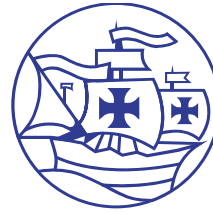


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**COLUMBUS  
RETIREMENT  
FUND**

# Two-Pot Retirement Reform

Effective date 1 September 2024



# Purpose of the Two-Pot Retirement system?

- The Two-Pot Retirement System enables a member of a Fund (Who has a pension fund, provident fund, retirement annuity, or a preservation fund) to access a small portion of their retirement savings (before retirement) for **emergencies**.
- The bulk of the members' savings will remain “preserved”, meaning the majority of your retirement savings remain invested until you retire.



# Effective date and the pots?

- The effective date of the Two-Pot system is 1 September 2024.
- The members' retirement savings will be categorised in three different “pots” also known as “components”
  - Vested Component
  - Savings Component
  - Retirement Component

**Effective date**  
**1 September 2024**

# Vested Component



- This component will comprise of the members' accumulated retirement savings at 31 August 2024

## LESS

- The amount allocated to “Seed Capital” for the Savings component

## PLUS

- Investment returns earned on these savings from 1 September 2024 onwards.
- **NO NEW contributions will be allowed to this component**

# Vested Component continued

- The benefits in this component will remain split into “Vested” and “Non-Vested” benefits according to the T-Day rules for Provident Fund members that were introduced on 1 March 2021.
- After the Two-Pot component effective date of 1 September 2024 the member will have the same rights as per the old Rules to access the benefits in their Vested component.

# Savings Component



- This component will enable to member to access funds prior to withdrawal from the Fund.
- A once-off of seeding capital amount will be allocated to this Component from the Fund credit in the Vested Component at 31 August 2024.
- One-Third of all contributions from 1 September 2024 will be allocated to this component (Less charges and risk premiums).
- The benefit will include investment returns earned on the contributions.

# Savings Component continued

- Cash withdrawals from the Savings component also known as the “Savings withdrawal benefit” will be allowed once in every tax year.
- Minimum withdrawal R2000 (Before deductions charges and tax)
- Maximum 100% of the benefit in the Savings Component
- Tax from on the Savings withdrawal benefit is taxed at the marginal tax rate of the member.

Administration cost of R250 incl VAT per withdrawal

Members will only be allowed once the Rules has been approved which has been submitted to the FSCA on 15 July 2024.

# Savings Component continued

**NB!!!**

The Savings Component is not a liquid savings account! It is for members to have access to funds should they find themselves in **dire financial distress or in time of an emergency.**

It still forms part of a members retirement planning and must be treated as such.



# Retirement Component



- This component will comprise of two-thirds of the contributions (less charges and risk premiums) made from 1 September 2024  
PLUS
- Investment returns received
- No access is allowed until retirement (No cash access)
- Exceptions to the Rule above regarding access
  - Emigration (3-year rule)
  - Non-Resident VISA expiration

# What is Seeding Capital?

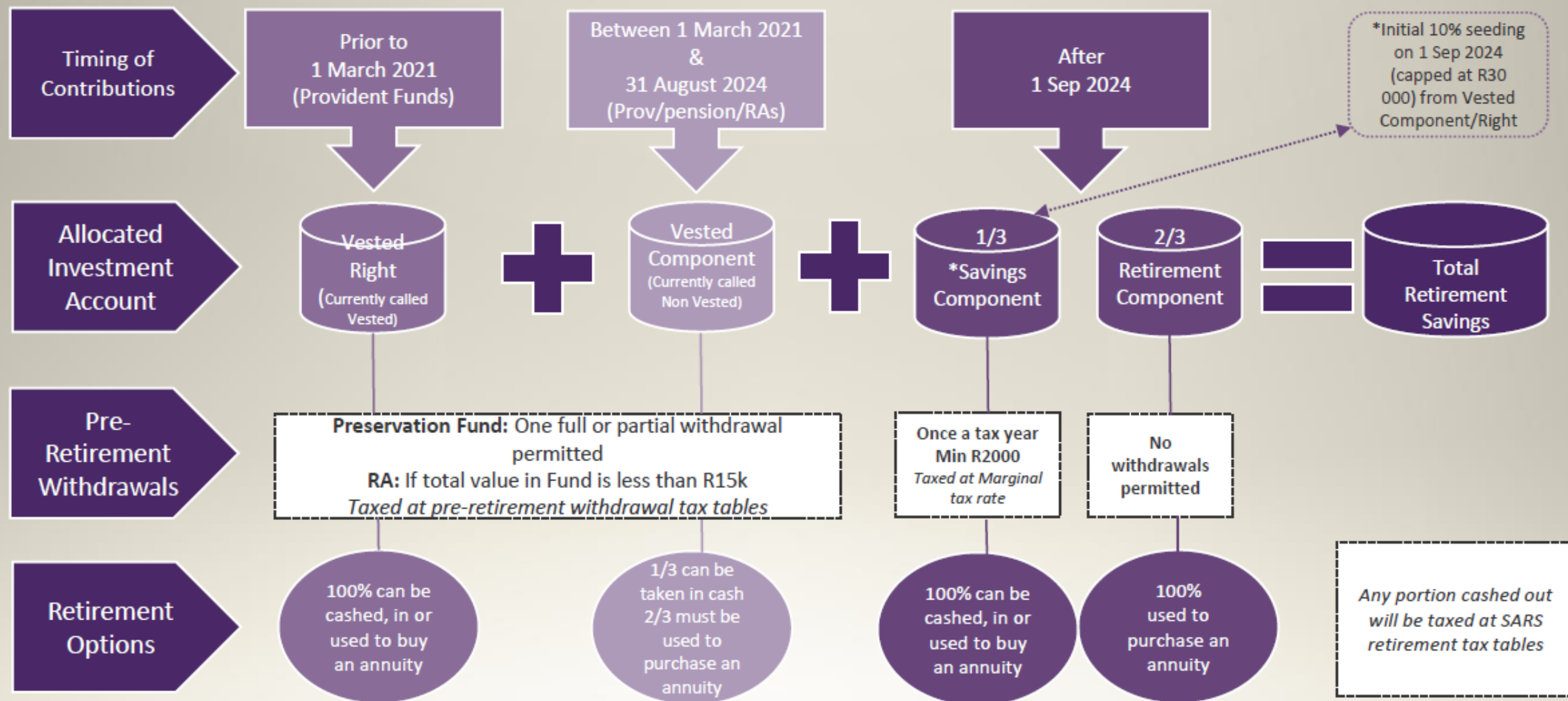


- This is the amount that will be placed in your Savings Component on or after 1 September 2024.
- The amount transferred will be 10% of your accumulated retirement savings at 31 August 2024 capped at R30 000.
- This is a ONCE-OFF seeding capital
- The Savings component will increase over time with the one-third contributions made to this component from 1 September 2024 onward.
- There is no timeframe for administrators to effect seeding but when done the allocation must be backdated to 1 September 2024;

# Seeding Capital example

Total value in Fund	Seeding Amount allocated to Savings component	Amount remaining vested component	Value can be withdrawn?
R10 000	R1 000	R9 000	No (Below R2000)
R30 000	R3 000	R27 000	Yes
R150 000	R15 000	R135 000	Yes
R900 000	R30 000 (capped)	R870 000	Yes

## Two Pot Summary



# Which Funds will be affected?

- Public and Private Sector Funds
- Defined benefit Funds and Defined Contribution Funds
- Pension, Provident, Pension Preservation, Provident Preservation and Retirement Annuity Funds.

# Which Funds will **NOT** be affected?

- Legacy Retirement Annuities. (RA's held by a member pre-1 September 2024)
- Beneficiary Funds
- Unclaimed benefits Funds

# Which members will **NOT** be affected?

- Pensioners
- Provident Fund members who were 55 and older on 1 March 2021, who are still in the original provident fund and who have NOT elected to be part of the Two-Pot Retirement System.
- Provident Preservation fund members who were 55 and older on 1 March 2021 and who have not elected to be part of the Two-Pot Retirement system.

# Can an AVC be made to the Savings Component?

- Members will not be able to direct 100% of their AVC into their Savings Component.
- The AVC will be allocated as per the new Two-Pot retirement system Rules
- One-Third to the Savings Component
- Two-Thirds to the Retirement Component



# Transfers between components allowed

- From the Vested Component to the Retirement Component
- From the Savings Component to the Retirement Component
- If a member chooses to make a transfer, all three components must be transferred at the same time.
- These transfers are tax free.

Members are urged to contact their financial advisor before any transfers are made between components at withdrawal.

# Section 37D deductions

- Deductions will be made proportionately from all three components.
- Applied to maintenance and divorce orders.

**Court orders**



# Old Rules explained – T-day 1 March 2021

- Retirement savings were split between a Vested and Non-vested benefit.

*Vested benefits*



*Non-Vested benefits*

# Vested benefit – T-day 1 March 2021

- The Vested benefits comprise of a member's accumulated retirement savings in a provident preservation fund and contributions to a provident fund prior to 1 March 2021 (known as T-Day), plus investment returns earned on these accumulated savings from T-Day onwards.
- For provident fund members who were 55 or older on T-Day and remained in the same provident fund, all retirement savings contributions made after T-Day (plus investment returns earned after that date) will also comprise Vested benefits.
- Up to 100% of Vested benefits may be taken as a cash lump sum benefit at retirement.

# Non- Vested benefit – T-day 1 March 2021

- The Non-Vested benefits comprise of a member's retirement savings in a pension fund, pension preservation fund or retirement annuity fund.
- They also comprise of a member's contributions to a provident fund from T-Day, plus investment returns earned on these savings accumulated from T-Day onwards if that member was younger than 55 on T-Day, or was older than 55 and did not remain in the same provident fund after T-Day.
- At least two-thirds of Non-Vested benefits must be used to purchase an annuity at retirement (subject to a statutory commutation minimum – *De minimis* – Currently R165 000).

# Members over 55 on 1 March 2021

- Provident fund or provident preservation fund members who were 55 years or older on 1 March 2021, and **who are still members of the same fund** are exempted from the two-component system.
- These members may elect to opt into the two-component system.
- If they do not opt in, they are required to remain a member of the same fund that they were in on 1 March 2021.
- Should these members subsequently be transferred to another retirement fund after 1 September 2024, are automatically in the two-component system.

# Members over 55 on 1 March 2021 cont..

- 100% of their contributions will continue to the Vested Component
- The Old Rules will apply to these members
- The members have a 12-month period up until 31 August 2025 to opt into the new Retirement reform system.
- Seed capital will be determined on the value of their benefit on the last day of the month in which they made the election to opt into the new system.
- Contributions from the date of their election will be allocated as per the new Two-Pot Retirement Rules.

# Pre-Retirement withdrawals

- Vested component
  - Old Rules apply
  - Full cash lumpsum at resignation
  - Cash lumpsum withdrawal on emigration (Cessation of tax residency 3 year period)
  - Cash lumpsum on expiration of VISA

Taxed at the withdrawal tax table





# Pre-Retirement withdrawals

- Savings component
  - Access to the benefits at any time prior to retirement (Only allowed once in every tax year)
  - Minimum amount that can be taken is R2000 before charges and costs
  - If a member has already accessed their savings withdrawal benefit and then resign within the relevant tax year and additional withdrawal will only be allowed in that tax year if the benefit is less than R2000.
  - The component can be transferred to the Retirement Component

Taxed at the marginal tax rate

# Pre-Retirement withdrawals

- Retirement component
  - No access is allowed prior to retirement
  - Exclusion to the Rule
    - Death of a member
    - Formal emigration or ceased South African Tax residency for a period of at least 3 years
    - Non-resident whose SA work or visitor's VISA expired

No tax

# Retirement withdrawals

- Vested component
  - 100% of Vested benefit can be taken in cash
  - One-third of non-vested benefit can be taken in cash
  - Two-thirds of non-vested benefit to be used to purchase an annuity (Subject to the *de minimis* Rule – R165 000)
- *De minimis* (Interest in the Retirement component plus two-thirds of the non-vested benefits in the Vested component does not exceed R165 000)

Taxed at the retirement tax table



# Retirement withdrawals

- Savings component

- Any benefits left in this component can be taken as a cash lumpsum at retirement.
- May be transferred to the Retirement Component (Used to purchase an annuity)

Taxed at the retirement tax table

# Retirement withdrawals

- Retirement component
  - 100% used to purchase an annuity
  - Cash withdrawal upon *De minimis* (Interest in the Retirement component plus two-thirds of the non-vested benefits in the Vested component does not exceed R165 000)

No tax

Income received from compulsory annuities will be subject to tax in accordance with the member's marginal tax rate.

# Death benefits

- On the death of a member the benefit payable is in respect of all three components and the member's beneficiaries, as determined in terms of section 37C of the Pension Funds Act, may choose to receive the benefits as:
  - A cash lump sum death benefit or;
  - A compulsory annuity or;
  - A combination of both a cash lump sum and a compulsory annuity.

Taxed at the retirement tax table (Also applicable to death)

# Tax directive requirements

It has been confirmed that:

- Tax directives will be required for Savings Withdrawal Benefits. They must be applied for under an IRP3(a) form.
- SARS will require a member's tax reference number and annual income for these tax directives.
- Tax directives will still be required for cash lump sum withdrawal benefits and cash lump sum retirement benefits.

# Tax directive requirements

- Tax directives will also be required for transfers to another fund. These tax directives must be applied for under the revised lump sum forms i.e. Forms A&D, Form B, Form C and Recognitions of Transfer “ROTs” where applicable.
- Tax directives will not be required for:
  - Transfers of Seed Capital to the Savings Component
  - Re-allocations of benefits in the same fund



# Q & A

- What would be classified as an emergency?
  - The legislation does not provide an explanation as to what would be classified as an emergency. It is at the Funds' discretion to provide guidance to a member on this matter. Nowhere in the legislation does it allow any withdrawal to be denied as each employees view of an emergency will differ.
- If a member has already accessed their savings withdrawal benefit and then resign within the relevant tax year an additional withdrawal will only be allowed in that tax year if the benefit is less than R2000.
  - What happens is amount is more that R 2000 ? MUST this then be transferred to the Retirement component, or may the funds be preserved with us and the do the payment in the next Tax year?

# Q & A



Please confirm any queries to be added to the presentation with answers before the presentation is distributed.