

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. Most Fund members will only have money in three pots, but members who transferred a benefit from a provident fund into the Fund after March 2021 may have money in a fourth pot.

Your retirement savings in the Fund will consist of three/four pots - a vested lump sum pot (for members who transferred a provident fund benefit

to the Fund), a vested annuity pot, a retirement pot and a savings pot.

On 31 August 2024, 10% of your Fund Credit on that date up to a maximum of R30 000, will be transferred proportionately from your vested annuity pot and vested lump sum pot (if applicable) into your savings pot as seeding capital for any withdrawals you may choose to make from your savings pot in future. The balance of your retirement savings up to 31 August 2024 will be in your vested annuity pot and, if applicable, your vested lump sum pot.



VESTED LUMP SUM POT

This pot **only** applies to members who transferred benefits from a provident fund to the De Beers Pension Fund on or after 1 March 2021. No contributions will be made to this pot from 1 September 2024. This pot will continue to grow with investment returns only. The Fund Rules that applied to your benefit before 31 August 2024 will continue to apply to your vested lump sum pot in future.



VESTED ANNUITY POT

This pot contains your Fund Credit up to 31 August 2024, less any amounts allocated to the vested lump sum pot. No contributions will be made to this pot from 1 September 2024. The vested annuity pot will continue to grow with investment returns only. These funds cannot be accessed until retirement or withdrawal. The Fund Rules that applied to your benefit before 31 August 2024 will continue to apply to your vested annuity pot in future.

1 SEPTEMBER 2024



RETIREMENT POT

From 1 September 2024, $\frac{2}{3}$ rds of your net monthly Fund contributions, including any additional voluntary contributions, will be allocated to this pot. This pot will continue to grow with investment returns. 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, other than in specific circumstances (explained on page 8).



SAVINGS POT

Seeding capital (10% of your Fund Credit on 31 August 2024 up to a maximum of R30 000) will be transferred to this pot on 1 September 2024. This will be funded proportionately from your vested annuity pot and your vested lump sum pot, if applicable. Thereafter, $\frac{1}{3}$ rd of your net monthly Fund contributions, including any additional voluntary contributions, will be allocated to this pot. This pot will continue to grow with investment returns. 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?

If you have registered to view your Fund Credit online, you will be able to view the balance in each of your pots in due course. You can request an approximate calculation of the amount available in your savings pot by completing [DC11 Approximate Calculation Application Form](#) and emailing it to pensionpost@dbpf.co.za.

PLEASE NOTE: The amount available for your seeding capital will be calculated at the close of business on 31 August 2024 (which is a Saturday). The Fund is therefore only able to calculate and transfer the seeding capital to your savings pot during the week of 2-6 September 2024. The Fund will be able to communicate the value in your savings pot to you from **24 September 2024**.

Please note that the Fund uses daily pricing and the amount in your savings pot will therefore change accordingly.

? If I join the De Beers Pension Fund (DBPF) as a new member on or after 1 September 2024, will I have a vested annuity and/or a vested lump sum pot?

- If you were a member of another retirement fund and you are transferring your retirement benefits from your previous fund to the DBPF, the amount transferred will be credited to the matching pots in the DBPF. You will therefore have a vested annuity and / or vested lump sum, retirement and savings pot in the DBPF when you join the DBPF.
- If you were not previously a member of a retirement fund or are not transferring your retirement savings from your previous fund to the DBPF, then you will only have a retirement and savings pot in the Fund.

Note: The balance in your savings and retirement pots when you join the DBPF will be zero. You will have to build up savings in your savings pot from your 1/3rd monthly contributions and will only be able to make a withdrawal when this pot has at least R2 000 in it.

? How much and how often can I withdraw from my savings pot?

The minimum withdrawal amount is R2 000 and the maximum amount is what is available in your savings

pot. You can only make one withdrawal from your savings pot in each tax year, i.e. between 1 March and 28 February each year. The value you request to withdraw is not what you will receive as the withdrawal value is subject to tax (marginal rate of tax) and SARS may issue a directive for arrear taxes.

If you make a withdrawal from your savings pot from September 2024 onwards, the next time you would be able to make a withdrawal would be from March 2025 subject to having the minimum of R2 000 in your savings pot.

You will only be able to make a second withdrawal from your savings pot in a single tax year if you leave the Fund in that tax year and the value of your savings pot at the date of your withdrawal is less than R2 000.



EXAMPLE 1:

Joe's Fund Credit on 31 August 2024 is R150 000. 10% of this amount, R15 000, will be transferred to his savings pot on 1 September 2024. If he needs money for a financial emergency, he can withdraw what is available in his savings pot. In his case, the most he can withdraw is R15 000, less tax, from 1 September onwards.



EXAMPLE 2:

Steve recently joined the Fund so on 31 August 2024 only has a Fund Credit of R18 000. 10% of this amount, R1 800, will be transferred to his savings pot on 1 September 2024. If he needs money for an emergency, he will have to wait until he has at least R2 000 in his savings pot before he can make a withdrawal.



EXAMPLE 3:

Thato has been a member of the Fund for many years and his Fund Credit on 31 August 2024 is R2 million. 10% of this amount is R200 000, but as this is more than the maximum seeding capital amount of R30 000, only R30 000 will be transferred to his savings pot on 1 September 2024. If he needs money for a financial emergency, he can withdraw what is available in his savings pot, which in his case, is R30 000, less tax, from 1 September onwards.

? 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 this pot to take as a lump sum when you retire.

The example below shows how regular withdrawals from your savings pot can impact your Fund Credit when you retire.



EXAMPLE:

Julia and Cynthia are 40 years old and are members of the Fund. They both contribute R1 000 per month towards their savings pots (1/3rd of their monthly Fund contributions).

Julia decides to take advantage of the new two-pot legislation and withdraws 10% of the balance of her savings pot every year. Cynthia doesn't make any withdrawals and simply allows it to grow.

After 20 years, Cynthia's savings pot will be approximately R144 000 more than Julia's – before even allowing for investment returns! If you take compound investment returns into account, this amount will be significantly higher – as much as 3 to 4 times!

? How does the withdrawal process work?

If you have more than R2 000 in your savings pot, you are eligible to make a withdrawal from 1 September 2024 (remember you will only be allowed one withdrawal per tax year, other than as explained above). 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. If you have registered to view your Fund Credit online, you will be able to view the balance in each of your pots in due course. You can request an approximate calculation of the amount available in your savings pot by completing a **DC11 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 on the next page), 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.

? 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 any amount available in your savings pot (including AVCs) to your retirement pot, tax free at any time, by completing a [DB/DC20 Transfer to Retirement Pot Form](#).

? Can I choose not to have a savings pot?

No, all members will have a savings pot. You can, however, transfer any money in your savings pot, vested annuity pot, vested lump sum pot (if applicable) to your retirement pot, tax-free at any time, by completing a [DB/DC20 Transfer to Retirement Pot Form](#). There is no negative financial impact on your retirement savings by having a savings pot as long as you don't withdraw from it.

? Can I transfer money from my retirement pot into my savings pot?

No. The money in your retirement pot can only be used to purchase a pension when you retire.

? Can I transfer money from my vested pots into my savings pot?

No. The money in your vested pots cannot be accessed until you retire or exit the Fund and will be subject to the same Rules that apply to your Fund benefits before 1 September 2024.

As indicated above, you can transfer savings in your vested annuity pot and vested lump sum pot (if applicable) to your retirement pot.

? How often can I transfer between my pots in the Fund?

You may transfer any amount to your retirement pot as often as you like as long as there is a positive balance in your savings, vested annuity or vested lump sum pot (if applicable). Any amounts transferred from your savings pot, vested annuity pot, vested lump sum pot (if applicable) to your retirement pot cannot be transferred back out.

? Is there a fee to transfer between my pots in the Fund?

No, the Fund will not charge any fees to make transfers from your savings, vested annuity, and vested lump sum pot (if applicable) into your retirement pot.

? How will retirement savings from a previous fund (except from a Retirement Annuity Fund) be transferred to the DBPF or from the DBPF to another fund after 1 September?

Transfers between the Funds are tax free. The amount transferred to the DBPF or transferred from the DBPF to another fund will be credited to matching pots of a member's Fund Credit. If you transfer any pot from one fund to another, you must transfer all of your pots to the same fund.

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

No, your monthly pension contributions (7.5%) and your employer's monthly contributions (14.16%) remain unchanged. However, from 1 September, 2/3rds of these net monthly pension contributions will be allocated to your retirement pot and 1/3rd will be allocated 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.



Investment of your pots

? How will my pots and ongoing contributions to the different pots be invested from 1 September 2024?

You will remain invested in the portfolio you were invested in prior to the implementation of the two-pot system. Each of your three/four pots will be invested in the same investment portfolio, i.e. either the life-stage portfolio appropriate for your age or the portfolio you selected (including the stand-alone cash option) if you opted out of the default life-stage portfolio.

? How will switching portfolios work?

You are still free to switch your investment portfolio as is currently the case. Any switch you make will apply to your vested lump sum (if applicable), vested annuity, retirement and savings pots, i.e. all your savings across your three/four pots must be invested in the same portfolio. You are allowed three free voluntary switches per 12-month period (from 1 March to 28 February the next year), in addition to any automatic switch to the next default portfolio for your age category if you are invested in the life-stage model.



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 LUMP SUM POT

This only applies to members who transferred their Provident Fund benefits to the Fund on or after 1 March 2021. You can commute all of this pot as a cash lump sum or you could commute part of it and use the balance to buy an annuity from the Fund or an outside insurer or transfer all of it to an RA or preservation fund in RSA.



VESTED ANNUITY POT

You can take up to 1/3rd of this pot as a cash lump sum and use the balance of this pot to buy a monthly pension from the Fund and/or an outside insurer or transfer it all to an RA or preservation fund in RSA.



RETIREMENT POT

All the money in this pot must be used to buy a monthly pension. Please refer to the Member Guide for details of the in-Fund life and living annuity options. If the value in your retirement pot plus 2/3^{ds} of your vested annuity pot is less than R165 000, you can take the combined amount as a cash lump sum. You can also transfer this pot to an RA or preservation fund in RSA.



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 will be taxed according to the retirement lump-sum tax table, and not at your marginal tax rate. The tax-free lump sum of R550 000 (if applicable) will apply.



? 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 and the whole of your vested lump sum pot (if applicable) 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 LUMP SUM POT AND VESTED ANNUITY POT

OPTION 1: Preserve your benefit by leaving all three/four pots (no cash taken) in the DBPF and become a deferred pensioner;

or

OPTION 2: Transfer your benefit (all three/four pots) to an approved retirement annuity fund, provident preservation fund, pension preservation fund or pension fund in South Africa - you can also take a combination of cash and a transfer to an approved fund.

or

OPTION 3: You can take your benefit in cash and pay tax.



RETIREMENT POT

All the money in this pot must be preserved.

You can leave your benefit **plus** your other pots in the DBPF and become a deferred pensioner.

or

Transfer your benefit (all pots) to another approved fund.

This pot will be paid at retirement as a pension.



SAVINGS POT

You can take the full value of your savings pot in cash 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.

Or you can transfer or preserve this pot in an approved fund in RSA or transfer it to your retirement pot and become a deferred pensioner.



? Can I access my pots if I am retrenched?

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

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 (an annuity or a combination of a lump sum and an annuity). These benefits are funded by the amounts in your vested annuity, vested lump sum (if applicable), retirement and savings pots and by a lump sum insured death benefit based on your age at your next birthday (this cover is provided by an external insurer). Please refer to the Death Benefits Booklet for the insured death benefit lump sum table. All death benefits are paid out in terms of the rules of the Fund or Section 37C of the Pension Funds Act if there is no widow/widower and children under the age of 25. 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 the Death Benefits Booklet 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. You remain a member of the Fund and the contributions paid to the Fund will be split between the retirement and savings pots.

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, 50% of the money in the vested lump sum pot (if applicable) and 50% of the money in the vested annuity pot to the non-member spouse. The Fund must reduce the available funds from the various pots proportionally.



Get in touch

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