

PetroSA Retirement Fund

RETIREMENT FUND



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AGENDA

- HOW THINGS WORK AT THE MOMENT

- INTRODUCTION TO THE TWO-POTS SYSTEM
 - OBJECTIVE AND GENERAL INFO
- WHAT HAPPENS ON 1 SEPTEMBER 2024

- VESTED POT

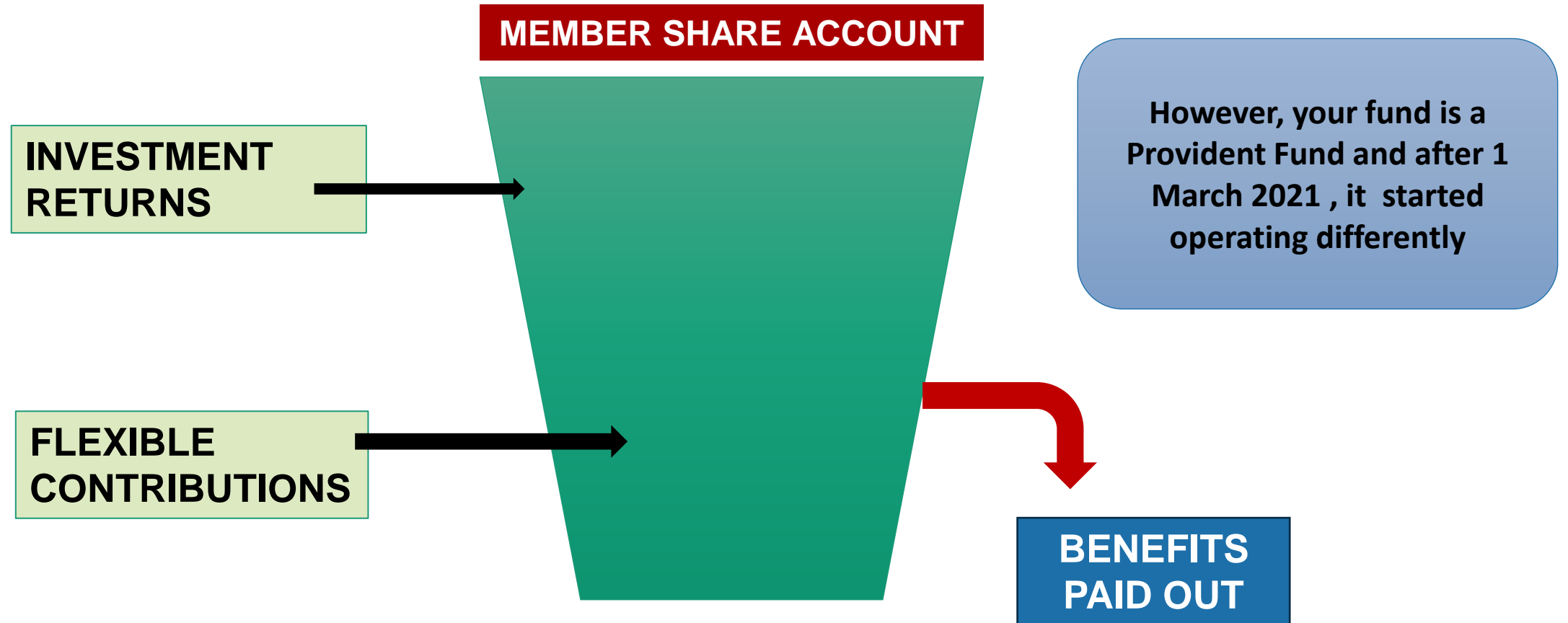
- RETIREMENT POT

- SAVINGS POT

- SEEDING AMOUNT

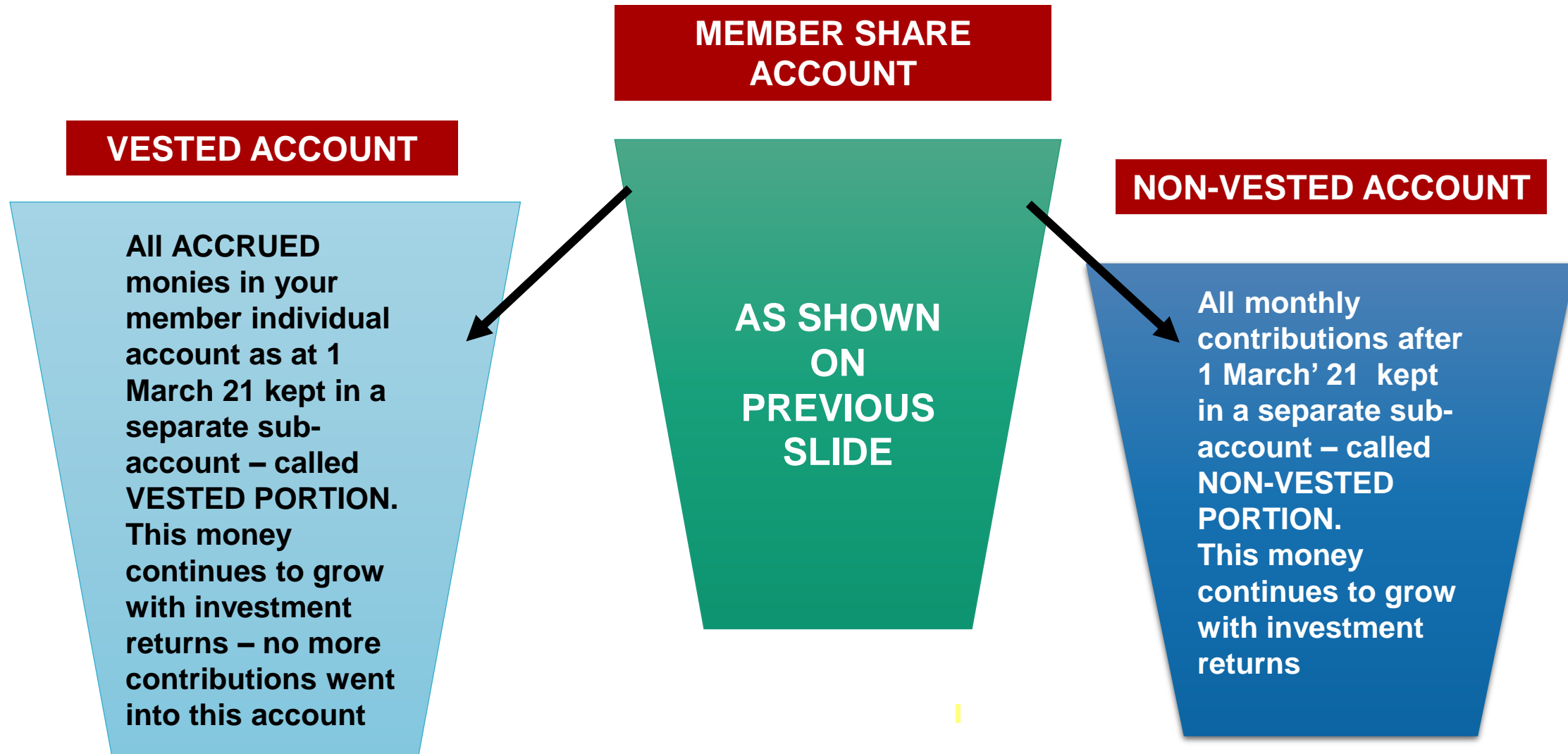
- SUMMARY

HOW THINGS WORKED UP UNTIL 1 MARCH 2021

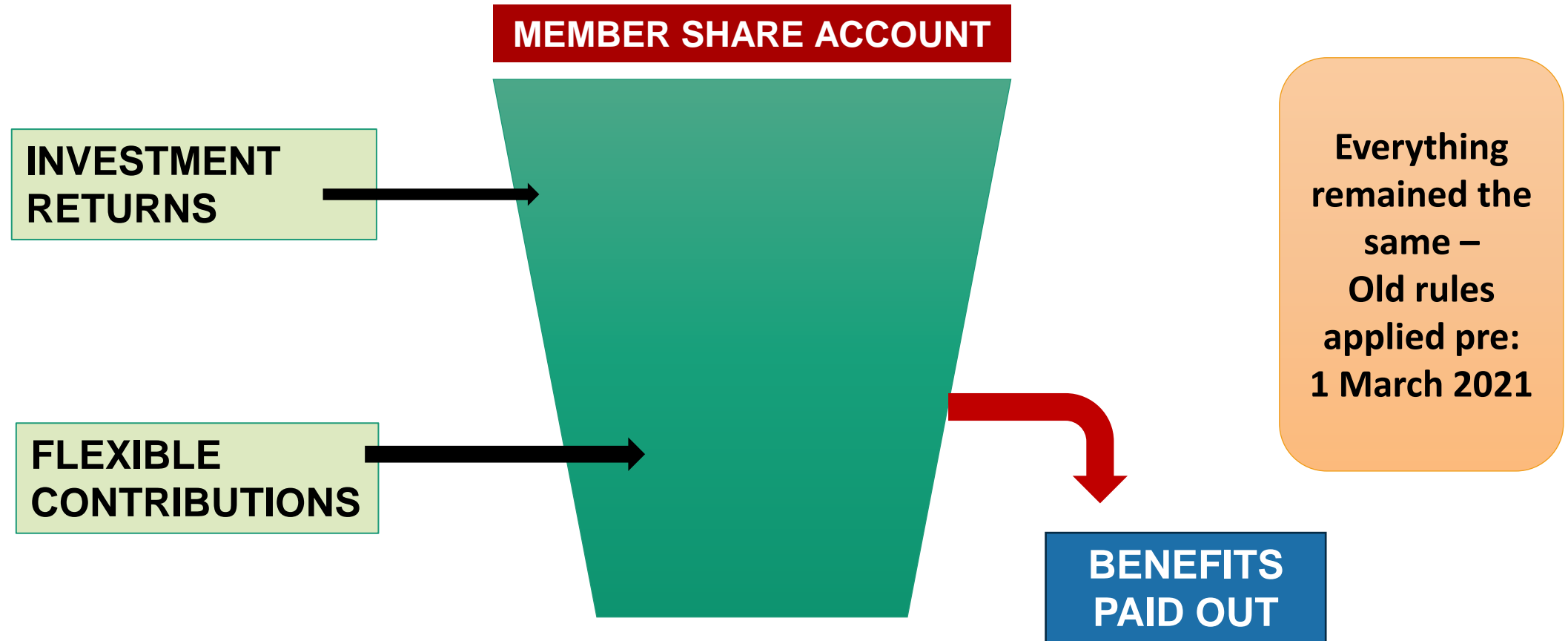


***The contributions are net of insured benefit premiums as well as fund expenses**

WHAT HAPPENED ON 1 MARCH 2021 (for members under age 55 at that time)



WHAT HAPPENED ON 1 MARCH 2021 (for members age 55 and older at the time)



***The contributions are net of insured benefit premiums as well as fund expenses**

HOW THE “TWO POTS SYSTEM” APPLIES TO PROVIDENT FUND MEMBERS WHO WERE PRESENT PRIOR TO 1 MARCH 2021

Members who were 55 years or older on 1 March 2021 and who are still members of the same provident fund? →

These members will have the option to participate in the two-pot system. If these members don't choose to participate in the new system, then everything remains the same as is at the moment.

These members will be given 12 months from 1 September 2024 to choose to opt in to the two-pot system – this is a once-off option

Members who were under age 55 years on 1 March 2021? →

These members will participate in the new “Two pots system”. However, the monies accrued up until 1 March 2021 will be kept in a separate sub-account – as is at the moment, and will continue to grow with investment returns. The rules existing at that time (1 March 2021) will apply when you take a retirement benefit

This is discussed in more detail later on

THE TWO-POTS SYSTEM - OBJECTIVE

The changes allow you to take part of your Fund savings in cash before you exit the Fund - previously, you only had this option at exit, through resignation, retrenchment, or retirement.

Why?

To allow you to access **PART** of your retirement savings if you are experiencing a financial emergency;

AND

To make sure that the **BULK** of your savings remain invested, so that you will have an income when you reach retirement age.

- The delicate trade-off between these two objectives was considered in formulating the two-pot retirement system
- Members' retirement savings will actually be apportioned to **three separate pots- but more about that later on.....**

INTRODUCTION TO THE TWO-POTS SYSTEM

- Effective from **1 September 2024**
- Applies to **ALL FUNDS** in South Africa – it is “LAW” not a Fund decision!
- Contributions after 1 September 2024 will be split between the “savings pot” and “retirement pot”
- There are actually three components to the two-pot system:
 - ✓ Savings Component (pot)
 - ✓ Retirement Component (pot)
 - ✓ Vested Component (pot)

Your fund is a “Provident Fund” – your Vested Component consists of your Vested Portion (if you have one!) and your Non-Vested Portion (if you have one!)

These different pots (components) will all be discussed in detail later

WHAT HAPPENS TO YOUR MEMBER SHARE ACCOUNT ON 1 SEPTEMBER 2024?

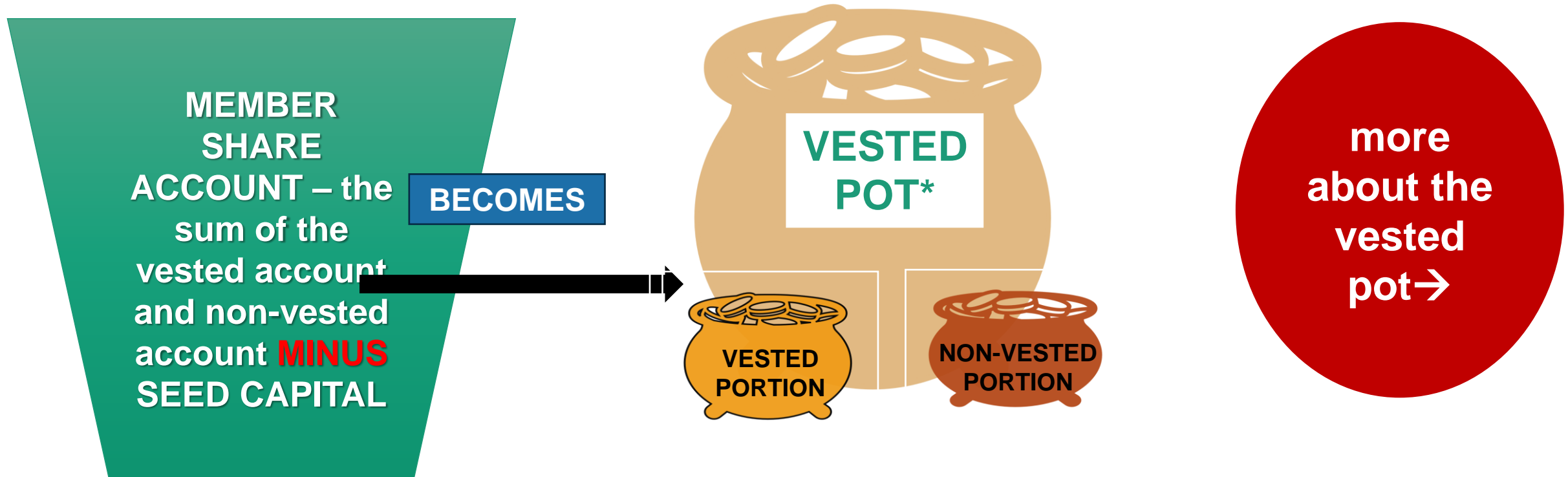
- Your Member Share Account as at 1 September 2024 will be called your **“VESTED POT”** in future - this includes all the money you’ve saved for retirement up to 31 August 2024*
- Your vested pot will be closed, so you won’t be able to contribute to this pot any more
- The good news is that the money you’ve saved in your vested pot will be invested and will keep growing with investment returns until you leave your employer or retire

***Remember that this vested pot will be divided into 2 further sub-pots called the Vested Portion and Non-Vested Portion**

But..... There is a little more to know about this vested pot→→→

WHAT FINALLY GOES INTO YOUR VESTED POT ON 1 SEPTEMBER 2024?

All your monies in the Fund i.e. your MEMBER SHARE ACCOUNT minus the “SEED CAPITAL” will become your **VESTED POT**



Will discuss the seed capital later including an example

MORE ABOUT THE VESTED POT



The "vested pot" includes all retirement savings in the Fund up to 1 September 2024, minus seed capital, and will continue to grow with future investment returns



Existing rules apply (and will continue to apply) to this amount, allowing full (or partial) cash withdrawals on resignation (taxed on current withdrawal table)



Up to {full Vested Portion plus one-third of Non-Vested Portion} in cash on retirement, with the balance used to buy a pension



No further contributions are allowed to the "vested pot" after 1 September 2024

WHAT HAPPENS TO FUTURE CONTRIBUTIONS FROM 1 SEPTEMBER 2024?

From 1 September 2024 future contributions are split between TWO further components (Pots):

RETIREMENT POT



SAVINGS POT



**more about
these two
pots →**

RETIREMENT POT

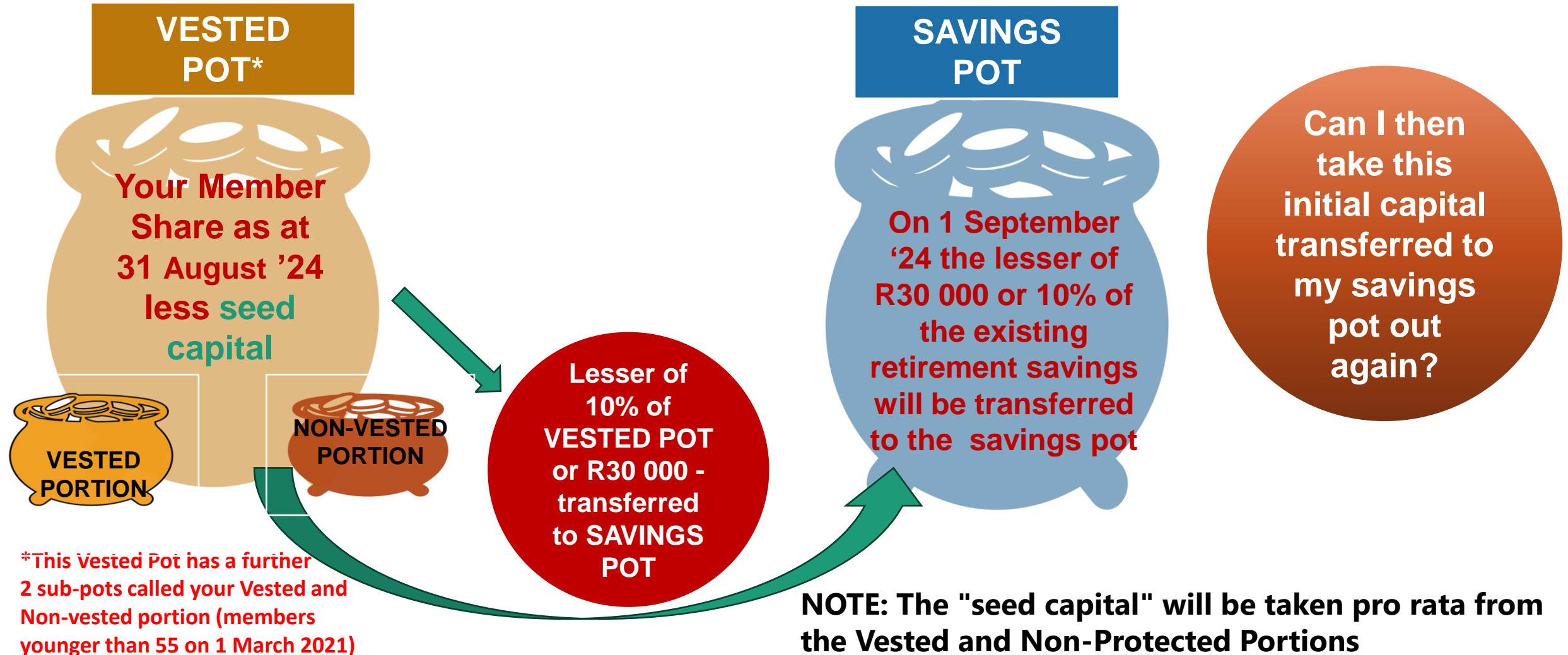
- 2/3rd of future net contributions after 1 September 2024 will go to the "retirement pot"
- Members will continue to earn investment returns on the monies in this retirement pot
- The money in this pot **must** be preserved **until retirement**
- On retirement, you **must** buy a pension with the entire amount in the retirement pot – except if retirement pot plus 2/3 of vested pot is less than de minimis amount (R165 000), all may be withdrawn as a lump sum

SAVINGS POT

- 1/3rd of future net contributions from 1 September 2024 will go to the "savings pot"
- You can withdraw (up to) **once per year** (tax year 1 March to 28 February) from the Savings Pot
- Withdrawals from the savings pot are subject to certain conditions – discussed later
- There is also an initial once-off “seeding” amount - **detailed on the next slide**

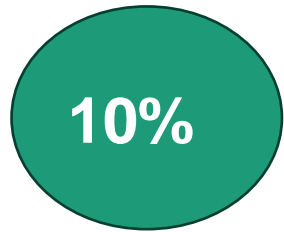
HOW THE SEEDING AMOUNT WILL WORK

With effect from 1 September 2024 the following will happen:



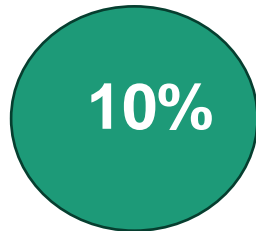
EXAMPLE OF THE SEED AMOUNT AS AT 1 SEPTEMBER 2024

Member Share
= R 50 000



= R5 000

Member Share
= R 500 000



= R 50 000

Member Share
= R 2 000 000



= R 200 000

So what finally goes into the SAVINGS POT on 1 September 2024 ?

Savings Pot
Example 1



Savings Pot
Example 2



Savings Pot
Example 3



SEEDING CAPITAL WITHDRAWAL OPTIONS

With effect from 1 September 2024 the following will happen:

Seeding Amount

The maximum seed capital that will go to the Savings Pot on 1 September 2024, is the **lesser of R30,000 or 10%** of existing retirement savings on the implementation date

You will then be allowed to withdraw this amount if you so wish (if more than R 2,000)

Only one withdrawal from the Savings Pot can be made per tax year (1 March to 28 February), with a minimum withdrawal amount of R2,000. The maximum will be whatever is in your **SAVINGS POT**

Withdrawals from the savings pot are **taxed** at the member's marginal tax rate

IMPORTANT NOTE: Whatever you decide to take out in cash – tax will be deducted, and administration fees will be charged

Savings withdrawal benefits are meant for financial emergencies!
“Emptying out” your savings pot each year will mean your eventual retirement benefit is lower and may result in you not having enough money when you want to retire

TAXATION OF AMOUNTS WITHDRAWN

- You can withdraw your seed capital immediately on 1 September 2024 (if more than R2 000 - there will be a process for this, so payment will not be immediate or automatic)
- You can only make one withdrawal in a tax year (from the 1 March to 28 February the next year)
- You can only withdraw cash if you have more than R2 000 in your savings pot
- SARS will deduct tax from any amount that you withdraw at the highest rate that applies to you

Savings Pot 1 September 2024

Example 1



Example 2



Example 3



So, you will not receive the full amounts as shown in your Savings Pot account – it will always be less tax and also less admin fees (see fees on next slide and example of taxation)

SARS TAX TABLE FOR 2025 TAX YEAR

Taxable income (R)	Rates of tax (R)
1 – 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

ADMINISTRATION FEES

- Saving component withdrawals between R2,000 and R5,000 will incur the minimum transaction fee of R100
 - ✓ Saving component withdrawals between R5,000 and R30,000 will incur a fee equal to 2% of the pre-tax withdrawal amount.
 - ✓ Saving component withdrawals above R30,000 will incur the maximum transaction fee of R600
- Minimum and Maximum fee limits will be subject to annual inflationary adjustments

TAXATION OF SAVINGS POT WITHDRAWAL

EXAMPLE

John earns R19 750 per month (R237 000 per annum) – Current tax rate: 18% of his salary

Tax on R237 000: **R42,660**
(18% x R237 000) for the tax year ending 28/02/24

John's Vested Pot Savings (1 Sep'24): **R1 million**

Transfer to John's Savings Pot on 1 Sep '24: **R30 000** (the limit)

He decides to only withdraw: **R20 000**

The Fund will request a tax directive on this withdrawal from SARS who will calculate the tax as follows:

John's current annual income: R237,000 (taxed at 18%)

John's annual income including the withdrawal of R20 000; R257,000 (R237 000 plus R20 000)

This moves John's tax rate from 18% to 26% on the withdrawal as he automatically goes into a higher tax bracket

WHAT DOES JOHN RECEIVE AFTER TAX? : R14 800 - {R20 000 – R5 200 (Tax at 26% of R20 000)}

NOTE: ADMIN FEE OF R 500 WILL ALSO BE DEDUCTED FROM THE R14 800

SUMMARY – HOW MANY POTS ARE THERE?

From 1 September 2024 you have **THREE** Pots

VESTED POT



Savings before
1 September
2024 minus
seeding plus
investment
return

No change:
Old Money/Old rules

SAVINGS POT



1/3rd contributions
after 1 September
2024 plus seeding
plus investment
return

Accessible once
annually for
emergency

RETIREMENT POT



2/3rd contributions
after 1 September
2024 plus
investment
return

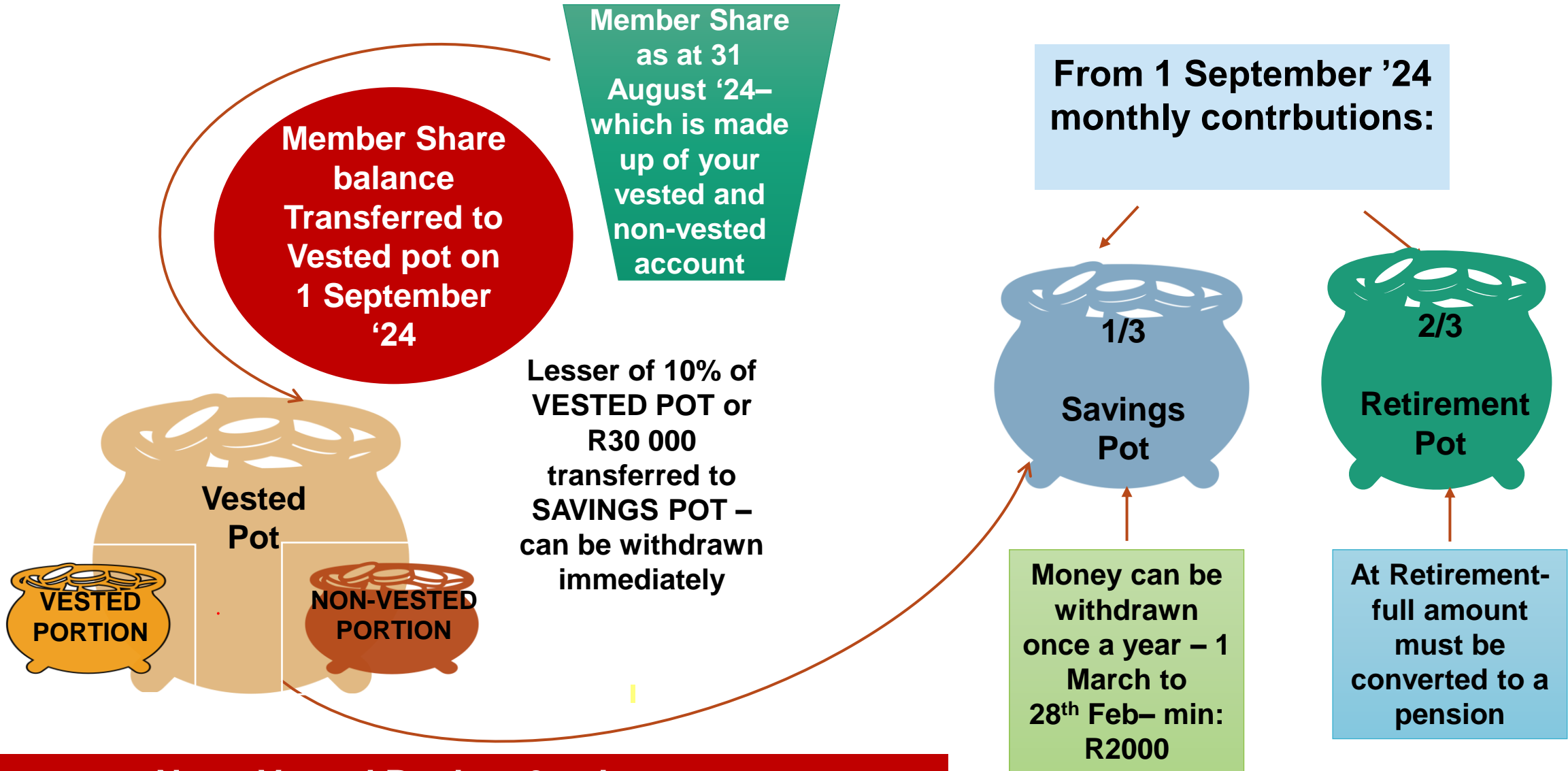
Can only access this
at retirement and
only to buy a
pension

REMEMBER!

Your VESTED
POT will be
divided into the
Vested and
Non-Vested
Portion (for
members
under age 55
as at 1 March
2021

No change:
Old Money/Old rules

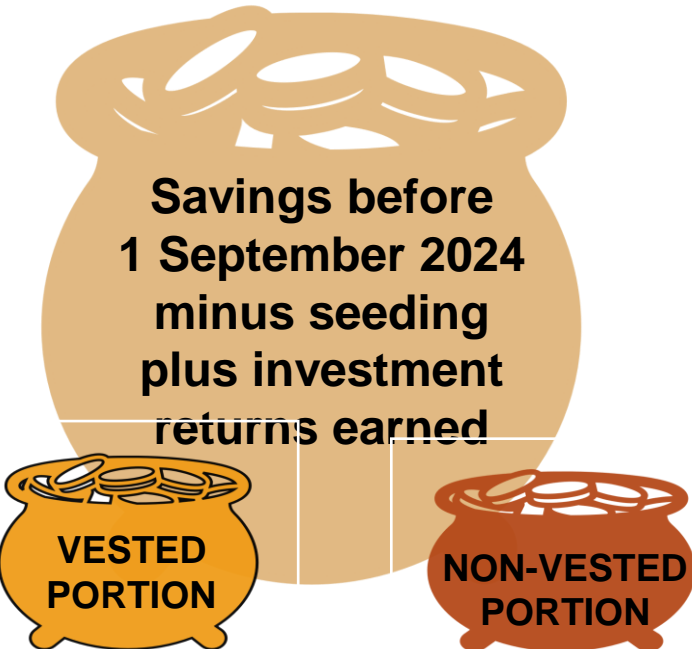
SUMMARY OF THE ENTIRE PROCESS



Note: Vested Pot has 2 sub-accounts

WHAT CAN I GET IN CASH WHEN I RESIGN AFTER 1 SEPTEMBER 2024

VESTED POT




Savings before
1 September 2024
minus seeding
plus investment
returns earned

VESTED
PORTION

NON-VESTED
PORTION

**You can take all
your money
from this pot in
CASH (less tax)**

SAVINGS POT



1/3rd contributions
after 1 September
2024 – less any
yearly withdrawals
and seeding amount
taken out plus
investment returns
earned

**You can take all your money
left in this pot in CASH (minus
tax) (unless you already took
money out in this tax year)**

RETIREMENT POT



2/3rd contributions
after
1 September 2024
plus investment
returns earned

**Can only access this
at retirement and only
to buy a pension –
Money must be
preserved**

TAX PAYABLE ON CASH PORTION OF YOUR RESIGNATION BENEFIT

Taxable amount	Rate of Tax
R0 to R27 500	0%
R27 501 to R726 000	18% of the amount exceeding R27 500
R726 001 to R1 089 000	R125 730 plus 27% of the amount exceeding R726 000
R1 089 001 and above	R223 740 plus 36% of the amount exceeding R1 089 000

WHAT CAN I GET IN CASH WHEN I RETIRE AFTER 1 SEPTEMBER 2024

VESTED POT

Savings before
1 September 2024
minus seeding
plus investment
returns earned

VESTED
PORTION

NON-VESTED
PORTION

You can take up to {your full
Vested Portion plus 1/3rd of your
Non-Vested Portion} in CASH
(less tax), the balance must be
used to buy a PENSION

SAVINGS POT

1/3rd contributions
after 1 September
2024 – less any
yearly withdrawals
and seeding
amount taken out
plus investment
returns earned

You can take all
your money left
in this pot in
CASH (less tax)

RETIREMENT POT

2/3rd contributions
after
1 September 2024
plus investment
returns earned

Money in this pot must
be used to buy a
pension – **NO CASH**
allowed

TAX PAYABLE ON CASH PORTION OF YOUR RETIREMENT BENEFIT

Taxable Amount	Rate of tax
R0 to R550 000	0%
R550 001 to R770 000	18% of the amount exceeding R550 000
R770 001 to R1 155 000	R39 600 plus 27% of the amount exceeding R770 000
R1 155 001 and above	R143 550 plus 36% of the amount exceeding R1 155 000

FINAL SUMMARY FOR MEMBERS 55 AND YOUNGER ON 1 MARCH 2021

Current position (1 March 2021 to 31 August 2024)

COMPONENT	Accumulated from	Maximum cash on resignation(balance transfer or paid-up)	Maximum cash on retirement (balance annuitized)	In-service cash withdrawal
Vested Portion	Fund Credit at 1 March 2021* (plus future returns)	100% cash	100% cash	No access
Non-Vested Portion	Net contributions after 1 March 2021* (plus future returns)	100% cash	1/3 cash	No access

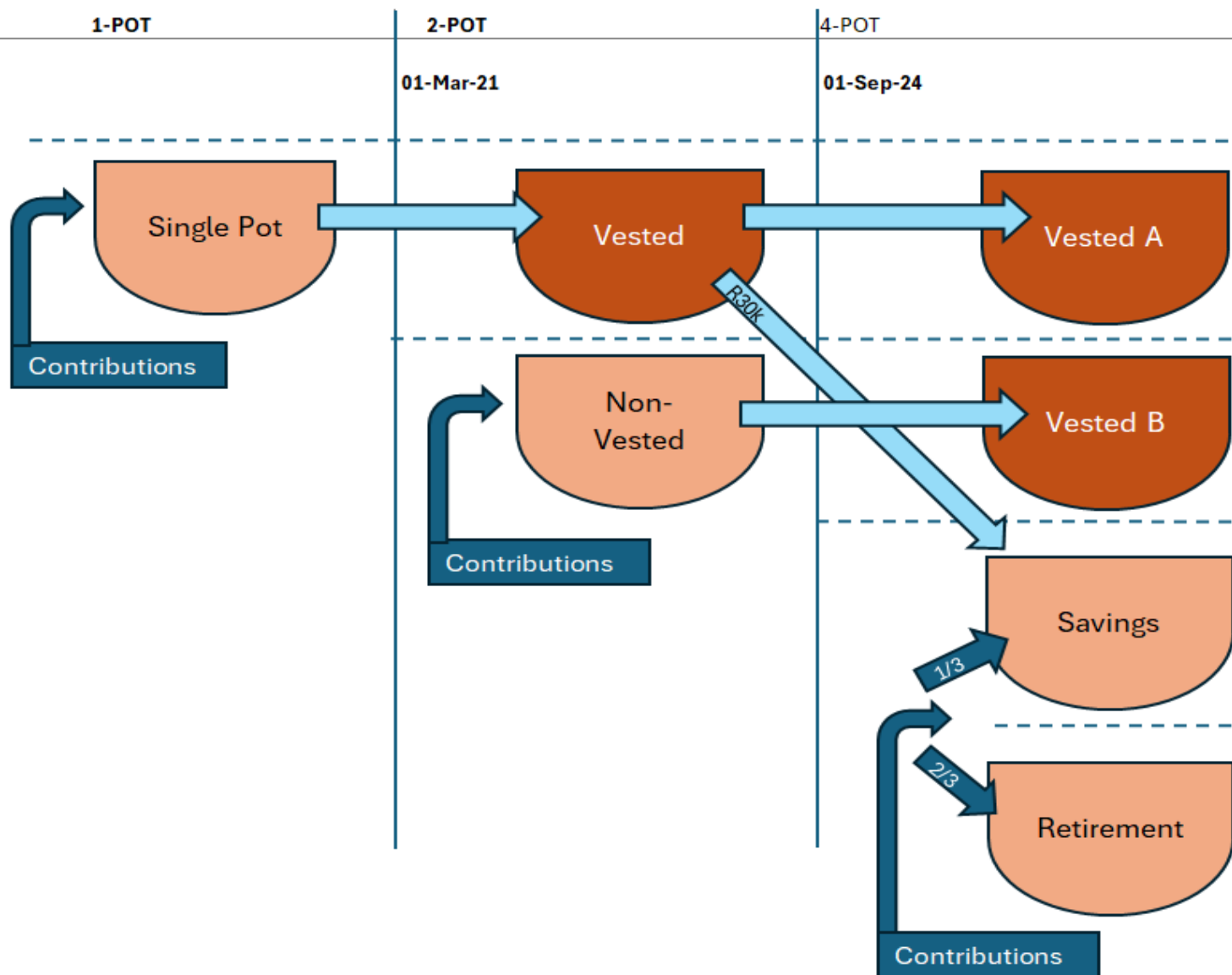
***Special case for provident fund members age 55 and over at 1 March 2021 – future net contributions allocated to Vested Portion**

FINAL SUMMARY FOR MEMBERS YOUNGER THAN 55 ON 1 MARCH 2021

After 1 September 2024

COMPONENT	Accumulated from	Maximum cash on withdrawal (balance transfer or paid-up)	Maximum cash on retirement (balance annuitized)	In-service cash withdrawal
Vested Portion	Vested Portion at 31 August 2024 less proportion of seed capital (no new contributions)	100% cash	100% cash	No access
Non-Vested Portion	Non-Vested Portion 31 August 2024 less proportion of seed capital (no new contributions)	100% cash	1/3 cash	No access
Savings	Seed capital: 10% of member share (Vested and Non-Vested Portion) to maximum of R30 000 Contributions: 1/3 of future net contributions	100% cash	100% cash	R2 000 or more per year
Retirement	No opening balance Contributions: 2/3 of net future contributions	None	None	No access

FINAL SUMMARY FOR MEMBERS YOUNGER THAN 55 ON 1 MARCH 2021



OPTIONS AFTER 1-SEP-2024

	In-service	Resign	Retire
CASH AVAILABLE	No access	100% Cash Avail	100% Cash Avail
PENSION			Can buy pension
CASH AVAILABLE	No access	100% Cash Avail	1/3 Cash avail.
PENSION			2/3 Buy pension
CASH AVAILABLE	100% Cash Avail	100% Cash Avail	100% Cash Avail
PENSION			Can buy pension
CASH AVAILABLE	No access	No access	No access
PENSION	No access	No access	100% Buy Pension

IMPORTANT NOTE TO MEMBERS WHO WERE 55 AND OLDER ON 1 MARCH 2021

- These members will have the option to participate in the two-pot system
- If these members don't choose to participate in the new system, then all their contributions after 1 September 2024 will be allocated to the vested component, and they will not have a savings component or retirement component
- These members will be given 12 months from 1 September 2024 to choose to opt in to the two-pot system.
- Their seed capital will be 10% of their member individual account, subject to a maximum of R30 000, calculated on the value of their member individual account on the last day of the month in which they opt into the two-pot system.

IMPORTANT NOTE

It is important to know that any amounts you withdraw from your savings pot before retirement will affect your retirement by:

- decreasing the amount of cash that you have available when you retire**
- decreasing your retirement income**

THANK YOU