



Two Pot System



Background

The new two-pot retirement system, which will be implemented on 1 September 2024, aims to balance two goals – to improve the preservation of retirement savings until retirement, while also providing access to a portion of accumulated savings in case of severe financial stress.

The intention of this letter is to provide members with a high-level understanding of the new regulations that are expected to come into effect on 1 September 2024.

Despite the name Two Pot, the impact will be to create a minimum of 3 Pots for each member.

These pots will be as follows:



Vested Pot

This will be the fund credit as at 31 August 2024 less the Savings Pot seed capital transferred out on 1 September 2024 (see below). The best way to view this pot is on the basis of “old money means old rules apply”. In other words this pot will not be impacted by the new legislation.

Probably the biggest issue is that on ceasing employment prior to retirement a member will still have the option to withdraw all the retirement savings in this Vested Pot (subject to tax) as a once-off cash lump sum.

On retirement only one third will be available as a cash lump sum and the balance must be used to purchase an annuity. This basis remains unchanged from the current arrangement.

A member cannot make any further contributions to this Vested pot. The exception being any transfers into the NTRF from vested pots in other retirement funds.



Savings Pot

This will be established on 1 September 2024 and will be seeded by a transfer from the Vested pot. That transfer will be the lower of 10% of the value in the Vested pot on 31 August 2024 or R30 000. The seeding will happen automatically for all members and you do not need to apply for this, nor can you request that the seeding does not happen.

One third of all contributions after 1 September 2024 will be allocated to the Savings Pot, and the remaining two-thirds allocated to the Retirement Pot.

Members have an option once in every tax year to make a cash withdrawal from their savings pot and can do this without needing to exit employment. This means that a member could submit a withdrawal request in September 2024 and again after the start of the new tax year on 1 March 2025. The minimum withdrawal amount is R2,000 and the maximum is the value held in the Savings Pot. The withdrawal will be taxed at the member's marginal income tax rate and will also be subject to an administration fee of R250 per withdrawal.

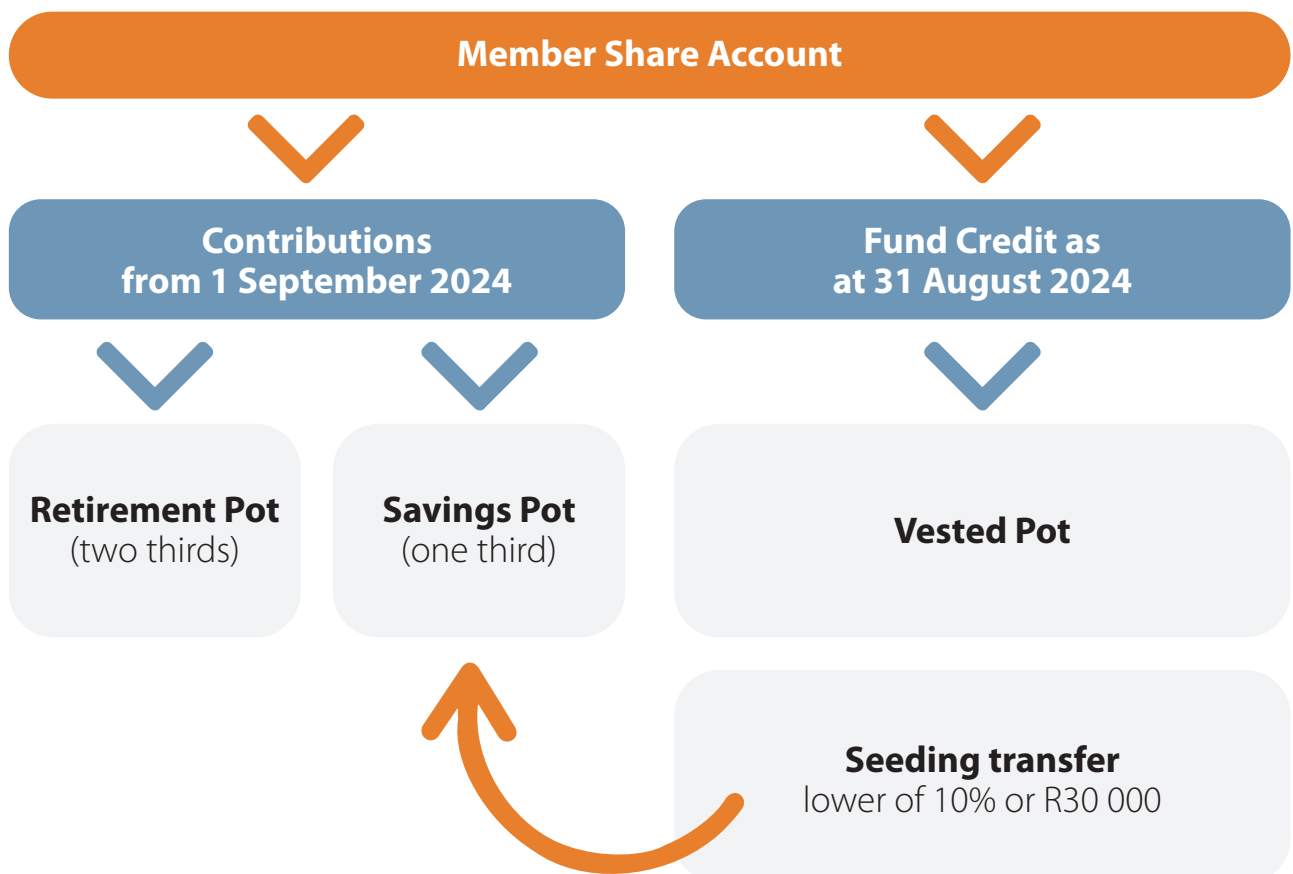


Retirement Pot

This will commence on 1 September 2024 with a nil balance. Two-thirds of all future contributions to the Fund will be allocated to the Retirement Pot.

A member cannot access their Retirement Pot until retirement, even if they leave employment. The money in this pot must be preserved in a retirement funding vehicle (such as the NTRF) until the member reaches retirement age, whereafter it must be used to purchase an annuity.

These changes can be summarised as diagrammatically depicted below.



Summary of benefit options

The impact on benefit payments will thus be as follows:

On withdrawal from the Fund (termination of employment), the member can:

- Access up to the full value in the Vested Pot via a cash lump sum withdrawal (subject to tax as per the withdrawal benefit tax table), and the remainder (if any) can be retained in the Fund or transferred to another approved retirement fund (tax free transfer);
- Access up to the full value remaining in the Savings Pot via a cash lump sum withdrawal (subject to tax at the marginal income tax rate), and the remainder (if any) can be retained in the Fund or transferred to another approved retirement fund (tax free); and
- Preserve the full Retirement Pot balance in the NTRF or in another retirement funding vehicle until retirement age.

OR

- Preserve all the funds within the NTRF until later withdrawal or retirement.

On retirement, the member can:

- Access up to one-third of the value in the Vested Pot via a cash lump sum withdrawal (subject to tax as per the retirement benefit tax table), and the remainder to purchase of an annuity (either in the NTRF and /or via a tax free transfer to a registered insurer);
- Access up to the full value remaining in the Savings Pot via a cash lump sum withdrawal (subject to tax at the retirement benefit tax table), and the remainder to purchase of an annuity (either in the NTRF and/or via a tax free transfer to a registered insurer); and
- Access the full value in the Retirement Pot to purchase of an annuity (either in the NTRF or via a tax free transfer to a registered insurer);

OR

- Preserve all the funds within the NTRF until later retirement.

Timing

Members are advised that despite the 1 September implementation date, there are considerable processes to be followed before any savings withdrawal benefits can be processed. The process to transfer the seed capital is likely to be completed between 12 September and 20 September. Only once this process is completed can members request a withdrawal. The withdrawal process, including the tax directive process, is likely to take approximately 3 weeks. The first savings pot withdrawal payments are thus only expected to be paid in early October.

Further information

Details will be provided on the process to follow to make a Savings Pot withdrawal. This will be a digital process via the Fund's web portal. You may register online at



Fund's Web Portal

mra.momentum.co.za/momentum/portals

View

For your safety, please note that your salary bank account details will be used to pay your Savings Pot withdrawal.

In the interim, members are encouraged to attend an online presentation in which the practical details of the Two Pot system will be outlined and we will answer member questions. Five one-hour time slots have been scheduled and you are encouraged to attend one of these sessions.

The details of the sessions are as follows:

12 August at 09:00	Join the meeting
13 August at 13:00	Join the meeting
19 August at 12:00	Join the meeting
21 August at 13:00	Join the meeting
27 August at 13:00	Join the meeting



Yours faithfully

Jennifer Grefen *Principal Officer*

