

The two-pot retirement system – all you need to know

What is the Two-Pot Retirement System and the motivation behind it?

The “two-pot” retirement system aims to address the concerns related to lack of preservation before retirement and the lack of access to retirement savings by households that are in financial distress. This will be achieved by:

- a) Allowing active members, including DC members, DC deferred pensioners, DB members, DB deferred pensioners, DB deferred members and DB paid-up pensioners to access amounts in their

“savings pot” before retirement from the Fund, **in times of financial stress**;

- b) Preserving amounts in the “retirement pot” until retirement; while
- c) Protecting vested rights in the vested pots in respect of benefits that accrued to members up to 31 August 2024. The Fund rules that applied to your Fund benefits before 31 August 2024, will continue to apply to these pots in future.

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How will the two-pot system work?



Although we refer to the new system as the “two-pot” system, from 1 September 2024, the De Beers Pension Fund (the Fund) rules have been amended to cater for four pots for each member. DB members will have three pots – a vested annuity pot, a savings pot and a retirement pot.

Service and not contributions are allocated to these pots. From 1 September 2024, $\frac{1}{3}$ rd of the service accrued will be allocated to the savings pot and $\frac{2}{3}$ rds to the retirement pot. Please refer to the example below for an explanation of how the pots work.

EXAMPLE:

Joe's benefit is R600 000 on 31 August 2024 and he has twenty years (240 months) of service.



On 1 September 2024, his 240 months of service will be split as follows:

- 228 months of service in the vested annuity pot; and
- 12 months of service in the savings pot (this is the “seeding capital” that is transferred from the vested annuity pot to the savings pot on 1 September 2024 – refer to the example on the next page to see how this is calculated).



One year later, on 31 August 2025 (assuming he has not taken any savings pot withdrawals), Joe will have 252 months of service, split as follows:

- 228 months of service in the vested annuity pot;
- 16 months of service in the savings pot (being the seeding 12 months plus an additional 4 months, i.e. $\frac{1}{3}$ rd of 12); and
- 8 months of service in the retirement pot (being the service during the year of 8 months, i.e. $\frac{2}{3}$ rds of 12).



After another year, i.e. on 31 August 2026 (assuming he has not taken any savings pot withdrawals), Joe will have 264 months of service, split as follows:

- 228 months of service in the vested annuity pot;
- 20 months of service in the savings pot (being the seeding 12 plus an additional 8 months, i.e. $\frac{1}{3}$ rd of 24); and
- 16 months of service in the retirement pot (being the service during the year of 16 months, i.e. $\frac{2}{3}$ rds of 24).

Etc...

If Joe does not make any savings pot withdrawals until his pension age, he will have the same amount of combined service (in the various pots) at that date as he would have had under the system that applied prior to 1 September 2024. His retirement benefit would, therefore, be the same under the old system and the new system.

? How is the seeding capital calculated?

EXAMPLE:

Mandla has been in service for 240 months as at 31 August 2024 and his Minimum Individual Reserve (MIR) is valued at R600 000. The seeding amount on 1 September 2024 will be equal to 10% of Mandla's benefit on 31 August 2024, subject to a maximum of R30 000. In this case, the Fund seeds his savings pot with R30 000, which is the maximum amount.

To allow for the seeding capital to be deducted from his MIR, the Fund will reduce his pensionable service in the vested annuity pot by 12 months (this equals 5% of his benefit, which is R30 000 out of R600 000) and will allocate this to his savings pot. That means Mandla will have 228 months of service in his vested pot (R570 000) and 12 months of service in his savings pot (R30 000). In total, his Fund benefit is still worth R600 000 and he still has a total of 240 months of service.

If Mandla decides to withdraw his whole savings pot because of a financial emergency, he will be

able to withdraw R30 000 in cash, less any tax paid on this amount at his marginal rate of tax. If this happens, he will have no service left in his savings pot and 228 months of service left in his vested annuity pot, i.e. the Fund will have to move his pensionable service date forward from 1 September 2004 to 1 September 2005 (12 months) to allow for the reduction in his benefit because he withdrew from his savings pot.



No contributions will be made to this pot from 1 September 2024. These funds cannot be accessed until retirement or withdrawal.



From 1 September 2024, $\frac{2}{3}$ rd of your accrued service will be allocated to this pot. You may not make any withdrawals from this pot until you retire at which time all the funds in this pot must be used to buy you a monthly pension.



Seeding capital up to a maximum of R30 000 will be transferred to this pot on 1 September 2024. Thereafter, $\frac{1}{3}$ rd of your accrued service will be allocated to this pot. You can make one withdrawal from this pot in each tax year, i.e. between 1 March and 28/29 February each year. The minimum withdrawal amount is R2 000 and the maximum amount is what is available in your savings pot. The Fund must get a tax directive from SARS and deduct the tax due at your marginal tax rate (i.e. the SARS tax rate that applies to your income band) from any amount you withdraw before it is paid to you.

? How can I see what is available in my savings pot?

A calculation will need to be done to determine the value of your savings pot. You can request an approximate calculation of the amount available in your savings pot, from 24 September 2024, by completing [DB11 Approximate Calculation Application Form](#) and emailing it to pensionpost@dbpf.co.za. This may take up to 5 working days or longer to be processed.

? Is it a good idea to make annual withdrawals?

If you want to retire financially secure, it is not a good idea to make withdrawals from your savings pot. The cash withdrawal option from your savings pot is meant to assist with financial emergencies only while you are a working member and not to pay for a new car, an expensive holiday or any other luxury items. Withdrawing regularly from your savings pot while you are employed will have a negative compounding effect over time, i.e. it will significantly reduce what is available for you to take a lump sum at retirement. If you make regular withdrawals from your savings pot, you may not have any benefits left in that pot to take as a lump sum when you retire.

? How does the withdrawal process work?

If you have more than R2 000 in your savings pot, you can only apply for a withdrawal from your savings pot as from 24 September 2024. No applications can be made before this date.

1. You can request an approximate calculation of the amount available in your savings pot from 24 September 2024 by completing [DB11 Approximate Calculation Application Form](#) and emailing it to pensionpost@dbpf.co.za.
2. To request a withdrawal from your savings pot, complete a [DB/DC 19 Savings Pot Withdrawal Request Form](#), available on the Fund's website, from the Fund or from HR.
3. Email a scanned copy of the completed form to pensionpost@dbpf.co.za or fax it to 053 807 3500. Please note that HR is required to complete a section of this form to indicate if you have any foreign service.



4. The Fund will contact you as part of their Benefits Counselling service to discuss the implications of your withdrawal on your retirement savings.
5. You are reminded that the tax deduction from your withdrawal amount will be calculated at your **marginal rate of tax** (see table below), which means a significant reduction in the amount that will be paid to you.
6. If you decide to go ahead, the Fund will apply to SARS for a tax directive. As SARS may receive a huge influx of requests for tax directives, this may take a while longer than normal and is not in the Fund's control, so please be patient if the request for a withdrawal takes slightly longer than anticipated.
7. The Fund will also verify your bank account and other personal details to ensure that the payment is valid and to eliminate any possibility of fraudulent claims.
8. Once we have received the tax directive and verified your details, your withdrawal amount less the tax due will be paid into your bank account. The Fund envisages that the entire process from applying for a withdrawal benefit from your savings pot to payment into your bank account will take between **6 to 8 weeks**.

Your marginal tax rate will be calculated by SARS using the following table:

Taxable income (R)	Rates of tax (R)
0 – 237 100	18% of taxable income
237 101 – 370 500	42 678 + 26% of taxable income above 237 100
370 501 – 512 800	77 362 + 31% of taxable income above 370 500
512 801 – 673 000	121 475 + 36% of taxable income above 512 800
673 001 – 857 900	179 147 + 39% of taxable income above 673 000
857 901 – 1 817 000	251 258 + 41% of taxable income above 857 900
1 817 001 and above	644 489 + 45% of taxable income above 1 817 000

? Will I be charged an administration fee for processing my withdrawal?

No, the Fund will not charge any fees to process a withdrawal and make payment.

? Is my withdrawal from my savings pot taxed?

Yes, any withdrawals you make from your savings pot will be included in your taxable income for that year and will be taxed at your applicable **marginal tax rate**. The Fund will apply to SARS for a directive and will deduct the taxable amount, and any other amount SARS advises regarding arrear taxes, from your withdrawal amount and pay this over to SARS before the balance is paid to you.

IMPORTANT: SARS has indicated that tax directives will not be issued if a member's tax affairs are not in order, i.e. outstanding tax returns. If a member owes SARS money for prior taxes, a deduction order (IT88) in addition to the tax directive will be issued and deducted from a member's gross withdrawal amount.

In view of the above, you are encouraged to ensure that your tax affairs are in order if you are considering making a withdrawal from your savings pot.

? Are there any other tax implications?

Yes, you will be taxed at your **marginal tax rate** on any withdrawal made from your savings pot. In addition, the amount that you withdraw from your

savings pot will be added to your annual taxable income, which could push you into a higher tax bracket depending on your income and the amount you withdraw. For some members, it could push them over the tax threshold (or into a higher income tax bracket) for the first time.



EXAMPLE:

Kgomotso earns R7 900 per month. His annual taxable income of R94 800 is just under the government's R95 750 tax threshold, which means he doesn't have to pay tax or PAYE. He withdraws R5 000 from his savings pot in September. This pushes his taxable income to R99 800 (R94 800 + R5 000) and he is now no longer under the tax threshold. He is liable for 18% tax on the difference of R4 050, which comes to R729 if SARS did not tax his withdrawal from the savings pot. When he files his tax return in July the following year, he will owe SARS R729.

? What else could delay the payment of my withdrawal amount or cause it to be refused?

Withdrawal payments may be refused or delayed for various reasons, e.g. if your form is not filled in correctly, your bank account verification fails, your tax affairs are not in order, you request more than one withdrawal payment in the same tax year, there is less than R2 000 in your savings pot or there are divorce, maintenance or employer compensation proceedings against you, etc.



SPECIAL FUND FOCUS 1/5



? Can I save more in the Fund to make up for any withdrawals I take?

Yes! If you have a financial emergency and need to make a withdrawal from your savings pot, you can make up for this by making Additional Voluntary Contributions (AVCs) to the Fund but note that only 1/3rd of your AVC will be credited to your savings pot. Read more about AVCs [here](#).

? How are AVCs made from 1 September 2024 treated?

1/3rd of your AVCs will be paid into your savings pot and 2/3rds into your retirement pot.

? Can all my AVCs go into my retirement pot?

No, but you are allowed to transfer AVCs in your savings pot to your retirement pot, at any time, by completing a [DB-DC20 Transfer to Retirement Pot Form](#). Any amounts transferred from your savings pot to your retirement pot cannot be transferred back out.

? Can I choose not to have a savings pot?

No, all members will have a savings pot. You can, however, transfer any accrued service or AVCs in your savings pot to your retirement pot at any time, by completing a [DB-DC20 Transfer to Retirement Pot Form](#). There is no negative financial impact on your retirement benefit by having a savings pot as long as you don't withdraw from it.

? Will there be any changes to my monthly Fund contributions?

No, your monthly pension contributions (7.5%) remain unchanged. However, from 1 September, 2/3rds of the service accrued from monthly pension contributions will be allocated to your retirement pot and 1/3rd to your savings pot.

? If I have a retirement annuity (RA) or preservation fund, can I make withdrawals from my RA and / or preservation fund savings pots as well as from my DBPF savings pot?

Yes, the law allows you to take one savings pot withdrawal each year from every fund you belong to. So, if you have retirement benefits in three separate funds, you will be able to take a withdrawal from each of those funds each year. Seeding capital will also be allocated to your savings pot in each of the funds.

Although multiple withdrawals may be possible, please consider the significant, negative financial impact this will have on the money available to you at retirement. The two-pot system is intended to offer you financial relief in a financial emergency. There are real consequences if you make regular withdrawals and this is compounded if you are making regular withdrawals from other retirement funding vehicles as well, such as an RA or preservation fund. You are essentially 'stealing' from your future self by making withdrawals from your savings pot.

How will my Fund benefits be paid out?



RETIREMENT

There are no changes to the normal (60), early (from age 50) or late (up to age 65) retirement rules.

? How will my benefit be paid to me when I retire?



VESTED ANNUITY POT

You can take up to 1/3rd of this pot as a cash lump sum and the balance of this pot plus your retirement pot must be used to buy a monthly pension.



RETIREMENT POT

All the money in this pot must be used to buy a monthly pension. Please refer to page 3 of the Member Guide for details of the Fund's default annuity strategy. If the value in your retirement pot plus 2/3rds of your vested annuity pot is less than R165 000, you can take the combined amount as a cash lump sum.



SAVINGS POT

The balance in your savings pot can be paid as a cash lump sum or transferred to your retirement pot and used to buy a monthly pension. Any cash lump sum at retirement will be taxed according to the retirement lump-sum tax table, and not at your marginal tax rate. If you don't make any withdrawals from your savings pot or any other retirement Fund before you retire, you could potentially take an amount of up to R550 000 in case, tax-free from your savings pot.



? What happens to my tax-free portion if my savings pot is empty at retirement?

If your savings pot is empty at retirement, you will not be able to access any tax-free lump sum from this pot. Your entire retirement pot must be used to purchase a monthly pension, but up to 1/3rd of your vested annuity pot can be taken as a cash lump sum and the tax-free portion may apply, and the balance used to buy a monthly pension.

WITHDRAWAL BENEFITS (resignation, dismissal or retrenchment)

? How will my benefit be paid to me when I withdraw?



VESTED ANNUITY POT

OPTION 1: Defer your benefit by leaving all three pots in the DBPF.

or

OPTION 2: Preserve your benefit (all three pots) by transferring it tax-free to another registered pension fund, approved retirement annuity, or a registered preservation fund. You can also take a combination of cash (subject to tax) and a transfer to an approved fund.

or

OPTION 3: You can take the full value of your vested annuity pot in cash on withdrawal (subject to tax on the withdrawal tax scale).



RETIREMENT POT

All the money in this pot must be **preserved** by leaving your benefit in the DBPF and becoming a deferred pensioner or transferring your benefit to another registered pension fund, approved retirement annuity, or a registered preservation fund. Your retirement pot can only be paid out when you retire, and a compulsory monthly annuity must be purchased.



SAVINGS POT

You can take the full value of your savings pot in cash (subject to tax at your marginal rate) if you have not made a withdrawal from your savings pot in that tax year. If you have made a withdrawal in that tax year, then you may only take the balance of your savings pot in cash if the balance is less than R2 000. If it is more than R2 000, then it must be retained or transferred in line with your retirement pot.

? Can I access my pots if I am retrenched?

Yes, you can withdraw all the funds in your vested annuity and, subject to the rules outlined above, your savings pot. You will not be able to access your retirement pot on retrenchment.



Get in touch

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DEATH BENEFITS



? What benefits are payable if I die while still working?

Your dependants will qualify to receive benefits in terms of the Fund's Rules (a combination of a cash lump sum and an annuity) and detailed in the Member Guide. The two-pot system does not change these benefits or the payment of them in any way.

? Will my dependants still receive a funeral benefit?

Yes, if you completed a Sanlam beneficiary nomination form, funeral cover as per page 15 of the Member Guide is payable. If you have not completed a Sanlam beneficiary form, your funeral benefit will be paid into your estate. Please **urgently** make sure that you have completed or updated a Sanlam beneficiary nomination form. The two-pot system does not affect your funeral benefit in any way.

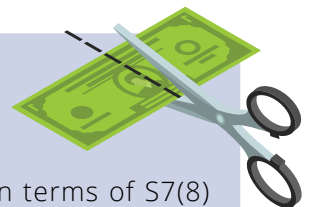
DISABILITY BENEFITS



? What benefits are payable if I am disabled?

There is no change to the disability benefits offered by the Fund. Please refer to page 20 of the Member Guide.

WHAT ABOUT DIVORCE?



If a court issues an order in terms of S7(8) of the Divorce Act against the Fund to pay, for example, 50% of the Fund member's or Deferred Pensioner's pension interest (withdrawal benefit as at the date of divorce) to the non-member spouse, the Fund will pay 50% of the money in the savings pot, 50% of the money in the retirement pot and 50% of the money in the vested annuity pot to the non-member spouse. The Fund must then reduce your pensionable service in each of the pots accordingly (which will reduce the available funds from the various pots proportionally).