The Two Pot Retirement System
- Part 1 of 3

The City of Johannesburg Pension Fund ('the Fund') is distributing a series of communications to **in-service members** ('members') to provide detailed information on the Two Pot Retirement System ('Two Pot System').

It is important that you receive all **three (3) parts of the communications** to fully understand how you will be impacted by the Two Pot System.

Part 1 –	**The basics and what needs to be done.**
Part 2 –	The impact on your benefit following different events.
Part 3 –	Applying for a Savings Withdrawal.

You are encouraged to read the communications carefully and to contact the Pension Fund Office should you have any questions.

admin@cojpensionfund.co.za / 011 551 9400

The President signed the Revenue Laws Amendment Act on 1 June 2024 which allows for the implementation of the **Two Pot System effective 1 September 2024**. The Pension Funds Amendment Act, which updates the Pension Funds Act (the legislation that regulates South African retirement funds) by including the necessary definitions and changes needed for the Two Pot System, was subsequently signed on 21 July 2024.

The Fund has submitted a Rule Amendment that will update the Fund's registered Rules to allow for the Two Pot System. The Rule Amendment will be available on the Fund's website once registered by the Financial Sector Conduct Authority (the Regulator for South African retirement funds).

www.cojpensionfund.co.za

The South African Government is implementing the Two Pot System to:

1. allow in-service members to **withdraw a portion of their retirement savings without leaving employment**. This acknowledges the financial stress that many South African's are facing following the Covid-19 pandemic and the difficult economic environment in South Africa. We highlight that this opportunity is not a once-off opportunity, and members that choose not to withdraw now will be able to do so at a future date.

2. ensure that in-service members also **save towards their retirement**. Unfortunately, only 6% of South Africa's population are on track to retire comfortably*. It is therefore crucial that in-service members also focus on their retirement goals. The Two Pot System specifies that a portion of your retirement contributions after 1 September 2024 may not be accessed in cash on withdrawal or retirement. We cover this in detail in the communication.

*Sixth Edition of 10X Investment Retirement Reality Report 2023

From 1 September 2024, the Two Pot System will change the way that an in-service member's Fund Credit (benefit in the Fund) is broken down.

Your **FUND CREDIT** is currently a single pot that is made up of your monthly contributions, less the costs of your risk benefits and Fund expenses, plus investment returns, up until 31 August 2024.

Your **FUND CREDIT**
up until 31 August 2024



Monthly contributions

LESS

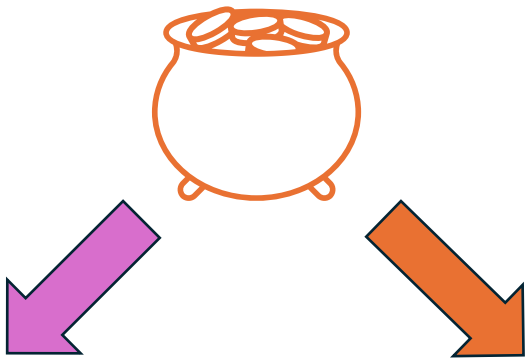
Costs for risk benefits and Fund expenses

PLUS

Investment returns up to this date

From **1 September 2024**, 10% of your **FUND CREDIT** (up to a maximum of **R30,000**) will be transferred to your **SAVINGS POT**. This is also known as 'seeding'. **This transfer will happen automatically and will only take place once.** The remainder of your **FUND CREDIT** will be renamed your **VESTED POT**.

Your **FUND CREDIT**
up until 31 August 2024



1 September 2024

SAVINGS POT



10% of your **FUND CREDIT**
up to a maximum of R30,000

VESTED POT



Your **FUND CREDIT**, less 10%
that was transferred to your **SAVINGS POT**
(up to a maximum of R30,000)

LET'S LOOK AT SOME EXAMPLES

EXAMPLE 1

On 31 August 2024, Mr X's **FUND CREDIT** is R300,000. On 1 September 2024,

SAVINGS POT



10% of Mr X's **FUND CREDIT** (up to a maximum of R30,000) is transferred to his **SAVINGS POT**.

R30,000 is the maximum amount that can be transferred.

Mr X's **SAVINGS POT** is therefore R30,000.

VESTED POT



Mr X's **VESTED POT** is his **FUND CREDIT** less the amount (up to R30,000) that was transferred to his **SAVINGS POT**.

Mr X's **VESTED POT** is therefore the remaining amount of R270,000 (R300,000 – R30,000).

EXAMPLE 2

If Mrs Y's **FUND CREDIT** is R400,000
10% of R400,000 is R40,000
BUT only the maximum amount of R30,000 can be transferred to Mrs Y's **SAVINGS POT**
→ Mrs Y's **SAVINGS POT** is therefore R30,000.
→ Mrs Y's **VESTED POT** is therefore R370,000 (R400,000 – R30,000).

EXAMPLE 3

If Miss Z's **FUND CREDIT** is R200,000
10% of R200,000 is R20,000.
This is less than the maximum amount of R30,000 that can be transferred to Miss Z's **SAVINGS POT**
→ Miss Z's **SAVINGS POT** is therefore R20,000.
→ Miss Z's **VESTED POT** is therefore R180,000 (R200,000 – R20,000).

From 1 September 2024, your **monthly contributions** to the Fund will be split between your **SAVINGS POT** and your new **RETIREMENT POT**.

SAVINGS POT at 1 September 2024 	10% of your **VESTED POT** up to a maximum of R30,000 **PLUS** **1/3rd of your future monthly contributions from 1 September 2024 onwards** *(less costs for risk benefits and Fund expenses)*
RETIREMENT POT at 1 September 2024 	**2/3rds of your future monthly contributions from 1 September 2024 onwards** *(less costs for risk benefits and Fund expenses)*
VESTED POT At 1 September 2024 	**No monthly contributions go towards this pot** Your **VESTED POT** remains invested in the Fund and will grow with investment returns. Your **VESTED POT** is subject to the same laws for retirement and withdrawal that were in place prior to 1 September 2024.

All three of your your **pots** will remain invested in the Fund's default Lifestage Portfolio, or your chosen investment portfolio if you have opted out of the Lifestage Portfolio.

LET'S LOOK AT MR X'S BENEFIT FROM 1 SEPTEMBER 2024 ONWARDS

Mr X has three separate pots in the Fund.

VESTED POT



R300,000 in Mr X's **FUND CREDIT** at 31 August 2024

LESS

The R30,000 transferred to Mr X's **SAVINGS POT**

PLUS

Any Vested Pot that Mr X chooses to transfer into the Fund from another fund (if applicable)

PLUS

Investment returns on the **VESTED POT**

All the options previously available to you when exiting the Fund are still available to you for the part of your Fund Credit allocated to the **VESTED POT**. If you resign from employment, you can still take this pot in cash (subject to the SARS withdrawal tax tables).

If you retire, up to 1/3rd can be taken in cash (subject to the SARS retirement tax tables) and the remaining 2/3rds must be used to purchase a pension.

SAVINGS POT



R30,000 (10% from Mr X's **FUND CREDIT**)
('seed capital')

PLUS

1/3rd of Mr X's monthly contributions
(less costs for risk benefits and Fund expenses)

PLUS

Any Savings Pot that Mr X chooses to transfer into the Fund from another fund (if applicable)

PLUS

Investment returns on the **SAVINGS POT**

From 1 September 2024 you will have the option to claim some or all of the value of your **SAVINGS POT** without leaving the Fund or the employer (known as a Savings Withdrawal).

After the initial seed capital, your **SAVINGS POT** will grow with 1/3rd of your monthly contributions allocated to this pot.

If you take a Savings Withdrawal before retirement you will pay tax at your SARS marginal tax rate. If you wait until retirement to take this benefit, you will pay tax according to the SARS retirement tax tables.

RETIREMENT POT



2/3rds of Mr X's monthly contributions
(less costs for risk benefits and expenses)

PLUS

Any retirement pot benefit that Mr X chooses to transfer into the Fund from another fund (if applicable)

PLUS

Any benefit that Mr X chooses to transfer from his **SAVINGS POT** or **VESTED POT**

PLUS

Investment returns on the **RETIREMENT POT**

From 1 September 2024 any contributions or transfers allocated to your **RETIREMENT POT** **will need to stay invested until you retire**. This applies even if you change jobs and leave the Fund and the employer.

When you leave the Fund and the employer, you can choose to leave your **RETIREMENT POT** in the Fund or you can transfer it to your Retirement Pot in another fund, including a preservation fund.

When you retire, you will need to use the amount you have saved in your RETIREMENT POT to purchase a pension.

If the combined value of your **RETIREMENT POT** and 2/3rds of your **VESTED POT** at retirement is higher than the amount specified by the Income Tax Act, which is currently R165,000, you will not be able to take any of the **RETIREMENT POT** amount in cash. It is therefore recommended that you leave your **SAVINGS POT** until you retire to use this as an amount that can be paid to you.

WHAT STEPS SHOULD I BE TAKING?

1. Please **update your contact details and information with the Fund**. This is crucial to ensure that you receive Fund communication and to allow you to apply for Savings Withdrawals from your **SAVINGS POT** from 1 September 2024.

   You can email your name, email address, cellphone number and SARS tax number to the Pension Fund Office, together with a copy of your Identity Document. Alternatively, you can visit the Pension Fund Office and provide this information/documentation.

   The Pension Fund Office is open to members on Tuesdays, Wednesdays, and Thursdays from 09h00 to 16h00.

   Email: **admin@cojpensionfund.co.za**

   Telephone: **011 551 9400**

   Address: **Kopano on Empire, Ground Floor, Suite 11**
   30 Wellington Road, Parktown, 2091.

2. **Carefully read Part 2 and Part 3** of this communications series and contact the Pension Fund Office if you have any questions relating to the Two Pot System.

3. **Think about your options carefully** and speak to a registered financial advisor if you have any questions.

   Your retirement benefit is likely to be the biggest investment you have. You have worked hard to build your savings and should not be pressured into making any decisions.

   Savings Withdrawals from your **SAVINGS POT** before retirement will be taxed at your marginal tax rate. We cover this in Part 2 of the communication. Savings Withdrawals also reduce the lump sum that you will be able to take at retirement.

   It is very important to carefully consider, and **balance**, your **current needs**, with your future **retirement needs**.

Identify your long-term savings goals and plan for your future – and try to save as much as you can when you can. Unforeseen events may mean that you must adjust the plan – but start with a plan. You will have more flexibility than ever before – but that comes with the responsibility to protect yourself now and for the future.* * National Treasury – Frequently asked questions – Two-Pot Retirement System