

TWO-POT

RETIREMENT SYSTEM



RETIREMENT POT

2/3



SAVINGS POT

1/3

KEEP YOUR EYE ON THE POT!

**KEY THINGS TO KNOW ABOUT THE TWO-POT
RETIREMENT SYSTEM**



Financial Sector
Conduct Authority

INTRODUCTION

If you contribute to a retirement fund (pension fund, provident fund, preservation fund or retirement annuity fund), then this resource is for you. The information contained herein aims to explain how the new Two-Pot System works and how your retirement contributions will be allocated from 1 September 2024. This resource further delves into your rights and responsibilities, common questions and the complaints process, including who you can contact if you need more information.



Content

Definitions	01	Complaints Process	09
Why Two-Pots?	03	Contact Details	10
The Two-Pot Retirement System Explained	04		
Your Rights and Responsibilities	05		
Frequently Asked Questions	07		



As of 1 September 2024, 10% of your current retirement savings in your vested pot (capped at R30 000) will be transferred to your savings pot.



Savings Pot 1/3



Retirement Pot 2/3

Definitions



Benefit:

In relation to a fund, means any amount payable to a member or beneficiary in terms of the rules of that fund.

Benefit statement:

A document that provides the details of your retirement fund benefits and how your retirement savings have performed for a specific period.

Beneficiary Nomination Form:

As a member of a retirement fund, you will be asked to choose or nominate one or more beneficiaries to receive what you have saved should you die before retirement. Keep this form up to date. For example, if you have children and/or a spouse, you may want to add their information on the beneficiary nomination form.

Life Annuity:

An insurance product bought by a pensioner. A life annuity is a guaranteed annuity offered by long-term insurers. It derives its name from the guaranteed income it provides for the lifetime of a pensioner. In other words, the pensioner is guaranteed to receive a monthly income for as long as she or he lives. On the death of the pensioner the income stops.

Living Annuity:

A living annuity is also an insurance product bought by a pensioner and it pays a monthly annuity to the pensioner on draw-down levels chosen by him or her subject to the legislated draw down rates. Unlike a life annuity, a living annuity is not guaranteed and will only pay for as long as the pensioner has a credit balance. Should a pensioner die before his or her retirement annuity is depleted, the credit balance will be paid to his or her nominees designated in writing by the pensioner.

Office of the Pension Fund Adjudicator (OPFA):

Represents the interest of members or beneficiaries of a retirement fund by investigating and addressing complaints against retirement funds, employers and benefit administration companies.

Retirement annuity:

A retirement annuity is a type of long-term savings plan – it is like having your own private pension scheme. This is a good option if you want to have additional savings towards your retirement or if you are self-employed. Depending on the annuity you choose, you can access your savings either from the age of 55 or after your retirement. Upon retirement, you can withdraw up to one third of the value of your savings in cash. The remaining savings must be reinvested to provide you with an income for your retirement.

Vested pot/component:

The vested pot will hold the value of a member's interest in the fund prior to 1 September 2024, together with fund return. The regime in effect before 1 September 2024 will apply, which means that members will be able to withdraw from the vested pot upon resignation, dismissal or retrenchment. No new contributions may be made to this pot, **save for arrear contributions.**

Retirement fund:

A retirement fund is a broad term that refers to a pension fund, retirement annuity fund, provident fund or preservation fund. Pension and provident funds are often referred to as workplace or occupational funds because they are offered through your employer. Retirement fund contributions are protected under Section 37A of the Pension Funds Act (No. 24 of 1956 - the 'PFA'). Different funds have their own options and sets of rules and are governed by a Board of Trustees.

Savings pot/component:

From 1 September 2024, one-third of your retirement fund contributions will go into this pot, which is accessible once a tax year, should it be necessary. The minimum withdrawal amount is R2000, and the amount withdrawn is subject to deductions such as tax and administration fees.

Retirement pot/component:

From 1 September 2024, two-thirds of your retirement fund contributions will go into the retirement pot. This is compulsory retirement savings, which will only be accessible to purchase an annuity at retirement.



Why Two-Pots?

The proposed Two-Pot Retirement System (renamed the Two-Component System) is an important retirement reform aimed at addressing lack of preservation (pre-retirement leakage) and lack of access to retirement fund savings in cases of emergencies by members who are in financial distress but who have assets within retirement funds.

The access challenge became more pronounced during the Covid-19 pandemic; the Congress of South African Trade Unions (COSATU) and the Federations of Unions South Africa (FEDUSA) called for members to have access to their retirement savings due to the dire financial position that they found themselves in. During the February 2021 Budget Speech and November 2021 Medium Term Budget Policy Statement (MTBPS) Speech, the Minister made an announcement of this intended retirement reform. These announcements were followed by a discussion document published by National Treasury (NT) on 15 December 2021, titled *'Encouraging South African households to save more for retirement'* for public comment.

The Revenue Laws Amendment Act, 12 of 2024 (RLAA), together with the Pension Funds Amendment Act 31 of 2024, give effect to the Two-Pot System.



The Two-Pot Retirement System Explained



The Savings Pot/Component: This is the new pot to which one-third of your retirement contributions will be allocated from 1 September 2024. This pot may be accessed once a year subject to a minimum withdrawal of R2000. Withdrawals are also subject to marginal tax rates and admin fees.



The Retirement Pot/Component: From 1 September 2024, two-thirds of your retirement contributions will be allocated to this pot and may not be accessed until you retire (compulsory preservation), to purchase an annuity.



The Vested Pot/Component: This is your existing retirement savings and comprises your fund credit as at 31 August 2024. From 1 September 2024, seed capital of a maximum of 10% capped at R30 000 will be transferred from your vested pot to your savings pot.

You can contact your fund for more information on the process to be followed when making a withdrawal from your retirement fund.

Seed Capital Example 1:

A: You have R100 000 in your vested pot as at 31 August 2024. 10% of R100 000 will be transferred to your savings pot. That's R10 000. It is important to note that a maximum of R30 000 may be transferred from your vested pot to your savings pot as seed capital, even if 10% of your vested pot is more than R30 000 as illustrated in the example below.

Seed Capital Example 2:

B: You have R1 500 000 in your vested pot as at 31 August 2024. 10% of R1 500 000 is R150 000. A maximum of R30 000 will be transferred to your savings pot.

Note: Provident fund members who were 55 years or older on 1 March 2021 are exempted from these provisions, unless such member opts into the two-component system. Should this category of members opt into the two-component system, it is further required that they are still members of the same provident fund that they were in on 1 March 2021. Should these members not remain in the same provident fund that they were in on 1 March 2021, then on transfer, the two-component system will automatically apply to such members. This category of fund members, who do not opt into the two-component system, have their benefits ring-fenced and these are regarded as vested benefits. Such members retain their rights to elect to commute their full benefit in cash and/or remain as contributing members according to the pre-1 March 2021 regime.

Your Rights and Responsibilities

As much as the Board of Trustees have a duty towards you as a member, you must also ensure that you understand and put into practice your rights and responsibilities as described below:

You have the right to:

- Be informed of your rights as a member of the fund.
- A set of the fund rules and a member's booklet upon joining the fund.
- A benefit statement at least once a year.
- Elect 50% of the trustees of your fund and know who they are.
- Timely payment of contributions and benefits once you submit all the necessary documents.
- Lodge a complaint with the Office of the Pension Funds Adjudicator or with your retirement fund.



Your responsibilities include:

- Monitoring the fund's performance.
- Holding the trustees of your fund accountable.
- Notifying the trustees of any changes to your personal information, including who you've nominated as beneficiaries.
- Obtaining expert advice from a financial services provider authorised by the FSCA, if necessary.
- Repaying a home loan, if you borrow from your fund for housing purposes, before you retire, if you want to receive your full benefit at retirement.
- Becoming as informed as possible about retirement and your fund.
- Noting the tax implications when withdrawing from the fund– it is important that you are familiar with the tax rates on withdrawal.
- Making sure your employer is paying over the employer and employee contributions to your retirement fund.



TIP: You should check your payslip to ensure that your pension fund contribution is being deducted from your salary. In addition, you should also call your fund to find out if your pension deductions are being paid into your pension fund by your employer every month. If you do not check, you may find yourself with too little or no fund credit on retirement. Note: This information can also be seen on your benefit statement as well as the online platforms that some administrators provide.

Frequently Asked Questions



Does the Two-Pot System apply to all funds?

No, the Two-Pot Retirement System generally applies to all retirement funds (pension funds, provident funds, preservation funds and retirement annuity funds). The Two-Pot System does not, however, apply to unclaimed benefit funds, pensioners, beneficiary funds and closed/dormant funds. Legacy retirement annuity funds may be exempted if they comply with the conditions to be determined by FSCA. These conditions have been determined in FSCA RF Notice 17 of 2024, Determination of conditions for purposes of the definition of legacy retirement annuity policy.



How does the Two-Pot Retirement System affect defined contribution and defined benefit funds?

Defined Contribution (DC) funds, contributions will be straightforwardly divided between the two pots. Defined benefit (DB) funds use a formula to define benefits, the two-pot system will use a reduction in years of service of a member when a withdrawal is made. DB funds will notionally refer to vested pot in terms of pensionable service.

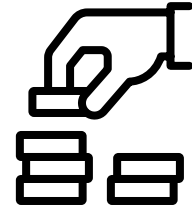


How do I know how much is in each of my pots?

You should receive or request an annual benefit statement from your fund. This document will detail the balances in your vested, savings, and retirement pots.

For defined benefit funds, members will have distinct records for vested service, savings service and retirement service. Withdrawals from the savings pot reduce pensionable service and retirement benefits.

How often can I access funds from the savings pot?



A member may access the entire Savings Pot or a portion thereof once a tax year, subject to a minimum withdrawal amount of R2 000.

May I transfer money from the vested pot to the savings pot?



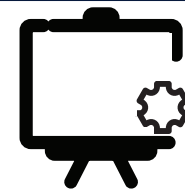
No transfers can be made from your vested pot into your savings pot except for the seed capital. You may, however, transfer funds from your vested pot to your retirement pot.

Who can I contact to find out more about the Two-Pot System?



Engage with your fund directly and request the information from the Board of Trustees or refer to the contact information on your annual benefit statement.

What is the application process?



The process will be detailed once the rule amendments have been approved. Your fund will inform members on the application process.

Complaints Process



If you have a retirement fund-related problem, you need to follow the proper complaints process as stipulated below.

Step 1

Write a formal complaint to your fund or to the fund administrator.

Step 2

If you are not happy with the way your complaint was dealt with, you can contact the Office of the Pension Fund Adjudicator “OPFA” and request assistance for the resolution of your complaint. You will need to submit a written complaint explaining the nature and details of your complaint. You can also use the online submission form available on the OPFA website. You must provide a copy of your ID, proof that you are a member of the fund and documentation in support of your complaint. The OPFA manages the mediation or consultation process and will make a final decision (called “a determination”) if you and the fund or the fund administrator cannot come to an agreement.

Step 3

If you, the fund or the fund administrator are not satisfied with the determination of the OPFA, you can appeal the determination with the Financial Services Tribunal (FST) for reconsideration at no cost.

Note: If you have a complaint or want to settle a dispute, you have three years from the date of the event that gave rise to a dispute to refer a complaint to the OPFA. The respondent has 30 days to respond to your complaint.

Contact Details

To report any unlawful conduct or unfair treatment in relation to retirement funds, contact one of the following:

Financial Sector Conduct Authority (FSCA)

To report any conduct by the board or any other fund officer, which may be detrimental to the interests of the fund or its members, contact the FSCA.

Telephone: 0800 20 3722 (FSCA)

Switchboard: 012 428 8000

E-mail: info@fsc.co.za | Enquiries@fsc.co.za

Physical address: Riverwalk Office Park, Block B, 41 Matroosberg Road, Ashlea Gardens, Pretoria 0081

Postal address: P.O. Box 35655, Menlo Park, Pretoria, 0102

Website: www.fsc.co.za

Consumer Website: www.fscamymoney.co.za

Office of the Pension Funds Adjudicator (OPFA)

If you have a complaint against your pension, provident, preservation or retirement annuity fund that you have not been able to resolve, you may lodge a complaint with the OPFA.

Call centre: 086 066 2837

Telephone: 012 748 4000 or 012 346 1738

Fax: 086 693 7472

Physical address: 41 Matroosberg Road, Riverwalk Office Park, Block A, Ashlea Gardens, Pretoria 0081

Postal address: P.O. Box 580, Menlyn 0063

Website: www.pfa.org.za

Office of the Ombud For Financial Services Providers (FAIS OMBUD)

If you have a complaint against a product provider or financial services provider, you can contact the FAIS Ombud.

Telephone: 012 762 5000

Share call: 086 066 3274

E-mail: info@faisombud.co.za | enquiries@faisombud.co.za

Physical address: 125 Dallas Avenue, Menlyn, Waterkloof Glen, Pretoria 0010

Website: www.faisombud.co.za

Government Employees Pension Fund (GEPF)

The GEPF manages and administers pensions and other benefits for government employees in South Africa. If you have any enquiries or complaints regarding your pension fund, contact the GEPF.

Telephone: 012 424 7330

Call centre: 0800 117 669

Fax: 012 326 2507

Physical address: GEPF Administration Office, Building 2A, Trevenna Campus, Corner Meintjies and Francis Baard Street, Sunnyside, Pretoria

Website: www.gepf.co.za

Financial Services Tribunal (FST)

Upon application by aggrieved persons, the FST reconsiders decisions of decision-makers as defined in section 218 of the Financial Sector Regulation Act 9 of 2017 and performs other functions as conferred on it by the Act and other financial sector laws.

Reception: (012) 741 4300

Kim Host: (012) 741 4302

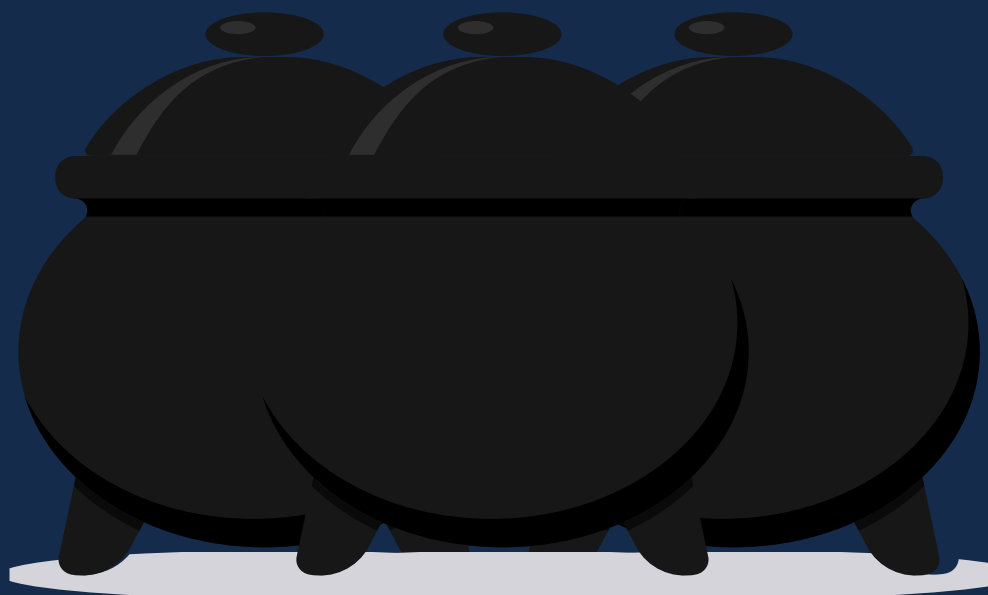
Alita Morudu: (012) 741 4303

Lwandiso Mgijima: (012) 741 4310

E-mail address: Applications@fstribunal.co.za

Physical address: Kasteel Office Park, Orange Building (2nd Floor), 546 Jochemus Street, Erasmuskloof, Pretoria, 0048

Postal address: P.O. Box 36742, Menlo Park, 0102



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