



**COLUMBUS
RETIREMENT
FUND**

What is the Two-Pot Retirement System?

(Implementation date: 1 September 2024)

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 your savings will remain “preserved”, meaning the majority of your retirement savings remain invested until you retire.

If you have a provident fund and you were over 55 years old on 1 March 2021 you can continue with the old system or adopt the new one.

The two-pot retirement system aims to educate more South Africans to preserve their retirement savings when they change employment, whilst still enabling limited access to some of their savings in times of **financial hardship**.

The Two-pot system despite it's name, consists of three components: Pot 1 -Retirement, Pot 2 – Savings & Pot 3 – Vested (Made up of the vested and non-vested pot).

Retirement Component: These are contributions saved after 1 September 2024 for retirement and can only be accessed at retirement.

Savings Component: This component is more flexible. You will be allowed to withdraw from this prior to retirement.

Vested Component: This is your past savings and comprises of vested and non-vested benefits.

1. Existing members do not have to take any action.

Funds will adapt to accommodate the Two-Pot system. Each fund will amend their Rules accordingly.

2. Your existing retirement contributions (past and future)

Division into three components (previously referred to as pots). Your accumulated retirement savings until 31 August 2024 will go into a vested component.

3. From 1 September 2024

1/3rd of contributions to savings component

Once off capital boost from vested component (Min 10% of retirement value on 31 August 2024 up to R30 000)

Thereafter 1/3rd of all new contributions will go into this component (Growth/Losses by investment returns)

Remaining two-thirds of all new contributions will go into the retirement component. (Cannot be withdrawn until retirement) – Used to buy a retirement income (Unless legislated minimum values apply)



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“Vested component explained”

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

“Examples of the Vested component”

For retirement annuities generally, you cannot withdraw these savings until you retire.

For pension and provident funds, the vested component 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.

Can I access my savings component from 1 September 2024

Yes, it is allowed according to Legislation, however, keep in mind the 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 you are a member of.

Your vested component will provide initial capital for your savings component. 10% of your fund balance on 31 August 2024 (capped at R30 000) will be allocated to your savings component. You need a balance of at least R2 000 before you can make a withdrawal.

Tax on withdrawal from the savings component

Withdrawals from your savings component will be added to your taxable income and will be taxed at a fixed marginal tax rate at the time of withdrawal.

Access of funds at retrenchment

Pension and Provident Fund (All savings in your vested component plus your accumulated savings in your savings component)

Retirement Annuities (Only your savings component)



Age (Does it 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 component (until you retire or leave the fund) or
Participate in the two-pot system and split all new contributions between savings and retirement components. You will then no longer be able to contribute to the vested component.

Legacy Retirement Annuities

Your RA will be exempt from the two-pot retirement system if it is a legacy policy that conforms to specific characteristics in the draft legislation.

Urgent notice!!

Members are urged to seek financial advice before withdrawing any benefits from their Funds as these withdrawals will deplete the funds at retirement. The withdrawals should only be done at extreme financial distress.