

THE NEW TWO-POT RETIREMENT SYSTEM

– all you need to know



FOR DC DEFERRED PENSIONERS



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 pot in respect of benefits that accrued to members up to 31 August 2024. The existing Fund rules apply to this pot.

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 (although not all members will have money in all four pots).

As a DC deferred pensioner prior to 01 September 2024, your retirement savings in the Fund will consist of two or three pots - a vested lump sum pot (transfers from a provident fund after March 2021, if applicable), a vested annuity pot and a savings pot.

On 31 August 2024, 10% of your Fund Credit 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 your vested lump sum pot (if applicable).



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. 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. The vested annuity pot will continue to grow with investment returns only. These funds cannot be accessed until withdrawal or retirement. 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



SAVINGS POT

Your 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 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.



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 by 24 September 2024. The Fund will be able to communicate the value in your savings pot to you from 25 September 2024. The Fund uses daily pricing and the amount in your savings pot will therefore change accordingly.



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 withdraw from the Fund in that tax year and the value of your savings pot at the date of your retirement is less than R2 000.

? 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 and not to pay for a new car, an expensive holiday or any other luxury items. Withdrawing regularly from your savings pot 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 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 25 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 [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 or from the Fund.
3. Email a scanned copy of the completed form to pensionpost@dbpf.co.za or fax it to 053 807 3500.
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 **4 to 6 weeks from the date that the seeding process has been finalised**.



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**. Please note that you must be registered with SARS as a taxpayer. 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 you owe 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 proceedings against you, etc.

? Can I choose not to have a savings pot?

No, all DC deferred pensioners will have a savings pot. You can, however, transfer any money in your savings pot, vested lump sum pot, vested annuity pot into your retirement pot (which will have a nil value otherwise), tax-free at any time, by completing a [DB/DC 19 Savings Pot Withdrawal Request 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.

? 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.

Investment of your pots



? How will my 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. All your 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 all your pots. 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



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.



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. If you don't make any withdrawals from your savings pot or any other retirement Fund before you retire, you could potentially get an amount of up to R550 000 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.

DEATH BENEFITS



What benefits are payable if I die while still a deferred pensioner?

Your Fund Credit, i.e. the combined amounts in all your pots, will be allocated in terms of the Rules of the Fund and Section 37C of the Pension Funds Act and paid to your dependants and beneficiaries.

Note: Deferred pensioners are not entitled to insured death, disability or funeral benefits.



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 your Deferred Pensioner pension interest (withdrawal benefit as at the date of divorce) to the non-member spouse, the Fund will pay 50% of the money from each of your pots to your ex-spouse. The Fund must reduce the available funds from the various pots proportionally.

