



**TWO-POT**  
RETIREMENT SYSTEM

# PROPOSED TWO-POT SYSTEM

## WHAT, WHY AND HOW?

## SACCAWU EXTENDED NATIONAL OCCBU

12 JULY 2023

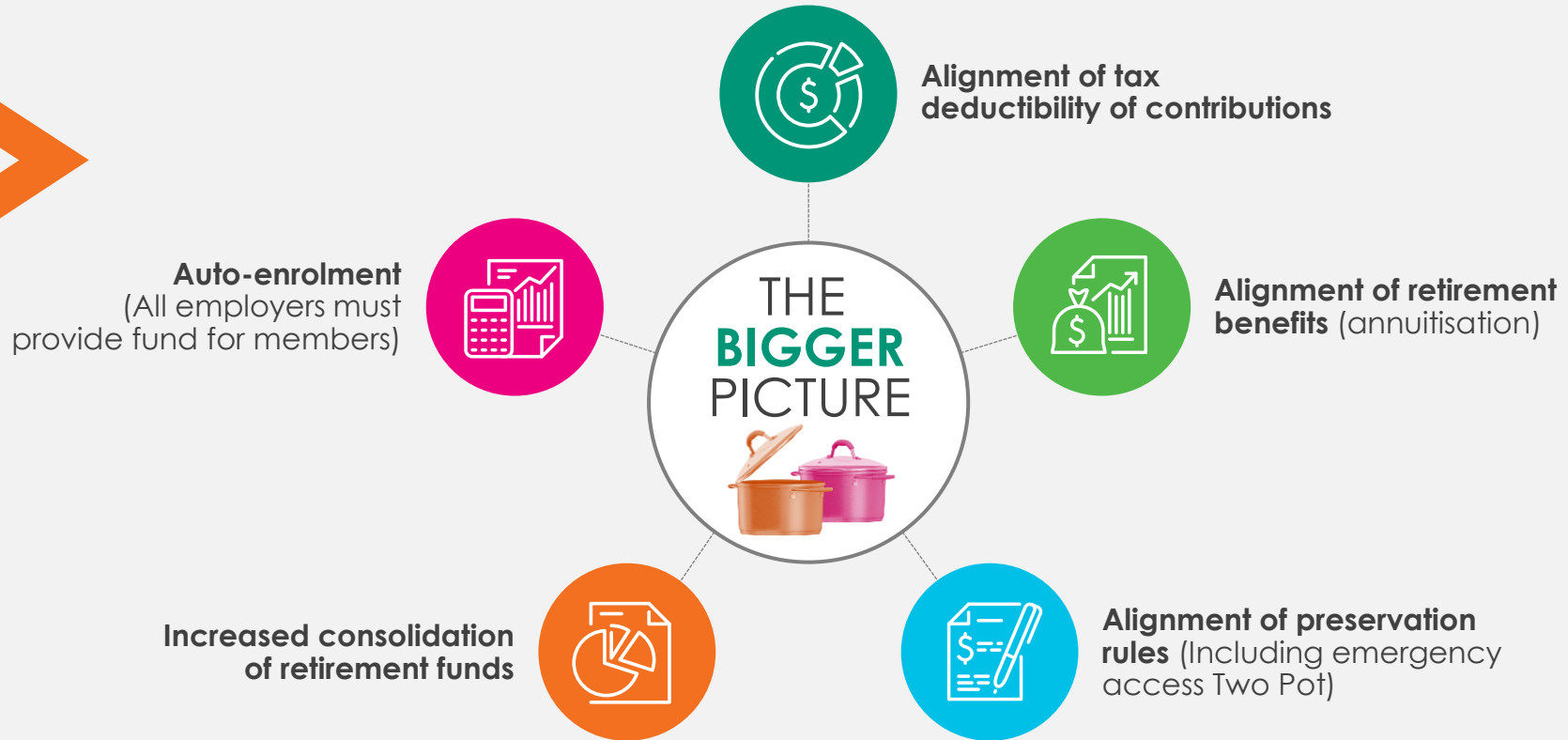


**CORPORATE**

DO GREAT THINGS EVERY DAY

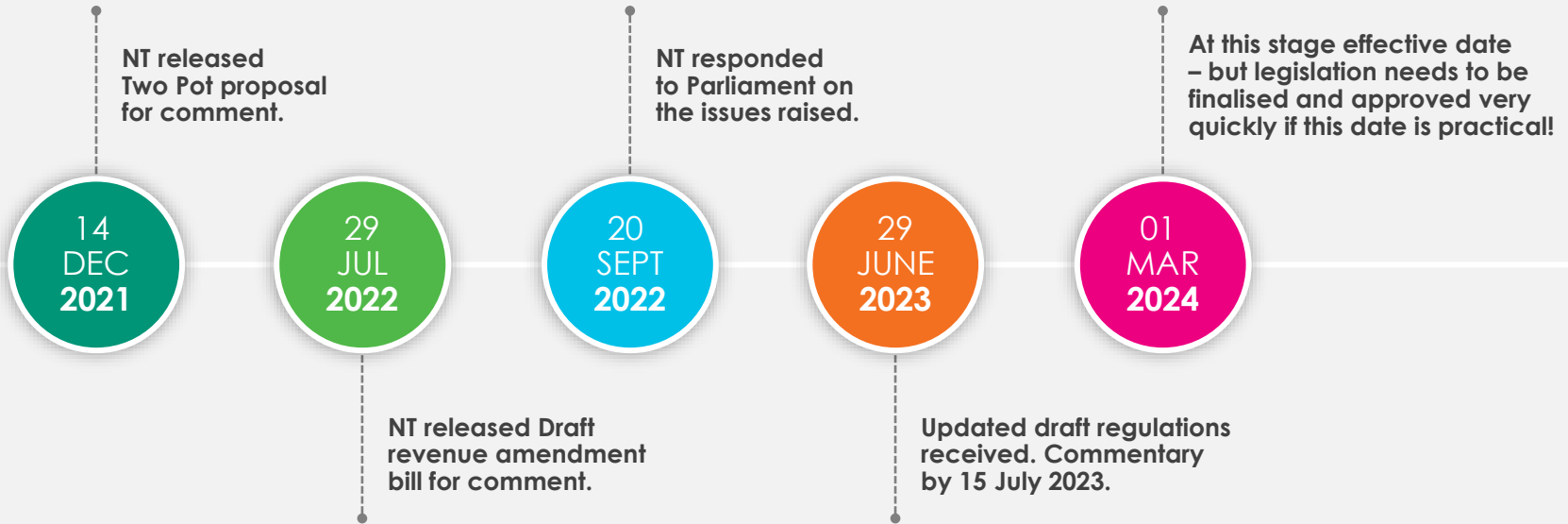


# HOW DOES TWO POT FIT IN BIGGER PICTURE





# WHERE ARE WE IN THE PROCESS?



Timelines are tight – so even if still draft reg stage – with a 1 March 2024 start date work has started

Extensive member communication plan is required



# HOW IT WORKS CURRENTLY?





# PROPOSED TWO- POT SYSTEM



## Includes:

- Retirement Annuities
- Preservation Funds
- Occupational funds

AT RETIREMENT:

LUMP  
SUM

MONTHLY  
PENSION



# SAVINGS COMPONENT



- Emergency Savings component – will take time to build up
  - What you don't spend at retirement is your lump sum
  - Preservation funds and RAs must be able to accept all components
- Access once per year of assessment:
    - 1 March – 28 Feb
    - Member incurs cost of withdrawal
    - Minimum R 2 000 gross, **no maximum**
    - On withdrawal, balances less than R 2 000 can be accessible
  - No time limit or “use it or lose it” rule
  - Will be taxed at the marginal rate of tax (change from current standard withdrawal tables) – **Process needs to be clarified**
  - Members over 55 yrs on 1 March 2021 once off choice in or out
- Day 1 transfer to Savings Component – **10% capped at R25 000**



# HOW MANY COMPONENTS ARE THERE AGAIN?

## VESTED COMPONENTS

COMPONENT	PENSION COMPONENT	PROVIDENT COMPONENT	RETIREMENT ANNUITY COMPONENT	SAVINGS COMPONENT	RETIREMENT COMPONENT
ACCESS BEFORE RETIREMENT	100% at withdrawal (resignation / retrenchment)  Withdrawal tax tables	100% at withdrawal (resignation / retrenchment)  Withdrawal tax tables	None	100% subject to accessible rules  Marginal tax	None
RETIREMENT LUMP SUM	1/3 <sup>rd</sup>	100%	1/3 <sup>rd</sup>	100%	None
RETIREMENT MONTHLY PENSION	2/3 <sup>rd</sup> s	No requirement	2/3 <sup>rd</sup> s	No requirement	100%
FUTURE CONTRIBUTIONS FROM IMPLEMENTATION DATE	None	Only for "members over 55" in provident funds	None	1/3 <sup>rd</sup> of net contributions	2/3 <sup>rd</sup> s of net contributions



# WHERE DID WE GET MORE CLARITY?



## LEGACY FUNDS

- Can now apply for exemption if they meet certain criteria (still need clarity on the understanding of some of the criteria)
- e.g. Pre-1 January 2022 policies, Reversionary bonus, Universal life with cover, conventional policies



## 37D DEDUCTIONS

- Savings Component withdrawals can be stopped if Employer Lien
- Settlement of Employer liens is from Vested and Retirement Components
- **Still lots of clarity required here**



## DEFINED BENEFIT

- Still 1/3rd and 2/3rd split, but split is relating to pensionable service adjustment
- Initial savings allocation will reduce pensionable service



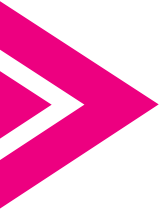
## HOUSING LOANS

- Maximum loan = 65% of Savings + Vested + Retirement
- Settlement is from Vested + Retirement proportionately





# SUMMARY OF THE CHANGES



<b>1 Future Contribution Split</b>	1/3 <sup>rd</sup> Savings Pot 2/3 <sup>rd</sup> Retirement Pot
<b>2 Seeding Amount</b>	Day 1 transfer, once off allocation, 10% capped at R25k
<b>3 Savings Component</b>	Enable annual, member-initiated claims
<b>4 Retirement Component</b>	100% preservation
<b>5 Vested Component</b>	Existing rules applicable to vested pots
<b>6 Over 55 Provident Fund</b>	Once off choice – in or out!

## FUNDS IMPACTED

Occupational Funds
Retirement Annuity Funds
Preservation Funds
Unclaimed Benefit Funds?

## TIMELINES

Initial Draft Regs	29 July 2022
NT Report to Parliament	20 Sept 2022
Update Draft Regs	09 June 2023
Final Regs	?

**Implementation Date**

**1 March 2024**



# WHAT DOES THIS MEAN FOR MEMBER RETIREMENT OUTCOMES?



## NEW MEMBERS JOINING THE WORKPLACE

- Compulsory preservation will increase retirement savings in the long term
- Simple system – members will have “Savings Pot” and “Retirement Pot” in all funds.
- Members will have access to a tax efficient emergency savings scheme – if used properly



## EXISTING MEMBER IN THE WORKPLACE

- Compulsory preservation will protect members from future withdrawals
- Members must understand, if they keep contributions unchanged and access savings pot = reduction of retirement savings in comparison to current system
- Focus needs to be:
  - Savings pot should only be used if an Emergency, but long term goal = lump sum at retirement
  - If intention is to access “Savings Pot” then contributions to retirement funding should be increased to ensure minimal impact on retirement outcomes



# EXAMPLES



## Provident Fund member over 55 years old on 1 March 2021

Was a member of the Provident fund and over 55 on 1 March 2021.  
Fund Value 1 March 2024 R750 000, monthly contribution R1500.

**He has 2 options:**

OPTION 1: STAY WHERE HE IS	VESTED PENSION COMPONENT	SAVINGS COMPONENT	RETIREMENT COMPONENT	TOTAL SAVINGS
29 February 2024	R750 000			R750 000
1 March 2024	R750 000			R750 000
31 March 2024	R750 000			R751 500
...Retirement date (5 years later)	<b>R1 310 772</b>			<b>R1 310 772</b>



# EXAMPLES



## Provident Fund member over 55 years old on 1 March 2021

Was a member of the Provident fund and over 55 on 1 March 2021.  
Fund Value 1 March 2024 R750 000, monthly contribution R1500.

**He has 2 options:**

OPTION 2: MOVE TO TWO POT	VESTED PENSION COMPONENT	SAVINGS COMPONENT	RETIREMENT COMPONENT	TOTAL SAVINGS
29 February 2024	R750 000			R750 000
1 March 2024	R725 000	R20 000		R750 000
2 March 2024	R725 000	R20 400	R800	R751 500
<b>Withdraw 2 April all Savings Pot</b>	R725 000	R20 800	R1 600	R726 000
...Retirement date (5 years later)	<b>R1 158 000</b>	<b>R37 400</b>	<b>R76 500</b>	<b>R1 271 900</b>

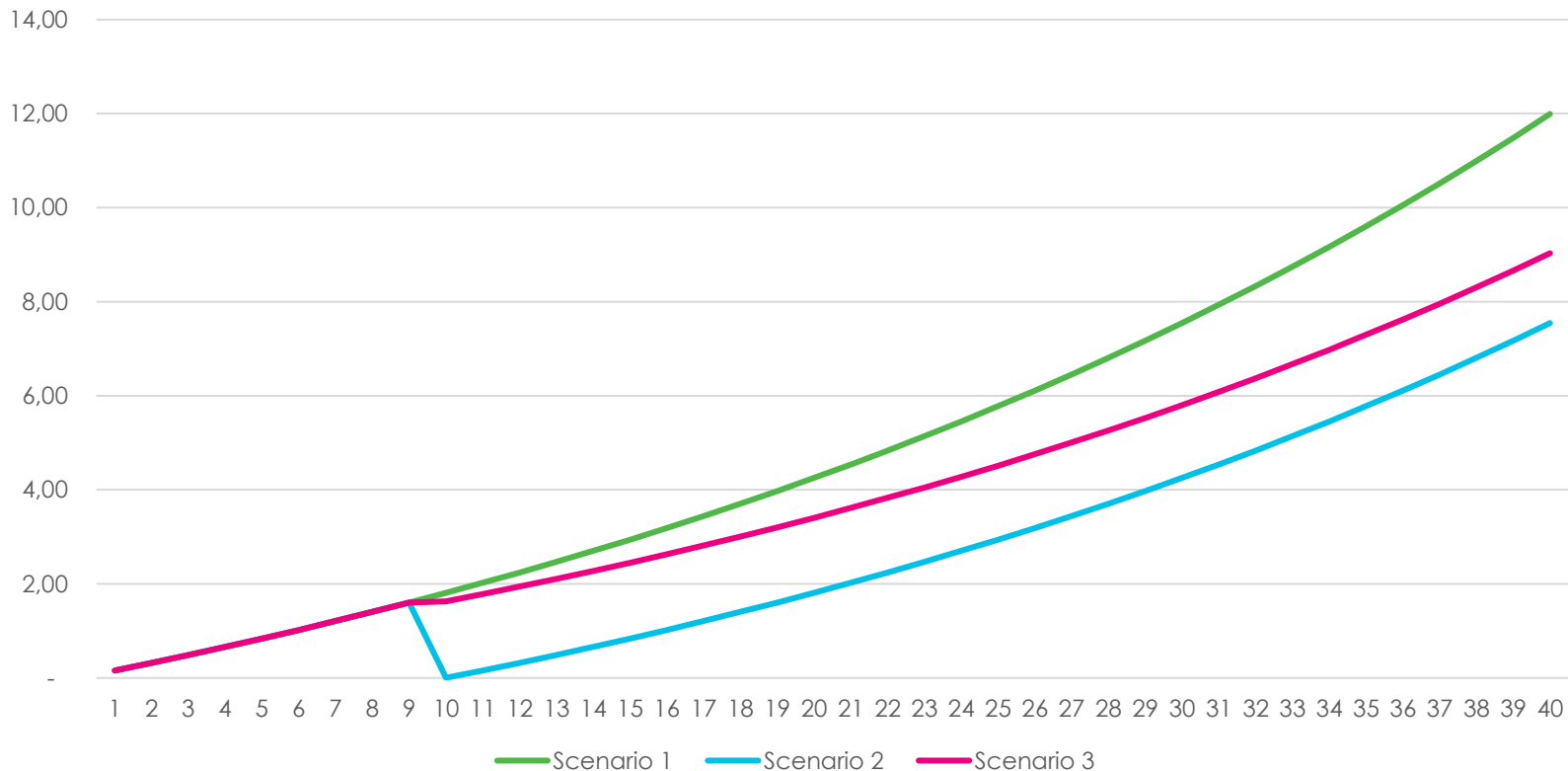
## Retirement Benefit

Amount that can be taken in cash  
Amount to be annuitised

**R37 400 + R1 158 000 = R159 167**  
**R76 500 less than R165 000 - so can be taken in cash**

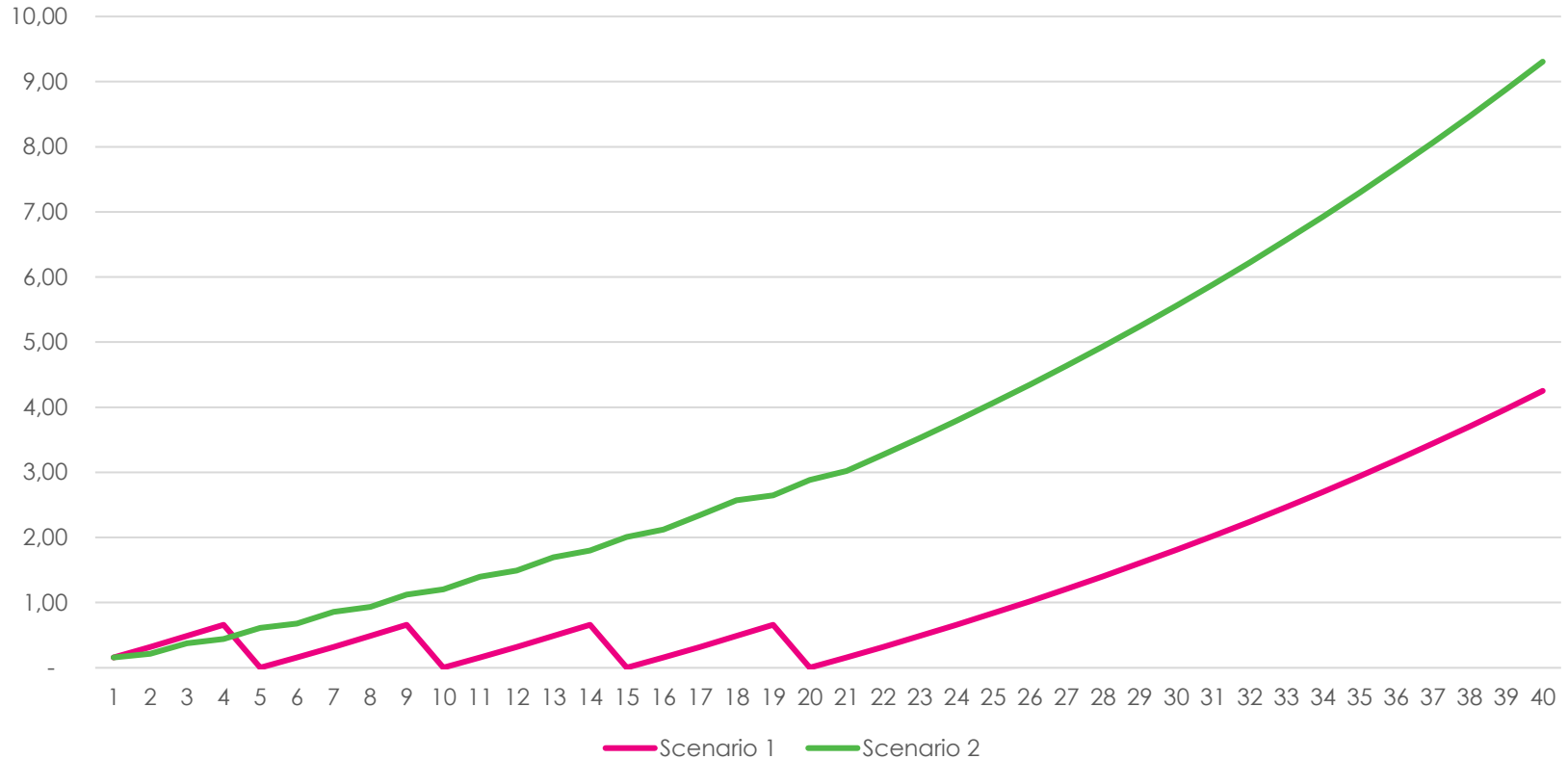


# SCENARIOS – FULL ACCESS AT 10 YEARS VS TWO-POT SYSTEM



- Scenario 1 – No access, full preservation
- Scenario 2 – Current system, one full withdraw at year 10
- Scenario 3 – New system, take initial access plus full savings pot

# SCENARIOS – FULL ACCESS EVERY 5 YEARS VS TWO-POT SYSTEM



Scenario 1 – Full access every 5 years until 20 years to retirement

Scenario 2 – New Two Pot system, access savings pot until 20 years to retirement (more than 2x better outcome)

# THANK YOU



[www.oldmutual.co.za/twopot](http://www.oldmutual.co.za/twopot)



**TWO-POT**  
RETIREMENT SYSTEM

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