

THE “TWO POT” SYSTEM AND SAVINGS POT PAYMENTS

SUMMARY OF THE TWO POT SYSTEM

From 1 September 2024 onwards, your benefits in the Fund will be split into 4 Pots, with different conditions applying to each Pot in terms of when and how they may be paid and the tax applicable on any payment.

- Any portion of your Fund Credit on 31 August 2024 that has the right to be taken fully in cash on retirement (e.g. qualifying amounts transferred into the Fund from the Soweto City Council Pension Fund or from a previous provident fund) will be transferred into your **Vested Lump Sum Pot**.
- The balance of your Fund Credit on 31 August 2024 will be transferred into your **Vested Annuity Pot** and will retain any existing rights to be paid out in cash on resignation or retirement.
- If you resign from employment after 1 September 2024, you will still be able to take your full amount in your Vested Lump Sum Pot and your Vested Annuity Pot in cash, if you choose to do so.
- Initial seeding capital of 10% of your Fund Credit in each of your Vested Lump Sum Pot and your Vested Annuity Pot on 31 August 2024 (subject to a maximum of R30 000) will be transferred to your **Savings Pot** on 1 September 2024.
- One-third of your member and employer retirement funding contributions after 1 September 2024 will be allocated to your **Savings Pot** and two-thirds of your member and employer retirement funding contributions after 1 September 2024 will be allocated to your **Retirement Pot**.
- You may request payment of part or all of the balance in your Savings Pot at any time, i.e. without leaving employment, subject to:
 - A minimum amount of R2 000 before tax and fees.
 - Only one payment is allowed in each tax year from 1 March to the end of February the following year.
 - Tax (as determined by SARS based on your income) and an administration fee of R250 will be deducted from the Savings Pot payment (although a further R100 fee will be charged if material manual processing is required).
- Any amount in your Retirement Pot must be preserved until retirement, i.e. it cannot be paid out to you if you leave employment or leave the Fund. It must either be left as a paid-up benefit in the Fund, transferred to the retirement fund of your new employer or transferred to a preservation fund or a retirement annuity fund of your choice.

All your Pots will be invested on the same basis and receive the same rate of investment return (see the separate counselling document entitled “Investment strategy and member investment choice”).

SAVINGS POT PAYMENTS DURING EMPLOYMENT

Any amount you are paid from your Savings Pot will reduce the benefit you will receive when you retire or leave employment in the future.

Savings Pot payments will fail if the Fund cannot verify that your personal information is correct or if SARS is unable to issue a tax directive because your tax number is incorrect or your tax affairs are not up-to-date. Savings Pot payments may also be delayed or refused if there are divorce, maintenance or employer compensation claims against you at the time you request a Savings Pot payment.

Savings Pot payments will be subject to tax (as determined by SARS based on your income) and the deduction of an administration fee of R250 and the balance will be paid to your same bank account as for your monthly salary payments by your employer. To prevent the possibility of fraud, there is no option for these payments to be made into another bank account.

BENEFITS ON RESIGNATION (OR DISMISSAL OR RETRENCHMENT)

On resignation after 1 September 2024, you may take the full amounts in your Vested Lump Sum Pot, your Vested Annuity Pot and your Savings Pot in cash, i.e. your current rights to take the first two amounts in cash remain unchanged.

Note that if you have already taken a Savings Pot payment in the same tax year as when you resign, then you will only be permitted to take your Savings Pot in cash if it is less than R2 000. If the remaining balance of the Savings Pot is over R2 000, this will be deferred to the following tax year. Any portion of your Savings Pot taken in cash will be taxed as income and the balance of any benefit taken in cash will be taxed in terms of the withdrawal benefit tax scale.

Your Retirement Pot must be preserved to retirement, i.e. it cannot be paid out to you if you leave employment or leave the Fund. It must either be left as a paid-up benefit in the Fund, transferred to the retirement fund of your new employer or transferred to a preservation fund or retirement annuity fund of your choice.

BENEFITS ON RETIREMENT

On retirement after 1 September 2024, the following restrictions apply in terms of the Income Tax Act, in respect of the maximum amount that you may take in cash and the minimum amount of the retirement benefit that you must use to purchase an annuity, in a format and from an insurance company of your choice. Note that this only applies if you retire from the Fund and purchase an annuity (as opposed to leaving your full benefit in the fund as a deferred retirement benefit or transferring your full benefit to a preservation fund or retirement annuity fund).

Maximum that may be taken in cash	Minimum that must be used to purchase an annuity
Full Savings Pot	-
Full Vested Lump Sum Pot	-
½ Vested Annuity Pot	⅔ Vested Annuity Pot
-	Full Retirement Pot

However, if the minimum amount that must be used to purchase an annuity (as reflected above) is less than R165 000 you may take your full retirement benefit in cash.

The full amount taken in cash will be taxed in terms of the retirement benefit tax scale.

TRANSFERS TO YOUR RETIREMENT POT

You are permitted to transfer part or all of the amount in your Vested Lump Sum Pot, your Vested Annuity Pot and your Savings Pot into your Retirement Pot at any time. Any such amount that you elect to transfer must be preserved until retirement as part of your Retirement Pot and used to purchase an annuity on retirement. You cannot transfer any amounts from your Retirement Pot into any of your other Pots.

YOUR DATA MUST BE CORRECT TO RECEIVE A SAVINGS POT PAYMENT

In order to ensure that your Savings Pot in the Fund is not paid to someone else, the following information will be provided to the Fund by your employer and used to verify that any Savings Pot payment has actually been requested by you:

- Name and surname
- ID number
- Date of birth
- Cellphone number
- Tax number

If any of these details are incorrect or missing on your employer's payroll system, **any request for a Savings Pot payment cannot be processed**. If you have any concerns as to whether your employer has your correct details, please urgently contact your HR Department to correct your details accordingly.

IMPORTANT ISSUES REGARDING SAVINGS POT PAYMENT

A Savings Pot payment will take some time after you request it for the payment to be paid into your salary bank account, as the administrator must verify that it is in fact you making the request, process the payment, withdraw the money from the Fund's investment managers and request and receive a tax directive from SARS. Payments should be made within 15 working days from when they are requested, although please note there may be additional delays for requests shortly after 1 September 2024 due to the number of expected requests.

Tax (as determined by SARS based on your income and inclusive of any outstanding tax owed by you to SARS) and an administration fee of R250 will be deducted from the Savings Pot payment.

Payments may be refused or delayed for the various reasons set out in this document, e.g. if your personal data does not match the information provided by your employer, your tax affairs are not up-to-date, you request more than one Savings Pot payment in the same tax year, there is less than R2 000 in your Savings Pot or there are divorce, maintenance or employer compensation proceedings against you, etc.

Savings Pot payments will reduce the benefit you will receive when you retire or leave employment in the future, as they are simply an early payment of the amounts that you could have taken in cash on resignation or retirement. You are recommended to carefully consider the consequences of such payments before requesting a Savings Pot payment.

SAVINGS POT PAYMENTS: WHATSAPP OPTION

From 1 September 2024, you will be able to request a Savings Pot payment via WhatsApp messaging on your cellphone. The process you will have to follow is as follows:

1. You will have to message "Hi" to **071 909 6789**. Only benefit information will be available via this messaging service until 31 August 2024, as Savings Pot payment requests will only be allowed from 1 September 2024.
2. You will receive an automated message back asking for various personal information, such as your name and ID number. If the details you provide and the cellphone number you are messaging from don't match the data held by the Fund (see the data section above), you will not be able to proceed and you will be referred to a dedicated Two Pot Call Centre at the administrator for assistance.
3. If your information is verified as matching the data held by the Fund, you will receive a message allowing several options, such as (a) whether you wish to know the amount in your Savings Pot or (b) whether you wish to receive a Savings Pot payment.
4. If you select a Savings Pot payment, you will be given the option to select either (a) the full amount in your Savings Pot, (b) a percentage of your Savings Pot or (c) a Rand amount (which must be equal to or less than the amount in your Savings Pot). The amount you request must not be less than R2 000.
5. You will then be requested to provide your estimated Annual Remuneration for the tax year in which you request the Savings Pot payment. SARS will use this estimate to determine the tax that the administrator must deduct from your Savings Pot payment. Any over-estimation (or under-estimation) of your Annual Remuneration will result in a tax rebate to you from SARS (or an additional amount of tax you must pay to SARS) at the end of the tax year.
6. The Fund's administrator will then process and pay the balance of your Savings Pot payment, after deducting tax and fees, into your same bank account as for your monthly salary payments by your employer.
7. You will receive an SMS notification once the payment has been made.

SAVINGS POT PAYMENTS: MEMBER PORTAL OPTION

From 1 September 2024, you will be able to request a Savings Pot payment via the Member Portal on the Fund's website.

1. The Fund's website is at www.ejoburgretirementfund.co.za.
2. On the website, you will need to login by selecting the "**MEMBER LOGIN**" button. If you have not previously registered for access to the Member Portal, you will then need to do so by selecting the "**REGISTER**" button and following the instructions. You are encouraged to register on the website before 1 September 2024, so that you can login without any issues after that date.
3. Once you have accessed the Member Portal, please select the option to receive a Savings Pot payment and provide the required information.

4. You will be given the option to select either (a) the full amount in your Savings Pot, (b) a percentage of your Savings Pot or (c) a Rand amount (which must be equal to or less than the amount in your Savings Pot). The amount you request must not be less than R2 000.
5. You will then be requested to provide your estimated Annual Remuneration for the tax year in which you request the Savings Pot payment. SARS will use this estimate to determine the tax that the administrator must deduct from your Savings Pot payment. Any over-estimation (or under-estimation) of your Annual Remuneration will result in a tax rebate to you from SARS (or an additional amount of tax you must pay to SARS) at the end of the tax year.
6. The Fund's administrator will then process and pay the balance of your Savings Pot payment, after deducting tax and fees, into your same bank account as for your monthly salary payments by your employer.
7. You will receive an SMS or email notification, as appropriate, once the payment has been made.

TAX RATES APPLICABLE TO BENEFITS

The following tax rates will apply in respect of any benefits paid in cash.

Savings Pot payments during employment: Taxed as income

Benefits paid in cash on resignation: Savings Pot payments taxed as income
Balance of benefit taxed in terms of the withdrawal tax scale

Benefits paid in cash on retirement: Benefit (including the Savings Pot) taxed in terms of the retirement tax scale

RESIGNATION OR DISMISSAL		RETIREMENT, RETRENCHMENT OR DEATH	
Benefit value	Tax payable	Benefit value	Tax payable
R0 to R27 500	None	R0 to R550 000	None
R27 501 to R726 000	18% of the amount above R27 500	R550 001 to R770 000	18% of the amount above R550 000
R726 001 to R1 089 000	R125 730 plus 27% of the amount above R726 000	R770 001 to R1 155 000	R39 600 plus 27% of the amount above R770 000
R1 089 001 and above	R223 740 plus 36% of the amount above R1 089 000	R1 155 001 and above	R143 550 plus 36% of the amount above R1 155 000

Should you have already received a retrenchment benefit or taken benefits in cash from a previous retirement fund, these amounts will be taken into account in determining the tax payable on the portion of your Fund benefit paid in cash.