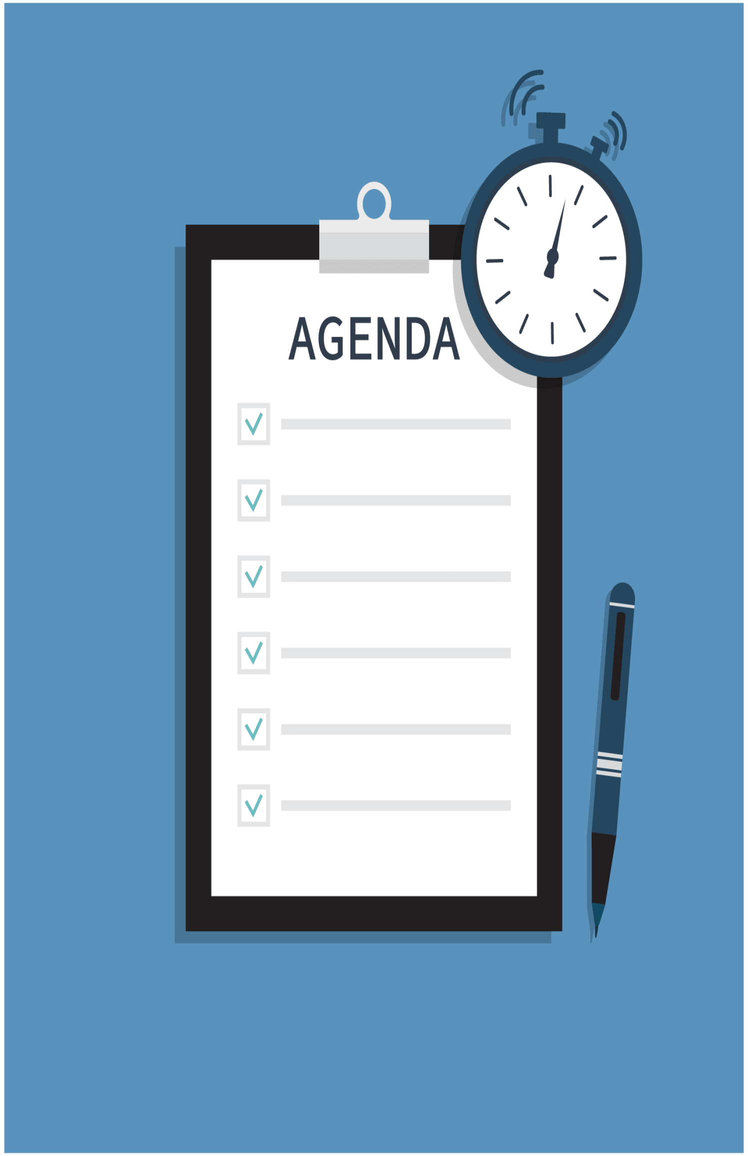
University of South Africa Retirement Fund

Two-Pot Retirement System Seminar

Agenda

- Overview of the two-pot retirement system and its objectives
- Where are we? Next steps and timelines
- Practical considerations at implementation
- Considerations for withdrawals from the savings pot
- Member communication and frequently asked questions
- Alexforbes Online System for members



IMPORTANT CONSIDERATION

All provident fund members who were 55 years or older on 1 March 2021 will be excluded from the two-pot system unless they decide to opt in.

To opt in, members will need to complete an opt-on form before 31 August 2025.

Members 55 years and older on 1 March 2021 will be automatically excluded from two-pot unless they opt-in.

www.unisarf.co.za → Forms → Two-Pot Opt-in Form

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insight · advice · impact

ALEXANDER FORBES FINANCIAL SERVICES (PTY) LTD
Registration number: 1969/018487/07 | FAIS licence number: 1177
Registered Pension Fund administrator (24/472)
Institutional fund administration – Member
Telephone: 0860 896 768

Opt into two-pot system - provident fund

?

Why do I need to complete this form?

The purpose of this form is for you to instruct Alexforbes to allow you to opt into the two pot system for your provident fund. It is important that you understand your options and make the right decision for you and your financial wellbeing.

Name of fund

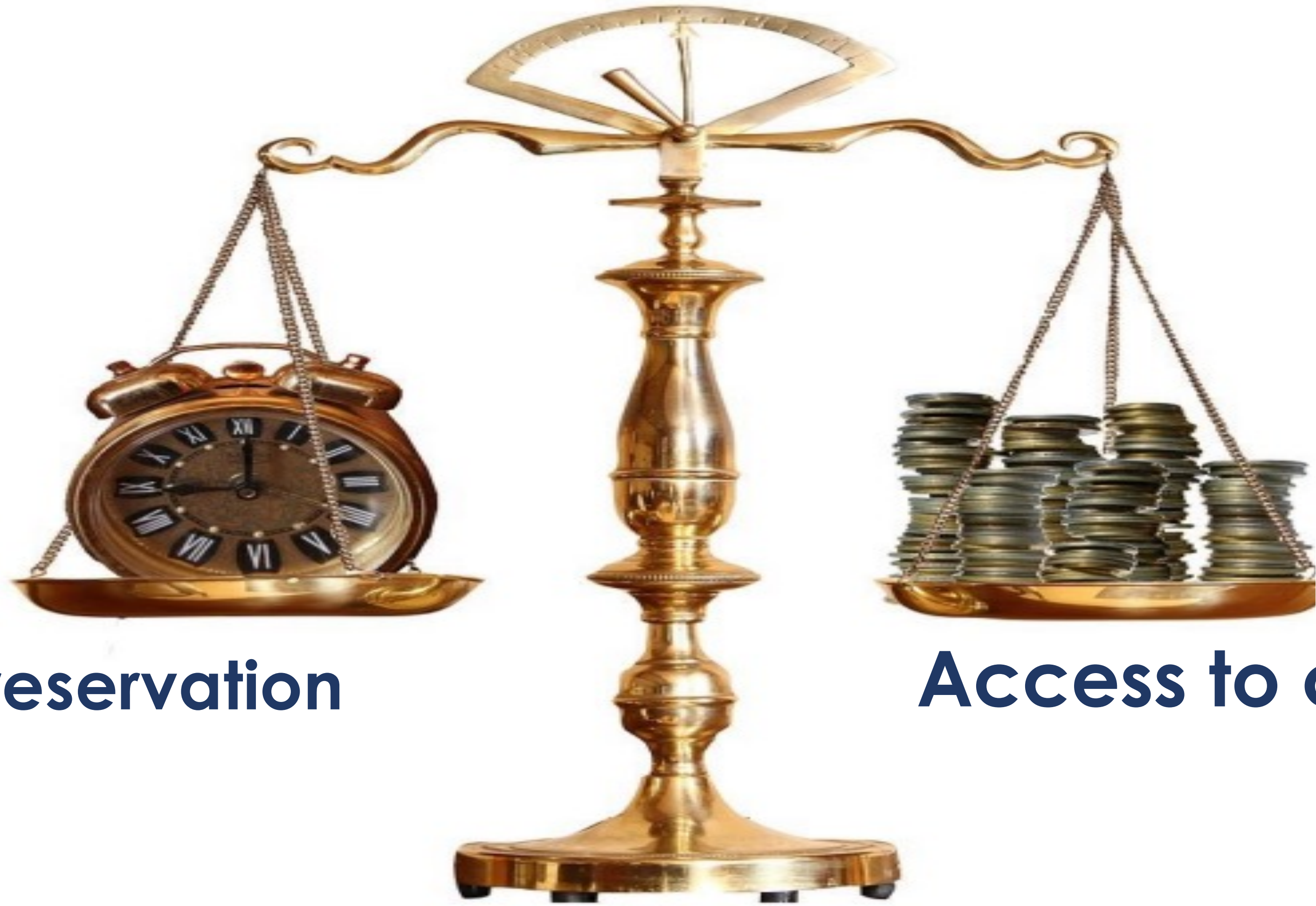
Name of employer / paypoint (if applicable)

TWO POT RETIREMENT SYSTEM

What people think two-pot means

What two-pot actually means

Overview of the two-pot retirement system and its objectives



Preservation

Access to cash

<u>Balancing two important aspects</u>

Overview of the two-pot retirement system and its objectives

Preservation

- Currently there is insufficient preservation - members leave employment and cash out their retirement savings
- From 1 Sept – Members will be encouraged to save more for retirement
- There was a need for some measure of compulsory preservation for retirement

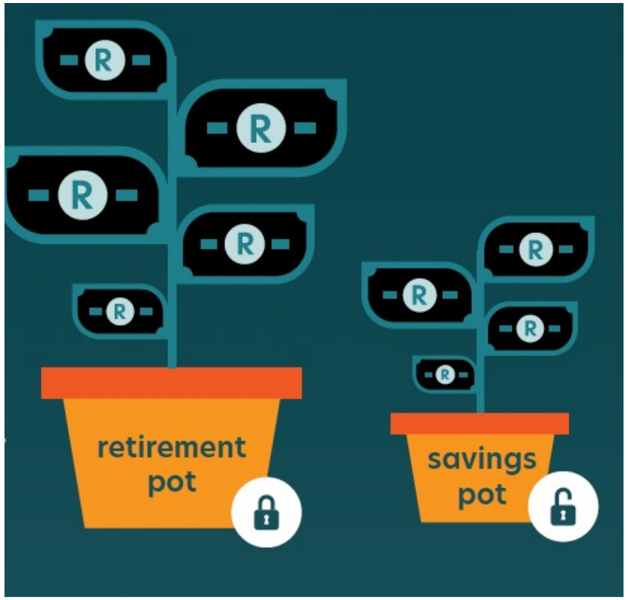
Access to cash

- Currently, members can only access their retirement savings (pre-retirement) if they resign from employment
- From 1 Sept, members will be allowed to access a portion of their retirement savings in retirement funds without leaving employment
- The purpose of the legislation is to allow emergency access to Funds

Overview of the two-pot retirement system and its objectives

1. To increase the retirement income that members receive when they retire

2. To help members get through financial challenges that may happen before retirement age



A small amount of your savings from your vested pot will be moved to your new savings pot. This amount is expected to be 10% of your savings. This first amount in your savings pot can't be more than R30 000. You'll be able to withdraw the money in your savings once in every tax year if it's more than R2 000. You'll pay tax on any cash you withdraw.

University of South Africa Retirement Fund

Overview of the two-pot retirement system and its objectives

Overview of the two-pot retirement system and its objectives

Old Monies – Old Rules

Vested pot

All of the member's Old monies in the retirement Fund before the implementation of the system (less 10% up to R30 000)

New Monies – New rules

Retirement Pot

Money for retirement, which will be used to secure a pension only

Savings Pot

Money, members can access once a year for emergencies

TWO POT EXAMPLE

Lucas is 48 years old and on 31 August 2024 he has a benefit value of R180 000 in the UNISARF. He contributes R3 000 per month to his retirement fund.

On 1 September 2024 the Fund will create a savings pot and a retirement pot for Lucas. The Fund will then calculate 10% of his value (which is R18 000) and transfer it to his savings pot this is called **seeding capital**. Going forward his R3 000 monthly contributions will be split 1/3rd (R1 000) to his savings pot and 2/3^{rds} (R2 000) to his retirement pot.

Going forward Lucas will have three pots, all with different characteristics as per below:

Pot 1 – Vested
On 1 Sept 2024

- Balance of R162 000
- No new contributions
- Continues to grow
- Old money – old rules, unaffected by two-pot

Pot 2 – Savings
On 1 Sept 2024

- Balance of R18 000
- 1/3rd of all new contributions
- Once a year can draw minimum of R2 000
- Withdrawals have a fee and are taxable

Pot 3 - Retirement
On 1 Sept 2024

- Balance of R0
- 2/3rd of all new contributions
- Cannot be accessed in cash
- Annuity income at retirement

Seeding Capital

The seed capital is calculated as the lesser of:

- Ten per cent (10%) of the “vested component” on 31 August 2024; and
- R30 000

Existing retirement savings	Seed capital
Less than R300 000	10% of your existing retirement savings
R300 000 and above	R30 000

This is a once off event and won’t be repeated

10% of your existing retirement savings, limited to R30 000.

Savings Withdrawal Benefit

- Members can access money from the Savings Pot once in a tax year (between 1 March – 28 Feb)

- Provided there is a minimum of R2000 in the Savings Pot

- A withdrawal is not allowed if there will be insufficient funds to:
  - pay any maintenance orders
  - pay divorce orders
  - pay employer judgments against the member

- There will be a transaction fee on withdrawals

- There will be tax payable to SARS before the withdrawal is paid!

- SARS may also deduct any outstanding penalties before a withdrawal is paid!

Timelines for withdrawals

How long will it take to process a withdrawal from my savings pot?

- Due to the nature of this withdrawal being from a retirement fund, there are several steps in the withdrawal process that need to be performed (SARS tax directive application, disinvestment of savings, verification checks etc.). As such, the withdrawal instruction can take up to 45 days to process depending on when it is received.
- For members with the defined benefit underpin (minimum retirement benefit), the process will take longer, due to an extended process. Please refer to the separate communication for further details in this regard.

Transaction fee on withdrawals

- The fee for savings pot withdrawals between R2 000 and R5 000 will be R100 per withdrawal.

- The fee for savings pot withdrawals higher than R5 000, will be 2% of the withdrawal amount before tax, limited to a maximum fee of R600 per withdrawal.
- Examples:

    - For a member withdrawing R4 500 the fee is simply R100
    - For a member withdrawing R18 000 the fee would be R360
    - For a member withdrawing R30 000 the fee would be R600

- The above fees are applicable effective 1 September 2024 and will be reviewed annually.

Tax on withdrawals

2025 tax year (1 March 2024 – 28 February 2025)

Taxable income	Rates of tax
R1 – R237 100	18% of taxable income
R237 101 – R370 500	R42 678 + 26% of taxable income above R237 100
R370 501 – R512 800	R77 362 + 31% of taxable income above R370 500
R512 801 – R673 000	R121 475 + 36% of taxable income above R512 800
R673 001 – R857 900	R179 147 + 39% of taxable income above R673 000
R857 901 – R1 817 000	R251 258 + 41% of taxable income above R857 900
R1 817 001 and above	R644 489 + 45% of taxable income above R1 817 000

Tax on withdrawals

<u>IMPORTANT:</u> SARS may also deduct any arrears tax that you may owe them when you submit your withdrawal claim. SARS suggests that taxpayers obtain a Statement of Account before submitting a withdrawal claim.

b) Before applying for the Savings Withdrawal Benefit, the taxpayer is advised to obtain a Statement of Account (SOA) to ascertain if there is any tax debt on the taxpayer account. This is to assist the member to determine if there is outstanding debt on the taxpayer account as the outstanding debt may be deducted prior to the payment of the net receivable amount

i) To obtain an SOA, the member may request from SARS using the following channels:

ii) log on to their eFiling profile link eFiling (sarsefiling.co.za).

iii) Request on SARS Online Query System (SOQS) under 'SARS notices' on the following link: Use our Digital Channels | South African Revenue Service (sars.gov.za).

iv) Request using SARS WhatsApp number 0800 11 7277.

It is the member's responsibility to ensure they understand their tax affairs before submitting a withdrawal.

Tax on withdrawals – unintended consequences

How will my savings withdrawal be taxed?

You will pay tax on your withdrawal amount, in line with your marginal income tax rate – the rate at which your salary is taxed. So your savings withdrawal will be added to your income, and the total will then be taxed.

Example:

Bongi's taxable income is **R370 000** a year.

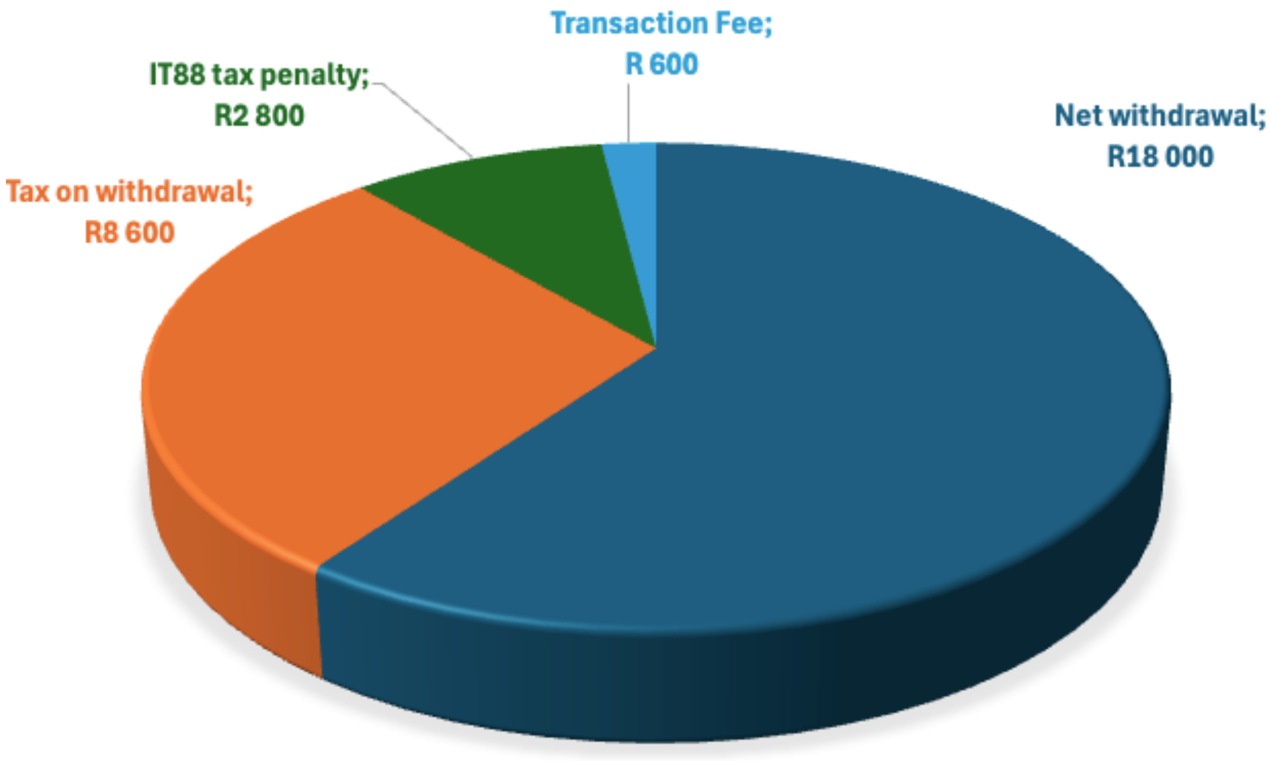
Based on the current income tax table her tax is equal to **R59 997**.

If **Bongi** decides to access a savings withdrawal benefit of **R25 000**, she will be pushed into a higher tax bracket and will be liable for tax of **R67 722**.

That means Bongi is paying R7 725 MORE TAX!

Savings Withdrawal Example

A member decides to withdraw R30 000 on 20 October 2024. The member will pay a transaction fee of R600 first. Then SARS will calculate the member's income tax on the amount and for example come back with a R8 600 tax that must be withheld. But the member also has an outstanding tax penalty o R2 800, SARS may deduct that too. Ultimately the member will get R18 000 in their bank account. Only 60% of what they initially withdrew.



Withdrawal when employment is terminated

Vested Pot – old rules	Savings Pot – new rules	Retirement Pot – new rules
▪ Everything in the vested pot may be paid in cash ▪ Can transfer from the fund or make it paid up ▪ Taxed as per the Lump Sums Tax tables	▪ Everything can be paid in cash if no saving withdrawal was made ▪ A second withdrawal is allowed in the same tax year if the amount left in the savings pot is less than R2,000 ▪ Can transfer from the fund or make it paid up ▪ Taxed at marginal rates	▪ Nothing from this pot is paid out ▪ Can transfer from the fund or make it paid up ▪ Tax free transfers

Exit before retirement

If a member resigns from the Fund on 31 December 2025 with a total Fund credit of R300,000 made up of R210 000 in their vested pot, R30 000 in their savings pot and R60 000 in their retirement pot.

Vested Pot

R210 000

May be taken in cash

- Taxed at Withdrawal Tax Tables
- Can transfer from the fund or make it paid up

Savings Pot

R30 000

May be taken as Cash

- If no withdrawal was taken in the tax year
- Unless the remaining balance is less than R2000
- Taxed at Marginal rate

Retirement Pot

R60 000

Cannot be taken now

- Preserved until retirement
- Must be used to buy an annuity at retirement

Exit at Retirement

Vested Pot – old rules	Savings Pot – new rules	Retirement Pot – new rules
▪ Everything in the vested pot may be paid in terms of the old rules ▪ Money saved up to 1 March 2021 can be taken in cash. ▪ Cash taken is taxed at retirement lump sum tax tables ▪ Money saved between 1 March 2021 and 31 August 2024 one-third in cash and two-thirds must be used to buy annuity at retirement.	▪ Everything can be paid in cash irrespective of whether a member has taken a withdrawal in the tax year ▪ Member can also claim a cash benefit irrespective of the value in the savings component ▪ Can transfer from the fund or make it paid up ▪ Can transfer to the retirement pot ▪ Cash taken is taxed at retirement lump sum tax tables.	▪ Paid as an annuity ▪ Can transfer from the fund or defer retirement ▪ De minimus amount applies (R165 000) ▪ Annuity taxed as income according to marginal tax rate.

Exit at Retirement

If a member retires from the Fund on 31 December 2025 with a total Fund credit of R750,000 made up of R450 000 in their vested pot, R100 000 in their savings pot and R200 000 in their retirement pot.

Vested Pot

R450 000 Balance:

Pre-1 Mar 2021 Vested portion – R300 000

Post 1 Mar 2021 Non-vested portion – R150 000

- Up to R350 000 may be taken in cash taxed at Retirement Tax Tables
- R100 000 must be used to buy a monthly pension.

Savings Pot

R100 000 balance

- Up to R100 000 may be taken as Cash
- Taxed at Retirement Tax Tables
- Part or all of it can also be used to buy a monthly pension

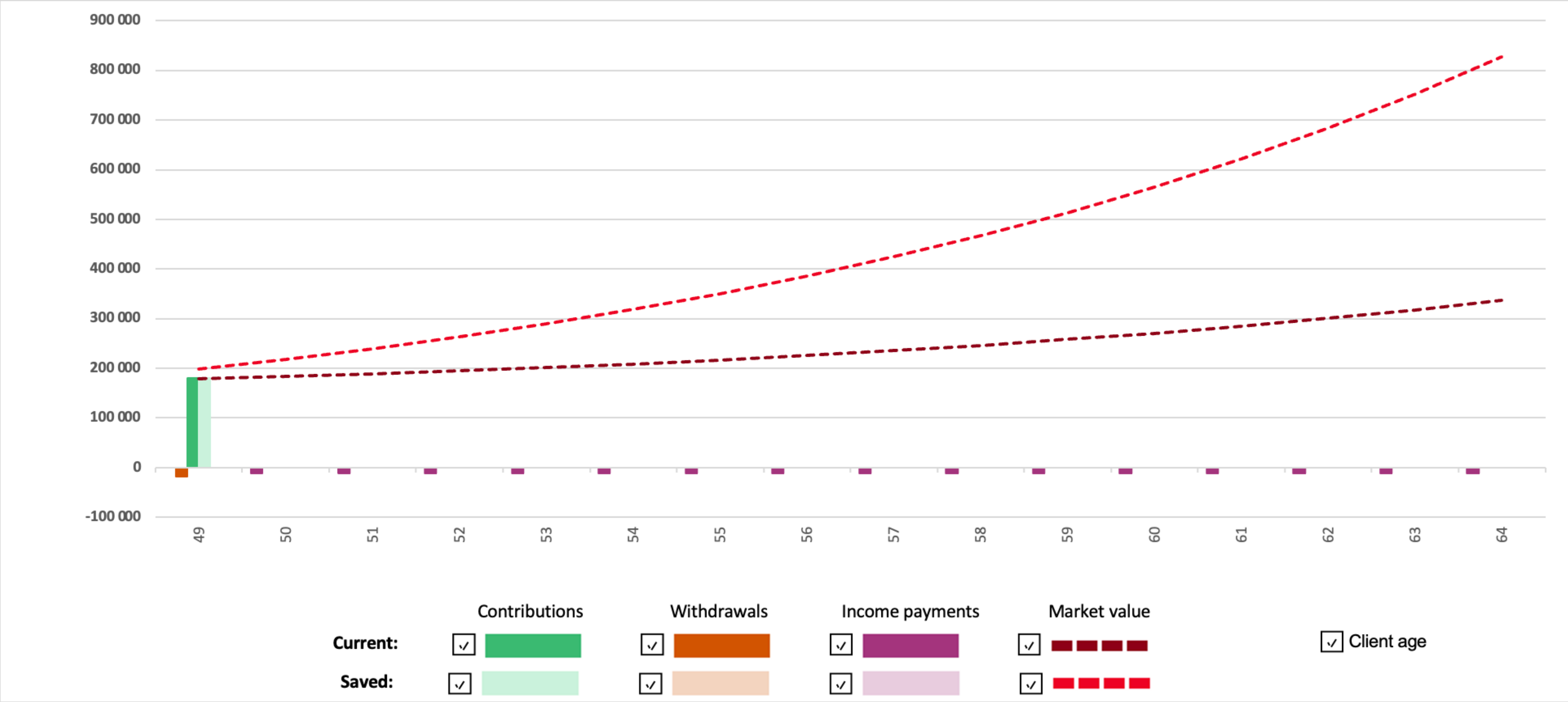
Retirement Pot

R200 000 balance

- Cannot be taken in cash, must be used to buy a monthly pension.

Impact of withdrawals on future

Lucas is 48 and he has a balance of R180 000 on 31 August 2024. If he withdraws R18 000 on 1 September 2024 and withdraws what is available from his savings pot (R12 000) every year until retirement, he will retire with R336 800. If he took no withdrawals until retirement, he would retire with R827 100. That’s R490 300 difference at retirement, more than 60% difference.



TWO POT EXAMPLE

Mary is 50 years old and on 31 August 2024 she has a benefit value of R580 000 in the UNISARF. Monthly she contributes R6 000 per month.

On 1 September 2024 the Fund will create a savings pot and a retirement pot for Mary. The Fund will then calculate 10% of her value (which is R58 000) but the Fund will transfer only R30 000 to her savings pot. Going forward her R6 000 monthly contributions will be split $1/3^{rd}$ (R2 000) to her savings pot and $2/3^{rds}$ (R4 000) to her retirement pot.

Going forward Mary will have three pots, all with different characteristics as per below:

Pot 1 – Vested
On 1 Sept 2024

- Balance of R550 000
- No new contributions
- Continues to grow
- Retains its rights, unaffected by two-pot

Pot 2 – Savings
On 1 Sept 2024

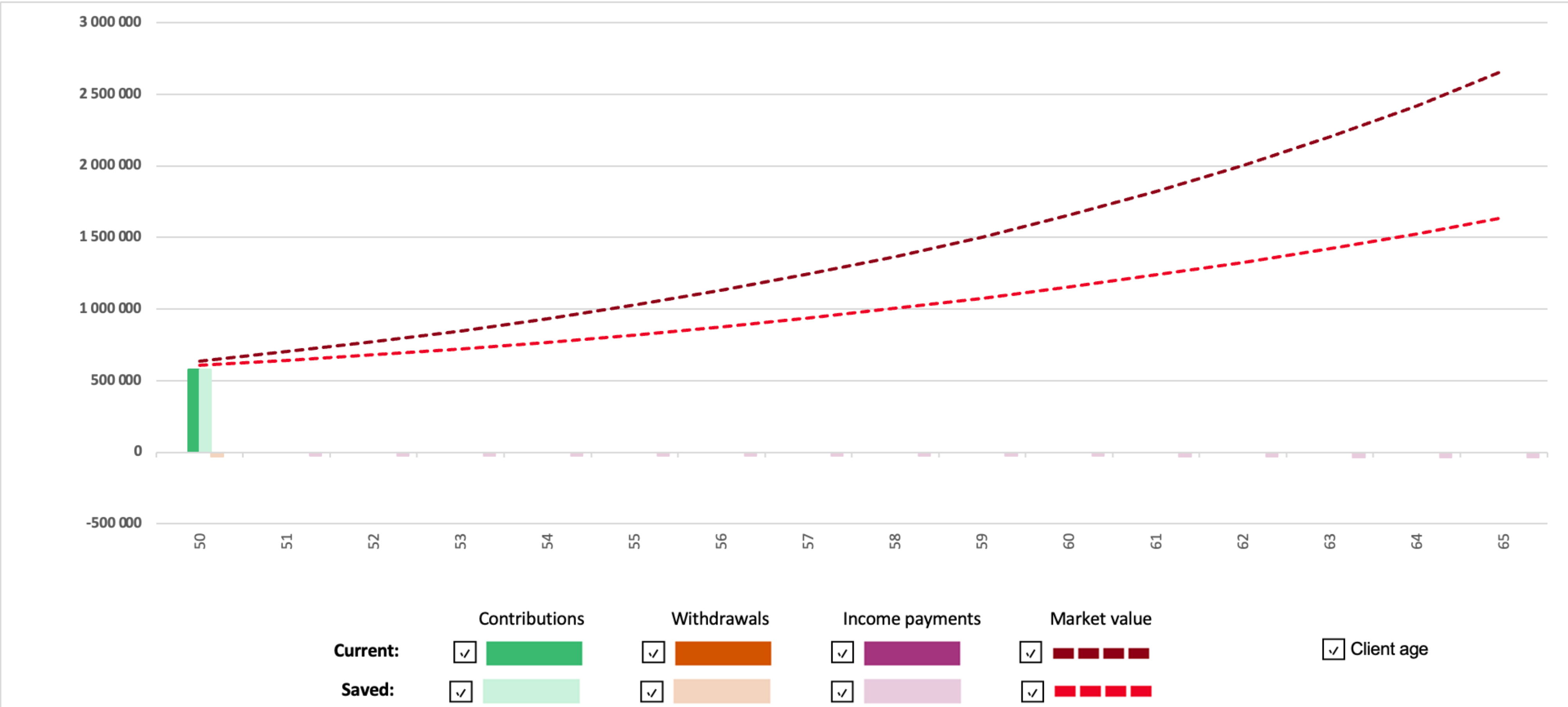
- Balance of R30 000
- $1/3^{rd}$ of all new contributions
- Once a year can draw minimum of R2 000
- Withdrawals are taxable

Pot 3 - Retirement
On 1 Sept 2024

- Balance of R0
- $2/3^{rds}$ of all new contributions
- Cannot be accessed in cash
- Annuity income at retirement

TWO POT EXAMPLE

If Mary withdraws R30 000 on 1 Sept 2024 and withdraws what is available from her savings pot (R24 000) every year until retirement, she will retire with R1 638 300. If she took no withdrawals until retirement, she would retire with R2 665 000. That's R1 026 700 difference at retirement, almost 40% difference.



TWO POT EXAMPLE

Jacob is 59 years old and on 31 August 2024 he has a benefit value of R1 200 000 in the UNISARF. Monthly he contributes R8 000 per month. Because Jacob was older than 55 on 1 Mar 2021, he can opt out of two pot and continue savings as he currently is.

Pot 1

- Balance of R1 200 000
- All contributions going forward
- Can withdraw up to 100% cash at retirement

Transfers between pots

Vested Pot

May transfer to the Retirement Pot only. This is not reversible!

Savings Pot

- Transfer to another savings pot allowed
- May only receive transfers from other savings pots
- May transfer to the Retirement pot. This is not reversible!

Retirement Pot

- Transfer from one Retirement pot to another allowed
- May receive transfers from other pots

Upon transfer to another Fund, all pots that exist in Fund A must be transferred to Fund B (except the portion taken as a cash lump sum, where this applies).

You are not the only one that wants your money! Be cautious and be informed!

Member Communication

Member Newsletters

University of South Africa
Retirement Fund

7th floor, O.R. Tambo Building,
Preller Street, Muckleneuk,
Pretoria
Reg No 12/8/31320

The Two-pot Retirement System

Dear Member

The Two-pot Retirement System aims to empower more South Africans to preserve their retirement savings when they change employment, while enabling controlled access to these savings in times of financial hardship. The information that follows is for members of the University of South Africa Retirement Fund (the Fund) to better understand the changes that affect them. In this communication you will find the following information pertaining to the Two-pot Retirement System:

University of South Africa
Retirement Fund

7th floor, O.R. Tambo Building,
Preller Street, Muckleneuk,
Pretoria
Reg No 12/8/31320

The Two-pot Retirement System – Members who were 55 years and older at 1 March 2021

Dear Member

The Two-pot Retirement System aims to empower more South Africans to preserve their retirement savings when they change employment, while enabling controlled access to these savings in times of financial hardship.

Please also refer to the separate comprehensive communication document that was issued regarding the Two-pot Retirement System.

University of South Africa
Retirement Fund

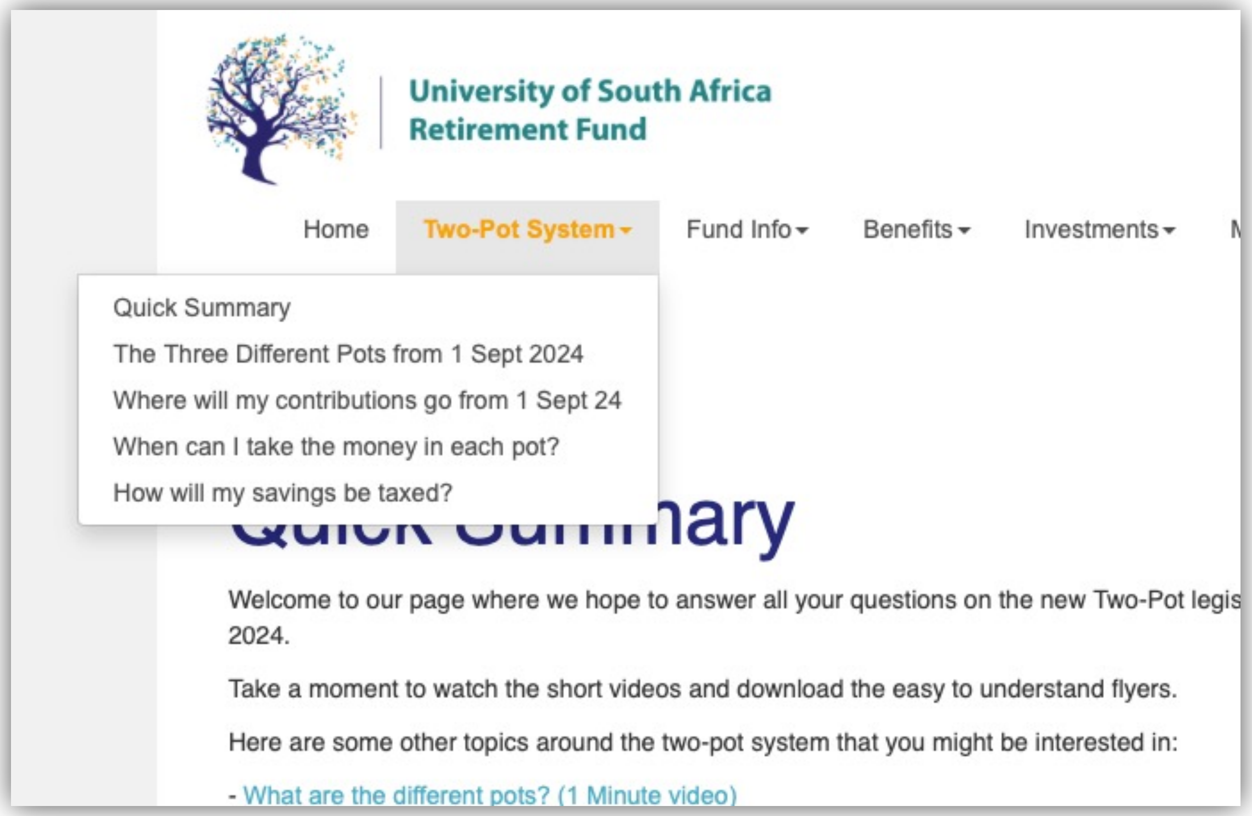
7th floor, O.R. Tambo Building,
Preller Street, Muckleneuk,
Pretoria
Reg No 12/8/31320

The Two-pot Retirement System – Members with a Defined Benefit Underpin

Dear Member

The Two-pot Retirement System comes into effect on 1 September 2024. This new system aims to empower more South Africans to preserve their retirement savings when they change employment, while enabling controlled access to these savings in times of financial hardship.

UNISARF Website



University of South Africa
Retirement Fund

Home | Two-Pot System | Fund Info | Benefits | Investments | M

- Quick Summary
- The Three Different Pots from 1 Sept 2024
- Where will my contributions go from 1 Sept 24
- When can I take the money in each pot?
- How will my savings be taxed?

Quick Summary

Welcome to our page where we hope to answer all your questions on the new Two-Pot legis
2024.

Take a moment to watch the short videos and download the easy to understand flyers.

Here are some other topics around the two-pot system that you might be interested in:

- What are the different pots? (1 Minute video)

University of South Africa
Retirement Fund

Questions

University of South Africa
Retirement Fund

2-Pot Saving Withdrawal Benefit Claims

UNISA TWO POT Presentations

26 August 2024

alexforbes.com

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On 01 September 2024

"Vested Pot"

All your retirement savings up until 31 August 2024

"Savings Pot"

10% of member's fund value on 31 August 2024
(capped at R30,000)

"Retirement Pot"

Starts with R0.00 on 01 September 2024

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Withdrawals: After 01 September 2024

"Vested Pot"

No withdrawals

"Savings Pot"

Full withdrawal available
(limited to **one per tax year**)
+
Minimum amount: R2,000
+
Taxed at the member's **marginal income tax rate** (18-45%)

"Retirement Pot"

No withdrawals

01

Member Initiated SWB Claim Solution

AF Connect.

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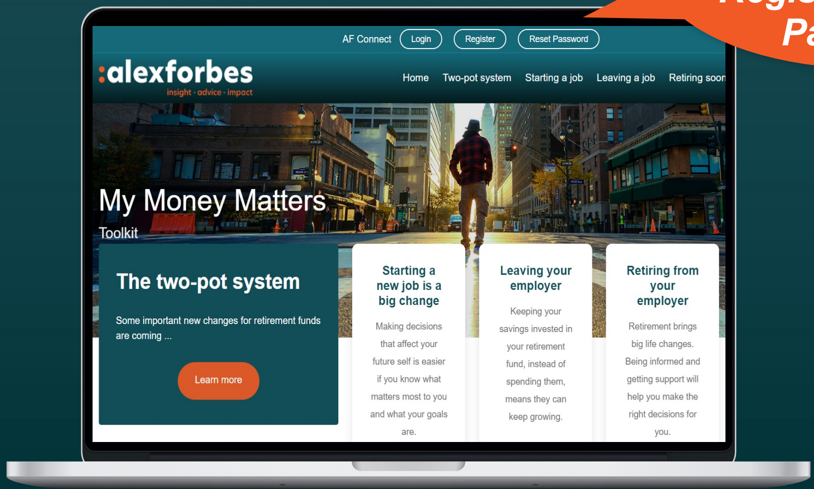
AF Connect

AF CONNECT / AF ONLINE

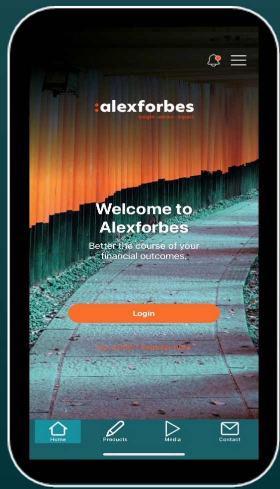
*See the top of the page to **Login**, **Register** or **Reset Password***



- Access secure member portal
- Learning content
- Interactive financial tools

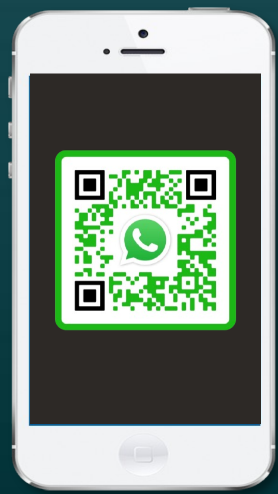
AF MOBILE APP

Download on the App Store
GET IT ON Google Play
EXPLORE IT ON AppGallery



- Access secure member portal
- Free download

AF WHATSAPP SELF-SERVICE



- Save **+27 60 043 9601** to you contacts
- Type **Help** and follow the menu prompts

SCAN THIS QR CODE AND GET READY TO REGISTER

Please note: Once registered, it can take up to a maximum of three working days to link your AF Connect profile to your products.

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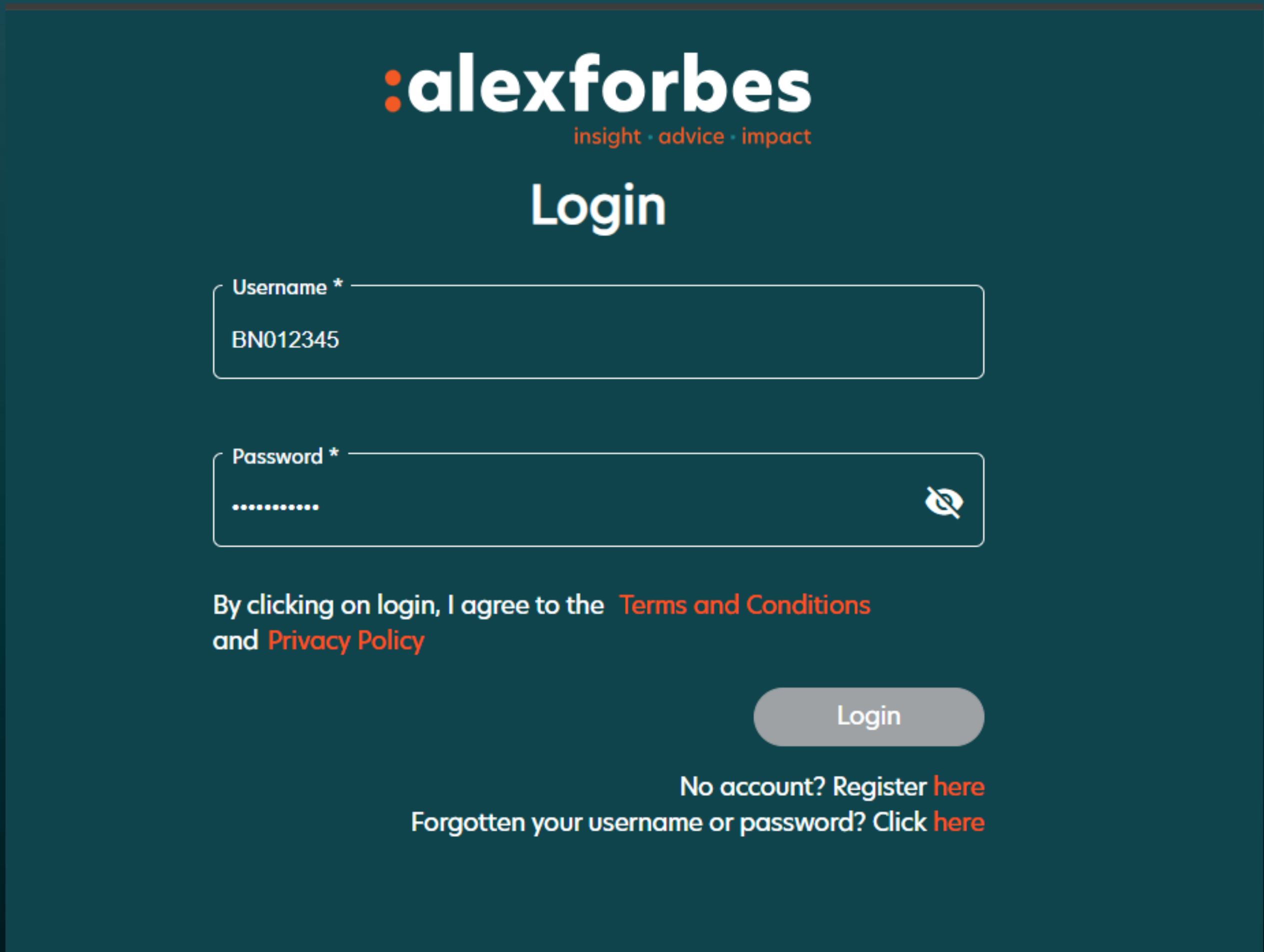
AF Connect | Registration



- AF Connect can be accessed:
  - Directly: https://online.alexforbes.com/
  - Via the My Money Matters website https://mymoneymatters.alexforbes.com/

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Knowledge Based Authentication | In development

- The member will be presented with five KBA questions
  - Different weighting per question
  - 1st Attempt has a 75% pass rate
  - 2nd Attempt has a 80% pass rate
  - 2 Failed attempts causes 24-hour lockout before retry allowed
  - If the user fails KBA, the user will be advised to ask the Employer to assist with claim submission

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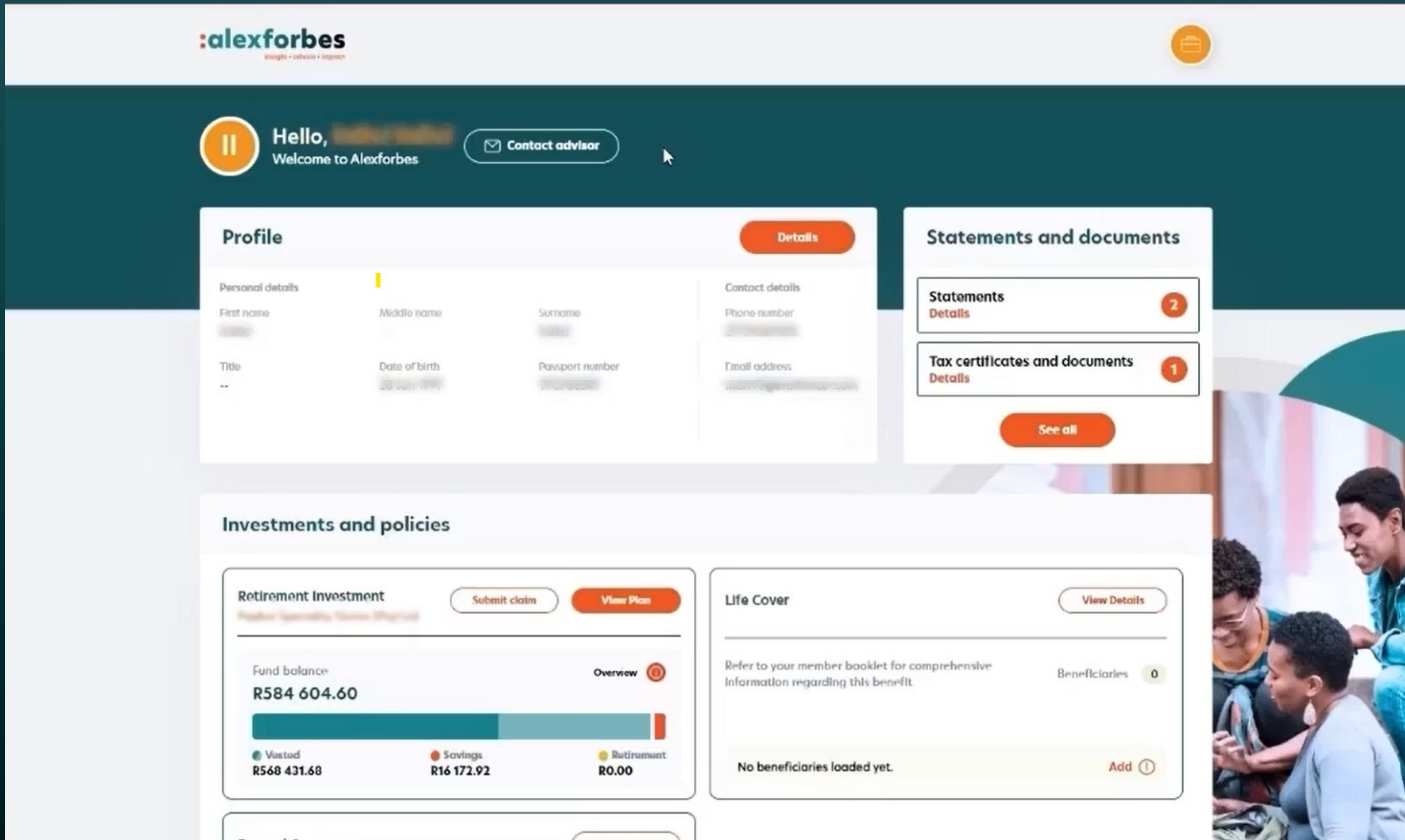
AF Connect Landing Page



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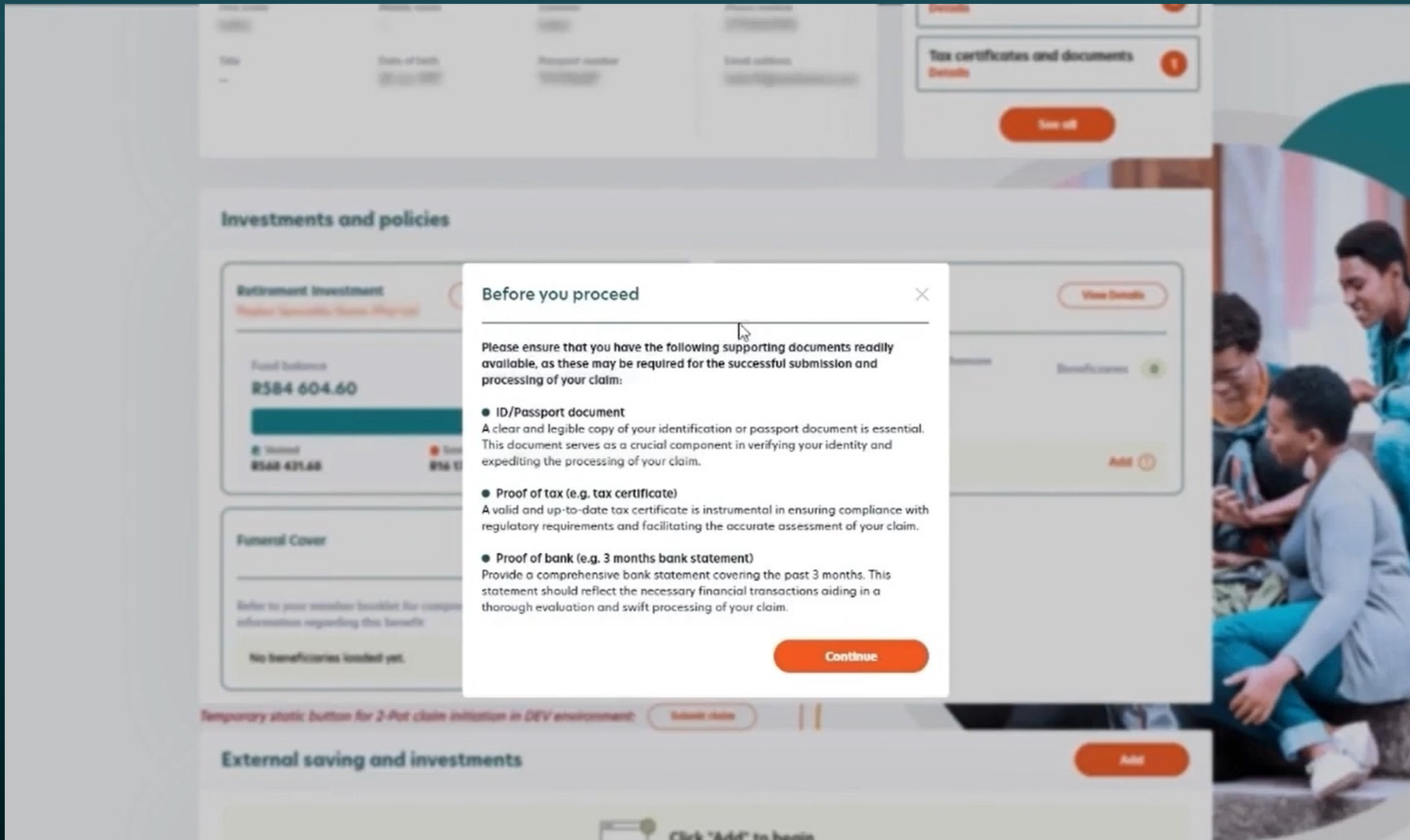
Awareness of documents that MAY be required



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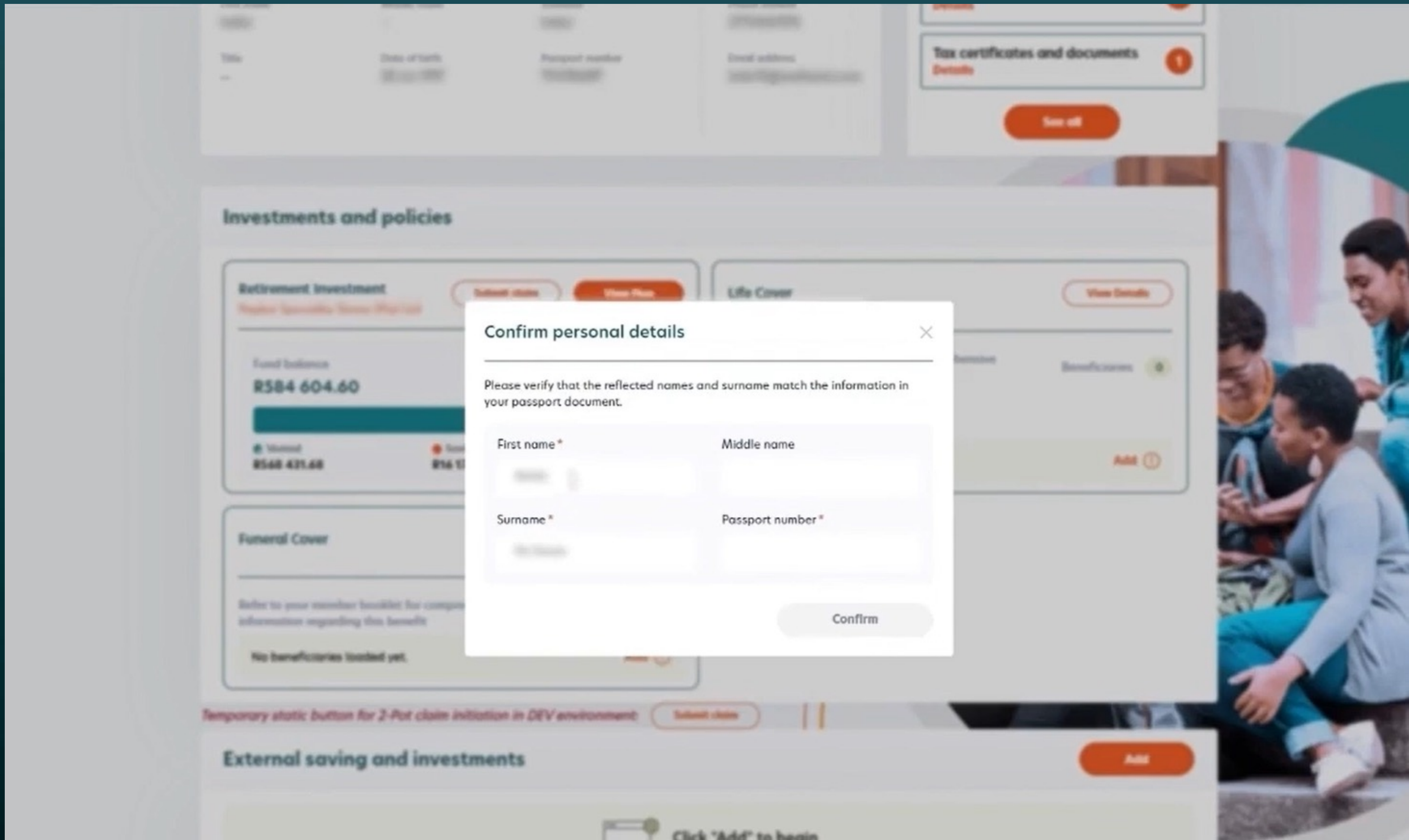
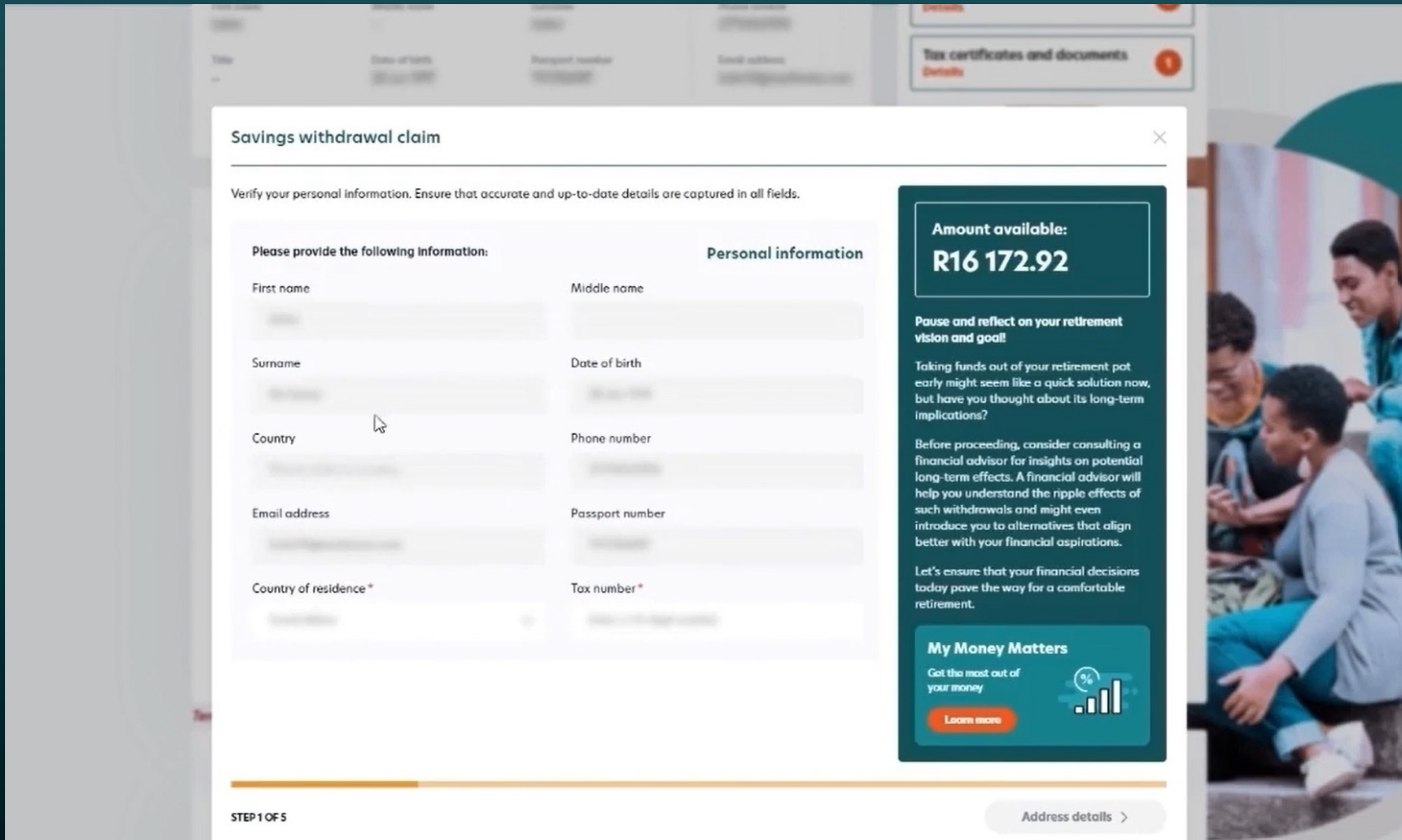
Confirm personal details



Confirm contact and tax details



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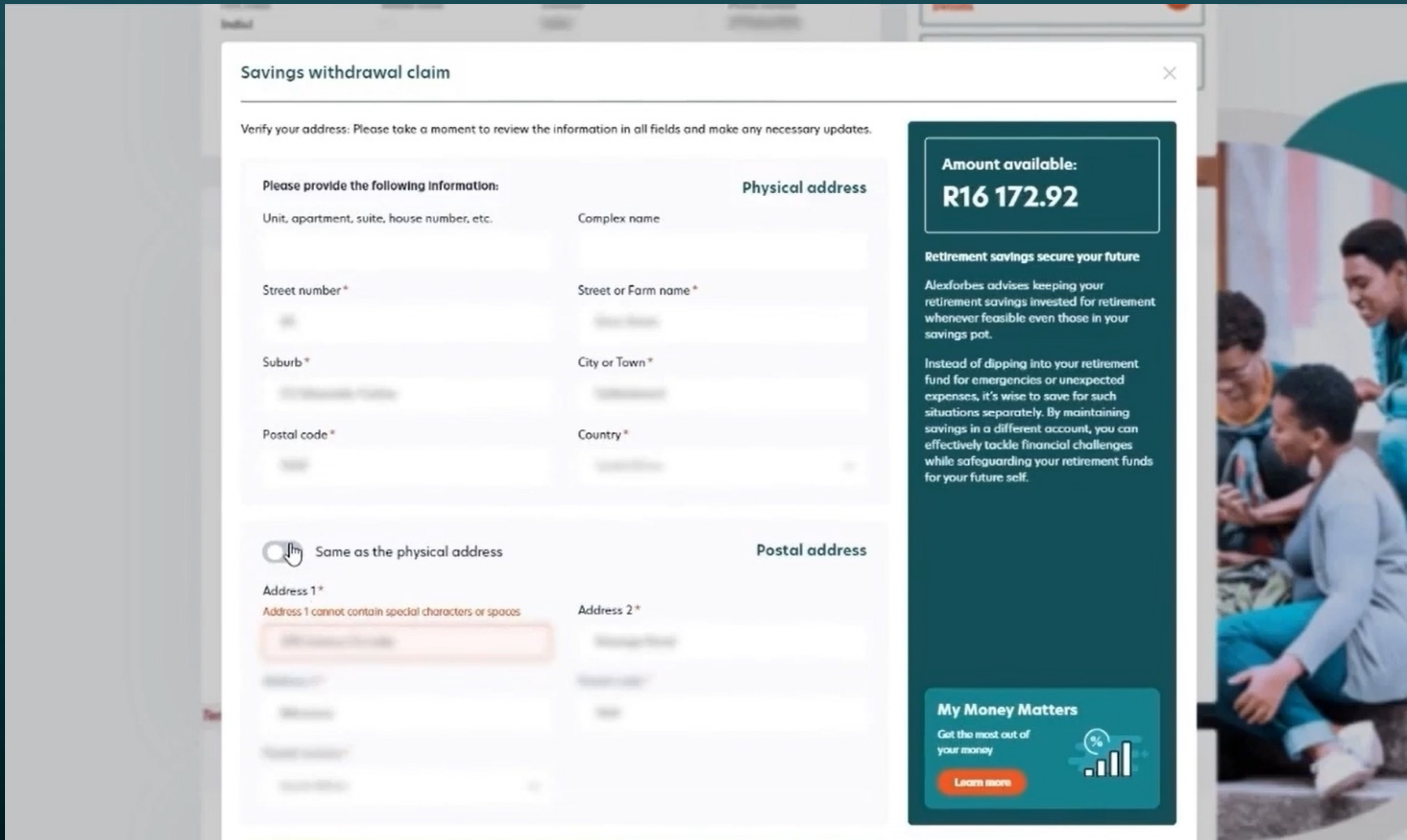
Confirm physical and postal addresses



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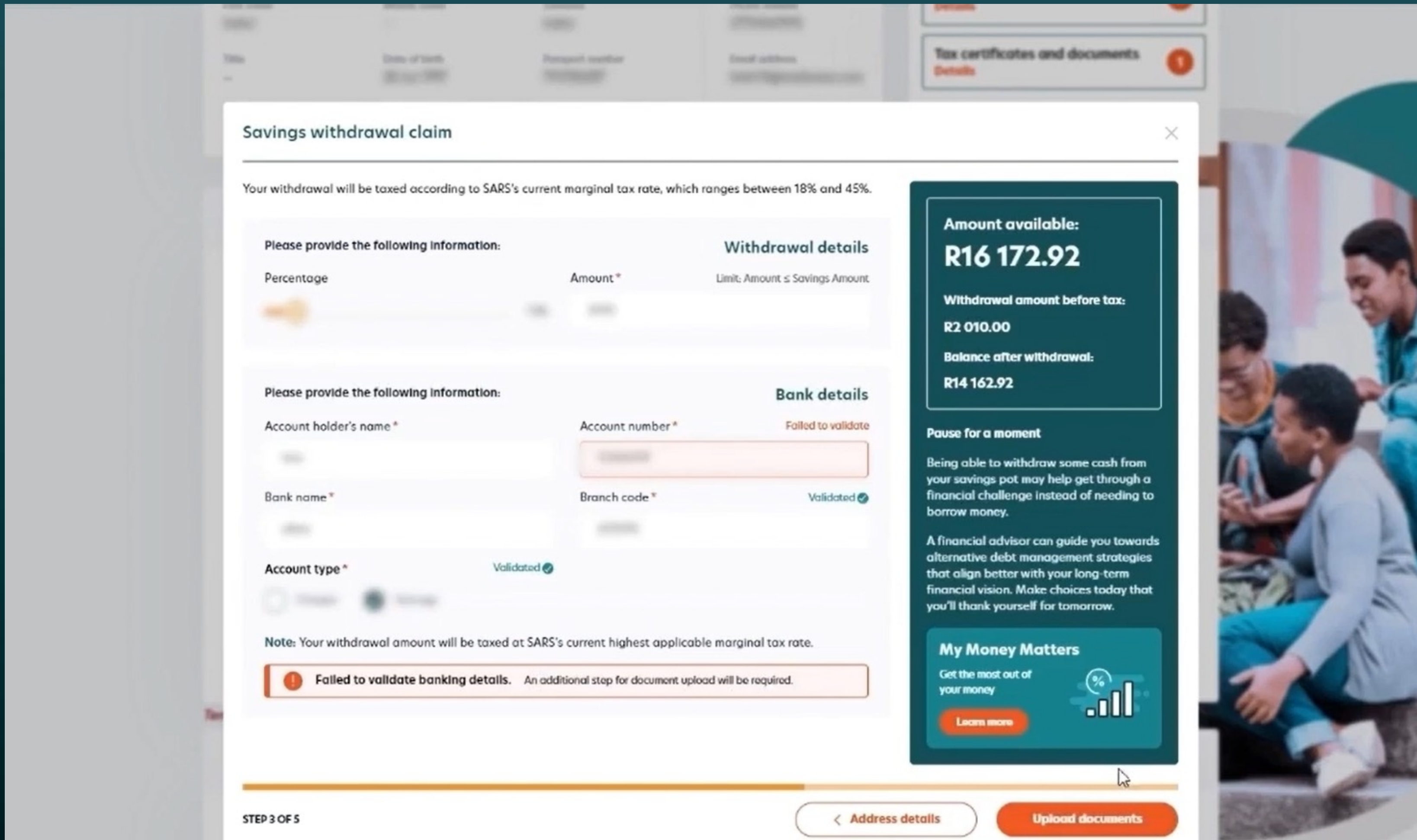
Select claim amount and confirm/provide banking details



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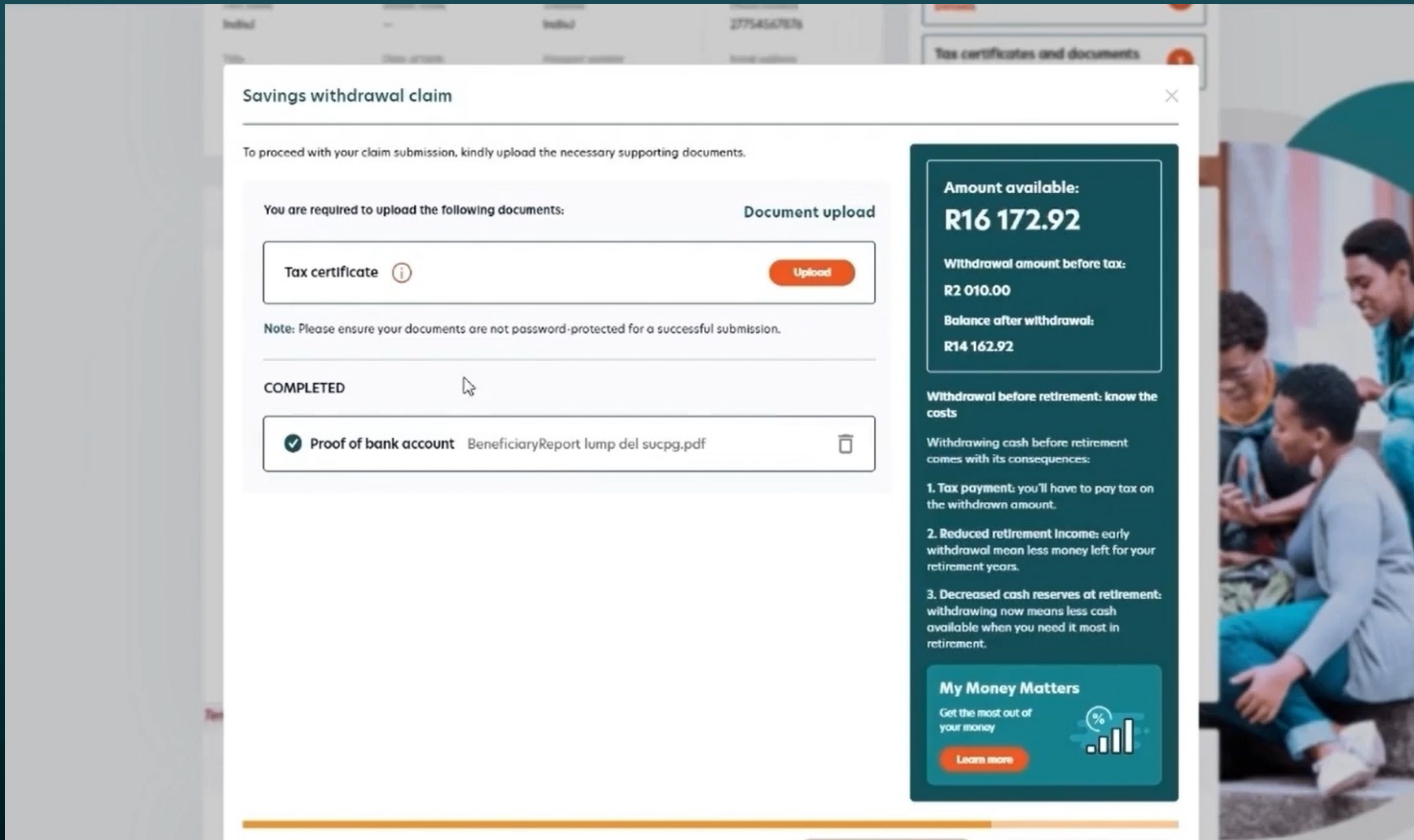
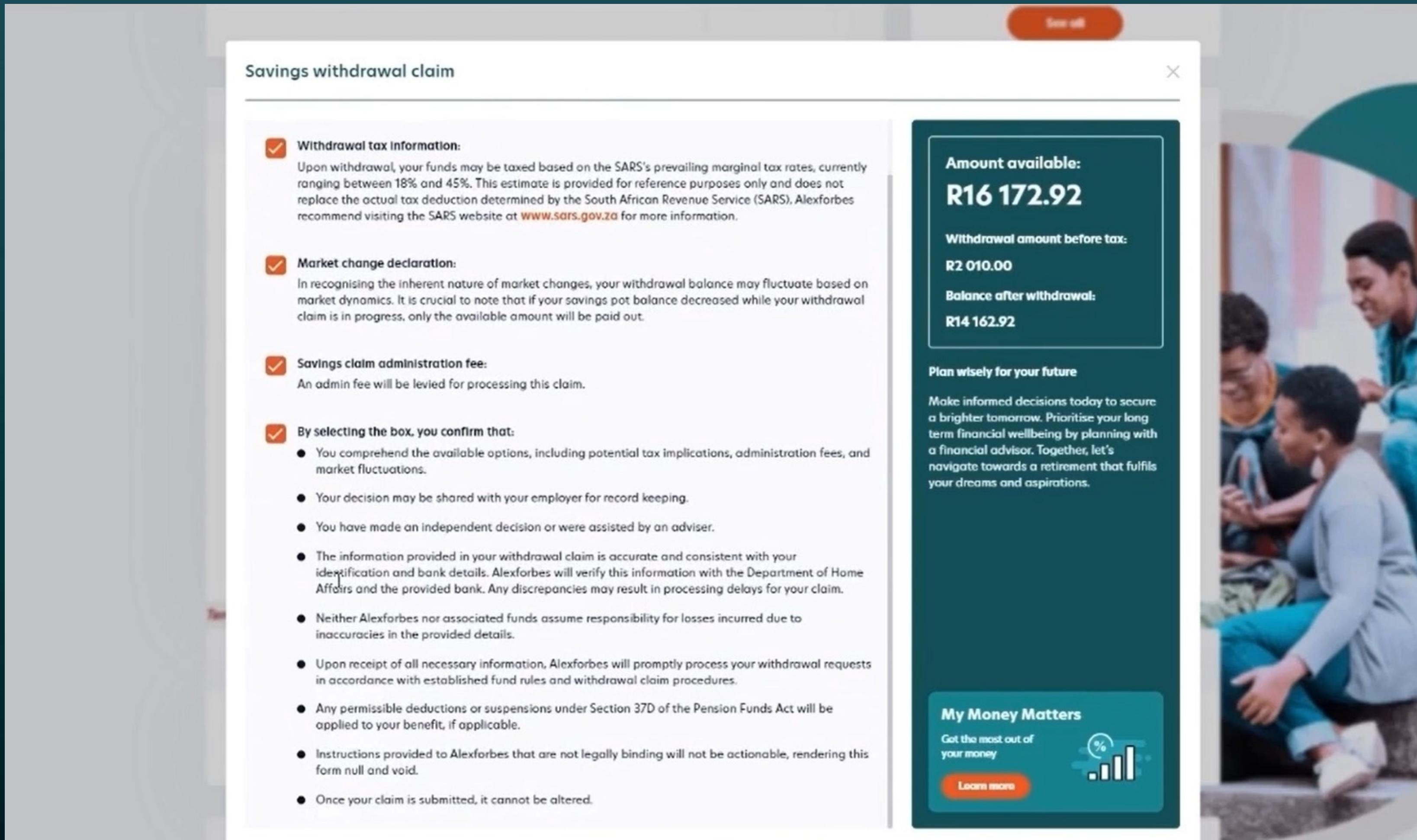
Upload supporting documents (if required)



Review and accept disclosures



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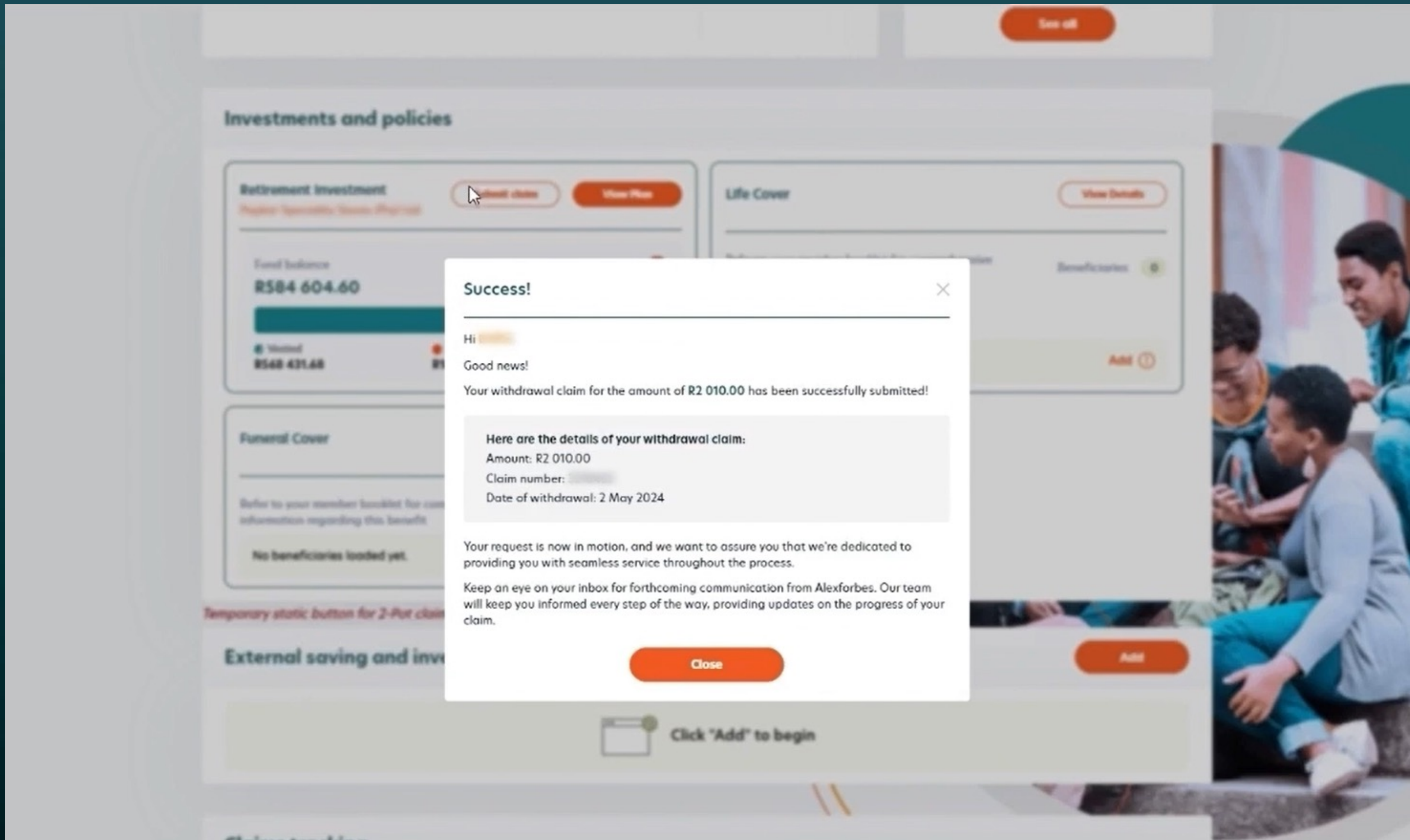
View claim summary and record claim number



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AF Online | Individual Claims

PIN & Password authenticated and digital signature enabled solution

Direct integration into Alexforbes' administration platform ensures no delays in receipt and processing of claims

Provides better POPIA protection that email

A copy of the claim form is sent back to the person submitting the online claim and a unique claim reference number is assigned to facilitate potential future queries

Claims tracking, including payment information on finalised claims, is available for HR in assisting members who enquire on claims progress

Member data available on the Alexforbes' administration platform (as received via the monthly contribution schedules), is pre-populated onto the online claim form. This significantly minimizes the need to capture information as well as the risk that incorrect / inaccurate information may be captured

The solution affords the option of "doer" and "checker" roles which assists the employer in mitigating risk associated with human error in the completion of the claim documentation

Mitigation of risk by means of data validation (e.g. ID no, Tax no, etc.). Edited data is highlighted.

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“Vested Pot”	
Contributions	0%
Withdrawals	✖
Resignation	0-100% Cash
Retirement	1/3 Cash, 2/3 Pension
Taxes: “Retirement Tax Tables”	0-36%
Growth	(±) Market Related

“Savings Pot”	
Contributions	1/3
Withdrawals	YES
Resignation	0-100% Cash
Retirement	0-100% Cash
Taxes: “PAYE Tax Tables”	18-45%
Growth	(±) Market Related

“Retirement Pot”	
Contributions	2/3
Withdrawals	✖
Resignation	0% Cash
Retirement	100% Pension
Taxes: “Retirement Tax Tables”	0-36%
Growth	(±) Market Related

Thank You

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