested rights or portions, as of 31 August 2024, will form part of the vested pot.

For example:

- For retirement annuities generally, you cannot touch these savings until you retire.
- For pension and provident funds, the vested pot will still be exempt from compulsory preservation, so you can withdraw a taxable lump sum should you resign or be retrenched.
- For preservation funds, current rules will still apply, and all existing vested rights will be retained.

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How will my investment portfolio be affected?

Your retirement saving will still be invested in the same portfolios after the two-pot retirement system change.

Can I access any of my money in the savings pot from 1 September 2024?

Legislation allows you to access your savings pot, however, there are minimum limits on the amount and the number of times you can withdraw.

The exact date you can make your first withdrawal is dependent on the retirement fund of which you are a member.

Your vested pot will provide initial capital for your savings pot. 10% of your fund balance on 31 August 2024 (capped at R30,000.00) will be allocated to your savings pot. You need a balance of at least R2,000.00 before you can make a withdrawal.

For example, if your fund has R30,000.00 in it on 31 August 2024, R3,000.00 will be transferred into your savings pot.

How will I know how much money is in my savings pot on 1 September 2024?

From 1 September 2024, you will be able to view your balance in your savings pot in one of the following ways:

- Via the Verso InTouch mobile app
- Via the secure member login on the Verso Website

Will I pay tax if I withdraw from my savings pot?

Any withdrawals from the savings pot before retirement (while employed) will be taxed in terms of the PAYE tables. Every withdrawal you make from your savings pot is added to your taxable income and will be taxed at a fixed marginal rate at the time of withdrawal.

What other deductions will be made if I withdraw from my savings pot?

A transaction fee will be deducted from the amount you withdraw from your savings pot.

How often will I be able to access my funds?

Withdrawals from the savings pot can be made only once per year of tax assessment (between 1 March and 28 February yearly). There will be a minimum withdrawal amount of R2 000 before costs and tax but no maximum withdrawal amount. If you do not access it, it continues to build up over time, and any unused savings pot balance will be your lump sum benefit at retirement.

If I am retrenched, what savings will I be able to access?

- For pension funds and provident funds, you will be able to access all the savings in your vested pot as well as your accumulated savings in your savings pot.
- For retirement annuities, you will only be able to access your savings pot.

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What happens if my savings pot is empty at retirement?

If your savings pot is empty at retirement, you will not be able to access any lump sum at retirement. Your retirement pot will be used to purchase income. If you still have a vested pot at retirement, you can access some of this balance as a lump sum.

What happens to my retirement pot when I leave my employer before retirement?

The retirement pot will be preserved and is only accessible upon retirement or in the event of death. The treatment of the retirement pot on retrenchment is still under consideration.

What happens to retirement benefit when I retire?

You can choose to take in cash a portion of your vested pot (based on legislation on 1 March 2021), together with any portion left in your savings pot. The amount in your retirement pot as well as a portion of your vested pot must be used to buy an annuity.

What happens to my retirement savings if I pass away?

The retirement savings (vested, savings and retirement pots) will be distributed to your beneficiaries and nominees in terms of section 37C of the Pension Funds Act.

Does my age matter?

If you are a member of a pension fund, your age does not matter, and you will automatically be included in the two-pot retirement system.

If you are a member of a provident fund, your age will matter.

On 1 September 2024, provident fund members who were 55 years or older on 1 March 2021 can choose to:

- Contribute to the vested pot (until you retire or leave the fund); or
- Participate in the two-pot retirement system and split all new contributions between the savings and retirement pots. You will then no longer contribute to the vested pot.

How will I be able to access my savings pot?

Please refer to the **“How will I be able to access my savings pot in an emergency?”** leaflet. Further details will be provided to members nearer to the time.
