

SIMPLIFYING THE TWO -POT SYSTEM




TAKING CASH OUT OF YOUR FUND BENEFIT AFTER 1 SEPTEMBER 2024

Government is in the final stages of changing the law to allow members who are in financial constraint to take part of their Fund Credit in cash while they are still employed. This is a very big change from the current system where members are only allowed to take their benefit in cash on resignation and all or part of their benefit in cash on retirement.

ENGINEERING INDUSTRIES PENSION FUND

The proposed date of implementation is 1 September 2024

Although you will see it called the “two pot” system, the new system will split your Fund Credit into 3 separate pots:

Vested pot	Savings pot	Retirement pot
		
<p><i>Benefit accrued up to 31 august 2024, less seeding capital, plus investment returns. May be taken in cash if resigned, retrenched, and dismissed. On retirement 1/3rd may be taken in cash and 2/3 must be used to buy a pension</i></p>	<p><i>Seeding capital plus 1/3rd of retirement contributions after 1 September 2024, plus investment returns. One withdrawal per tax year</i></p>	<p><i>2/3rds of retirement contributions after 1 September 2024, plus investment returns. Must be used to buy a pension</i></p>

Members are permitted to transfer their Vested Pot and their Savings Pot into their Retirement Pot at any time. They cannot transfer any amount out of their Retirement Pot.

When a benefit is paid to a member, each pot needs to be considered separately in terms of the conditions that apply to that pot and the taxation basis if the pot can be paid out. In this notice:

- A **Green pot** means the benefit can be taken in cash;
- A **Blue pot** means the benefit cannot be taken in cash at that time and must be preserved until a later date, i.e. to resignation or retirement, as appropriate; and
- A **Red pot** means the benefit must be used to buy a pension at retirement. If, however, the amount that must be used to buy a pension in either the Vested Pension Pot or the Retirement Pot is less than R165 000, then the full amount in that Pot may be taken in cash.

The following will apply:

- Tax and fees will be deducted on any amount you withdraw
- You can only withdraw money once in each tax year.
- **DEATH:** There are no changes to the way that the benefit is paid to your beneficiaries on your death.
- Minimum withdrawal benefit is R2000
- Maximum withdrawal benefit is R30 000
- Remember, any amount taken in cash whilst in employment reduces your benefit in the Fund.

Example:

On 01 September 2024 their various pots will be as follows:

Four members of a retirement fund have accrued benefits in their fund on 31 August 2024.

Member 1: R20 000; Member 2: R200 000; Member 3: R750 000; Member 4: R2 000 000.

	<i>Member 1</i>	<i>Member 2</i>	<i>Member 3</i>	<i>Member 4</i>
Fund Credit as at 31 Aug 2024	R 20 000	R 200 000	R 750 000	R 2 000 000
<i>As from 01 Sept 2024, to be split as follows:</i>				
<i>Vested Pot</i>	<i>R 18 000</i>	<i>R 180 000</i>	<i>R 720 000</i>	<i>R 1 970 000</i>
<i>Savings Pot</i>	<i>R 2 000</i>	<i>R 20 000</i>	<i>R 30 000</i>	<i>R 30 000</i>
<i>Retirement Pot</i>	<i>R 0</i>	<i>R 0</i>	<i>R 0</i>	<i>R 0</i>
Total Benefit	R 20 000	R 200 000	R 750 000	R 2 000 000

From 01 September 2024 going forward:

The member's monthly contribution towards the fund is **R 900.00**

	<i>Member 1</i>	<i>Member 2</i>	<i>Member 3</i>	<i>Member 4</i>
<i>Vested Pot</i>	<i>R 18 000</i>	<i>R 180 000</i>	<i>R 720 000</i>	<i>R 1 970 000</i>
Member Contribution per month:	R 900	R 900	R 900	R 900
<i>Retirement Pot (Two 3rds from R 900.00)</i>	<i>R 600</i>	<i>R 600</i>	<i>R 600</i>	<i>R 600</i>
<i>Savings Pot (One 3rd from R 900.00)</i>	<i>R 300</i>	<i>R 300</i>	<i>R 300</i>	<i>R 300</i>
<i>Savings Pot New balance:</i>	<i>R 2 300</i>	<i>R 20 300</i>	<i>R 30 300</i>	<i>R 30 300</i>

- **Vested Pot** = Accrued balance, less the seeding capital taken for the Savings pot.
- **Savings Pot** = Opening balance of 10% or a maximum of R30 000, taken from the Fund Credit.
- **Retirement Pot** = This will grow from 1 Sept 2024 onwards, 2/3 of all your monthly contributions will go to this pot.