

Two-pot retirement system

Which funds and fund members are affected?



The two-pot retirement system will affect members of all types of retirement funds:

- Pension funds, provident funds, pension preservation funds, provident preservation funds, and retirement annuity (RA) funds.
- Private sector funds and public sector funds.
- Defined-benefit funds and defined-contribution funds.
- Umbrella funds and stand-alone funds.

The following retirement funds are automatically excluded from the two-pot system:

- Beneficiary funds that hold deceased members' benefits to pay regular benefits, typically to minor children.
- Unclaimed benefit funds.
- Funds in liquidation.
- Dormant funds.
- Closed funds.

The two-pot system will not affect you if you have retired from a fund that is subject to the system. This is because pensioners are no longer contributory members. Members of provident funds who were 55 or older on 1 March 2021 and still belong to the same provident fund (or provident preservation fund) are also excluded from the two-pot system. But they can choose to opt into the system. Please refer to our separate brochure for more information.

'LEGACY' RETIREMENT ANNUITY FUNDS

"Legacy" or "old-generation" RA funds with features specified by the legislation can apply to the Financial Sector Conduct Authority for an exemption from the two-pot system. Essentially, legacy RAs are contracts held by an RA fund entered before 1 September 2024 that include a pre-universal life or universal life component.

DEFINED-BENEFIT FUNDS

In the case of defined-benefit funds, the benefits you accumulate from 1 September 2024 will be split between the Savings component and the Retirement component using your years of pensionable service.

For each year of service you have after 1 September 2024, four months will be allocated to the Savings component and eight months to the Retirement component.

The Savings component will be seeded with 10% of the value of a member's benefit on 31 August 2024, up to R30 000. The years of service used to determine the value of a member's vested savings (made before 1 September 2024) will be reduced accordingly.

Please **click here** for an article published by Smart About Money that provides an example of how the two-pot system will work in defined-benefit funds.

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