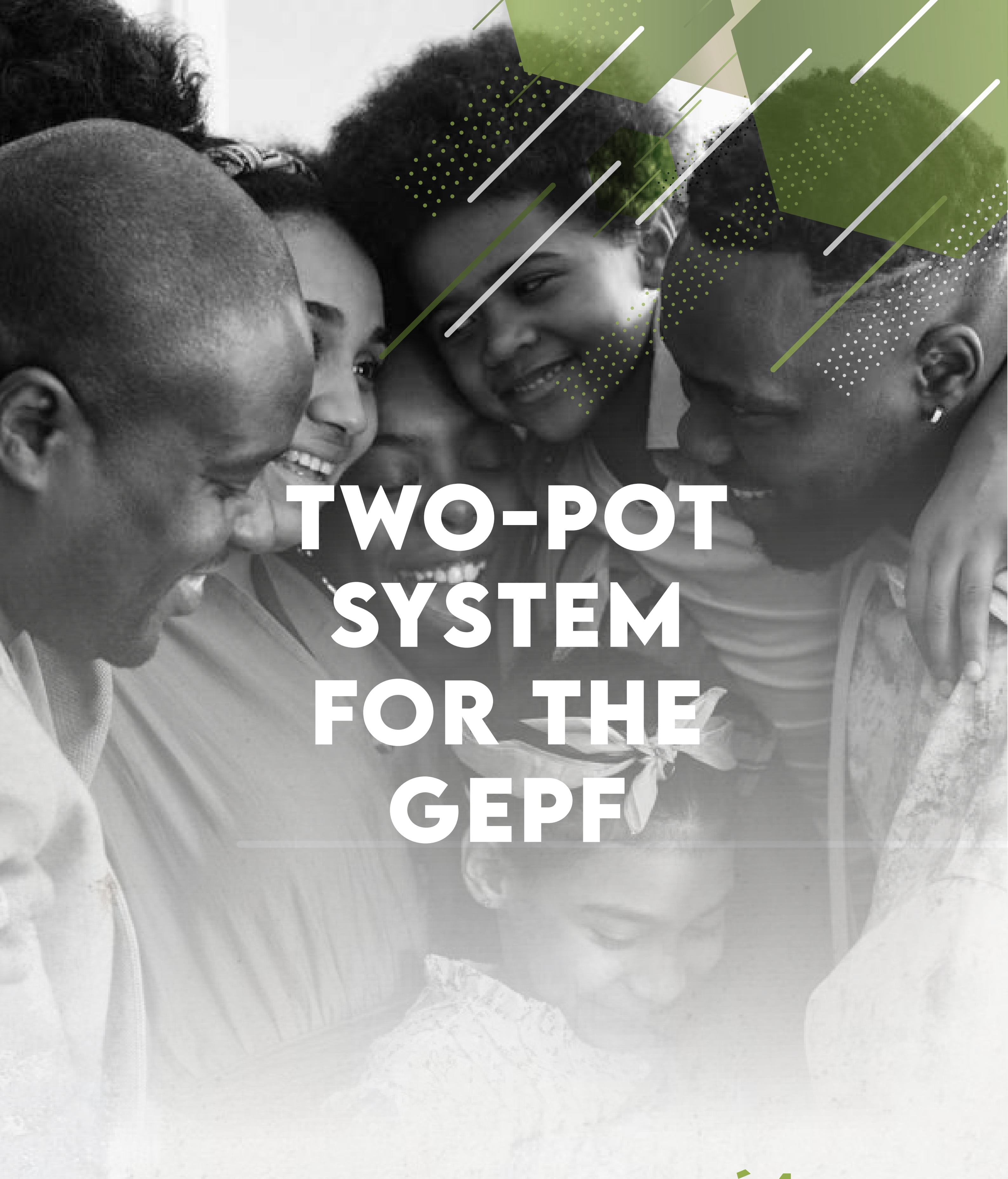

TWO-POT SYSTEM FOR THE GEPF

GEPF™

your investment, your future

Guide To The Two-Pot System with the GEPF

When will the Two-Pot system be implemented for the GEPF?

The Two-component system became effective on 1 September 2024. The enabling legislation refers to components but throughout this document, we will refer to them as "pots"

What legislation has introduced the Two-Pot system

The Revenue Laws Amendment Act (2024) and the Pension Laws Amendment Act (2024) have enabled the implementation of the Two Pot system.

Does the GEPF have new rules to cater for this system?

Yes. The GEPF rules have been amended to cater for the requirements of the new system. The rule amendments are available on the GEPF website.

Why is this new system being introduced?

Previously, if you resigned from your job, you could access all your retirement savings. Many people would do this with the sole purpose of accessing their money since their retirement savings were also their only savings.

Going forward, GEPF members will be able to access a portion of their retirement savings while still being employed, without the need to change jobs or to resign from their employment. Another feature of the new system is forced preservation of retirement benefits, even upon changing jobs, thus ensuring that members will have sufficient funds available for retirement.

What is the Two-Pot system?

The Two-Pot system is a new retirement system that splits your retirement savings (post 1 September 2024) into two distinct pots with varying levels of accessibility. The main objective is to improve members' retirement outcomes by enforcing increased preservation before retirement. Members will have the option, but not an obligation, to take limited cash withdrawals before retirement (if needed for a financial emergency) without leaving an employer. The Two-Pot system offers a balanced approach by addressing the need for both long-term financial security and short-term financial relief for GEPF members.

Does the Two-Pot system apply to pensioners?

No. The Two-Pot system does not apply to existing pensioners. Furthermore, pensioners who have retired and are receiving their pension on 1 September 2024 will not get seed capital and they will not be part of the two-pot system. Once a member is a pensioner, there are no "pots" applicable as they will be receiving pension payments.

How will the Two-Pot system work for the GEPF?

As a defined benefit fund, your benefit entitlements are based on your pensionable service, your salary and your age. The respective benefits payable to you are derived from the benefits that would be payable to you in retirement-these are specified according to a formula outlined in the GEPF rules. When determining your benefits, your salary and your age cannot be adjusted. As such, the benefits that will be allocated to your different pots will be based on the respective pensionable service that will be recognised in each pot.

What are the distinct pots which are part of the Two- Pot system?

The Two-Pot system actually introduces three pots

- Vested Pot (only applicable to those who are already part of the GEPF prior to 1 September 2024);
- Savings Pot; and
- Retirement Pot

What pensionable service will be recognised under the Two-Pot system

Your total pensionable service will now be broken down into the following three components

- Vested Service;
- Savings Service; and
- Retirement Service

What is Vested Service?

This is the service that will be used to determine the benefits that are payable in the Vested Pot. Vested Service will be based on your period of pensionable service from when you joined the GEPF until 31 August 2024. Any service deductions for divorces before

1 September will be applied to this service. Similarly, any purchase of service done before 1 September 2024 will be added to the Vested Service. The service lost from the transfer of seed capital will be deducted from the Vested Service.

The Vested Service will be calculated as follows

- Service from date joined fund to 31 August 2024
- Less seed capital service
- Less service lost on divorces prior to 1 September 2024
- Plus additional service purchased prior to 1 September 2024

What is the Vested Pot?

The Vested Pot is where all the benefits that you have earned, in respect of service up to 31 August 2024, will be allocated. This pot recognises all the historic rights you have with respect to retirement savings made before 1 September 2024. The actuarial interest based on "Vested Service" will be recognised as the balance in the Vested Pot. This balance will not be stagnant and will grow with age and changes in salary.

A portion of the Vested Pot will be transferred as seed capital on 1 September 2024. This transfer will reduce the balance in the Vested Pot by the seed capital amount. On retirement, the Vested Pot will provide a gratuity only, if you have less than 10 years of total service and a gratuity and pension, if you have 10 or more years of total service.

Importantly. The benefits payable from this Pot will be subject to the legislation, rules and taxation regime that was applicable before 1 September 2024.

Since the Vested Pot is based on pensionable service up to 31 August 2024, does this mean that my Vested Pot balance will stay the same?

No. Despite the Vested Pot being based on a fixed service period, it will change in value. The balance reflected in the Vested Pot is the Vested actuarial interest benefits which also depends on your final salary and actuarial factors applied at your age. As such the balance reflected in the Vested Pot will change each month.

NB: If there is an overall revision of actuarial factors after a statutory actuarial valuation, then this could result in either a decrease or increase in the Vested Pot balance depending on the direction of the revision.

What is Seed Capital?

This is the amount that will be transferred from the Vested Pot to the Savings Pot effective on 1 September 2024.

This Seed Capital provides a starting balance in the savings pot. This seed capital will be calculated as 10% of your Vested Pot balance/actuarial interest as at 31 August 2024 but subject to a maximum of R30 000.

This means that if 10% of your Vested Pot balance at the end of 31 August 2024 is R30 000 or greater, then you will only be able to transfer R30 000. If 10% of your Vested Pot balance is less than R30 000, then you will seed that full amount (but it will be lower than R30 000).

This Seed Capital is a once-off amount and is not taxable as money is leaving the fund. There is no limit on or requirement about when a member can access their Seed Capital – you don't have to access the money in the first tax year. It will be available from the first tax year starting 1 September 2024 and will be available in all subsequent tax years,

N.B. Seed Capital is not 'new money' but funds that you have already earned that are transferred from the Vested Pot.

What is Seed Capital Service?

This is the period of service that earns you the same benefit as the Seed Capital amount. In technical terms, it is the period of service that equates your actuarial interest to the Seed Capital, when applied to the actuarial interest formula.

How is Seed Capital taken into account in the GEPF?

As a defined benefit fund, the Seed Capital will have to be accounted for through a service adjustment. The Seed Capital Service will be taken from the pensionable service up to 31 August 2024 with a corresponding positive adjustment allocated to the Savings Service.

In most cases, the service adjustment applied to the Vested Pot will exactly be the same as the one applied to the Savings Pot. However. for a small proportion of the membership (those who would turn 55 in September 2024) there will be a different service adjustment applied to the Vested Pot and Savings Pot to take account of the Seed Capital. This is due to the different formula used to determine actuarial interest for members aged 55 and above.

Is Seed Capital automatically applied to all members?

Yes. This transfer will be automatically applied to all active members of the GEPF. Members don't have to withdraw the seed capital once it is transferred, but it will be available to them if they want to access it before retirement or at retirement.

Please note: This is a once-off event and will not be repeated.

How much can I expect to transfer as seed capital on 1 September 2024?

The amount of money you'll have in you can seed on 1 September 2024 depends on your actuarial interest benefit earned by 31 August 2024.

The table below illustrates how much you could expect to have in your Savings Pot on day 1

Actuarial interest on 31 August 2024	Amount in Savings Pot on 1 September 2024(10% of actuarial interest)
Less than R20 000	Less than R2 000.This means that you cannot make a withdrawal on day 1
Between R20 000 and R300 000	Between R2 000 and less than R30 000 This means you can seed your full 10%
R300 000 or more	This means that you reach the R30 000 limit and cannot seed more than that amount.

NB: You have the option but not an obligation to withdraw from your Savings Pot on day 1

What if the member's Vested Pot balance on the implementation date is less than R20 000?

If a member wants to make a savings withdrawal claim in any tax year from the Savings Pot, then the minimum withdrawal amount that is required is R2 000.

If a member's actuarial interest is less than R20 000, then the Seed Capital that can transferred to the Savings Pot will be less than the required minimum of R2 000. Therefore, the member will not be allowed to make the savings withdrawal until this amount in the Savings Pot accumulates to at least R2 000.

For example, let's say a member's actuarial interest at 31 August 2024 is R12 000The amount that can be transferred to the Savings Pot as seed capital is R1 200 (=10% x R12 000)

Hence the starting balance for the Savings Pot on 1 September 2024 will be R1 200. Once the Savings Pot grows, to R2 000 or more then the member will be able to make a savings withdrawal if needed.

What is paid from the Vested Pot at retirement?

If you have 10 or more years of total pensionable service at the date of retirement, then you will receive a gratuity and a pension at retirement from your Vested Pot. If you have less than 10 years of total pensionable then you will receive a gratuity equal to your vested actuarial interest at retirement.

NB: What determines whether you get only a gratuity or both a gratuity and pension at retirement is your total pensionable service and not just your Vested Service.

What is the Savings Pot?

Benefits based on one-third of pensionable service from 1 September 2024 will be allocated to the Savings Pot. Members may access these savings as a cash lump sum before retirement or at retirement. Access to savings before retirement is allowed while still working even if there is no exit event from the employer. This pot has various options for saving, allowing the member flexibility to make decisions that best suit their needs and personal circumstances.

Seed Capital will be the starting balance in the Savings Pot on or after 1 September 2024. Each month this balance will increase with the increase in service but will be reduced with any savings withdrawals made. On retirement, the Savings Pot will provide you with a gratuity lumpsum.

What is the Savings Service?

This is the service that will be used to determine the benefits that will be payable from the Savings Pot.

Savings service will be calculated as

- One-third of pensionable service from 1 September 2024
- Plus seed capital service
- Less one-third of service lost on divorce after 1 September 2024
- Less service lost on withdrawal;
- Plus one-third of service purchased after 1 September 2024 (less any Savings service

  transferred to the Retirement Pot on retirement)

How will my Savings Pot grow?

Your Savings Pot grows with the service you earn each month, changes in your final salary and your age which determines the applicable actuarial factors (this is all in addition to the initial seed capital allocated to it).

So if you do not withdraw, your Savings Pot will grow each month as one-third of additional service is allocated to it each month.

What is paid from my Savings Pot at retirement?

The Savings Pot will pay you a gratuity at retirement

What is the Retirement Pot?

Benefits based on two-thirds of your pensionable service from 1 September 2024 will be allocated to the Retirement Pot. Benefits from this pot must be preserved until retirement will be used to provide a pension from the GEPF (unless the amount saved in the Retirement Pot plus the portion of the Vested Pot which provides a pension is below the de minimis amount, currently R165 000). Hence going forward, the Retirement Pot will provide you with a pension.

Therefore no cash lump sum can be taken from this component, except:

- If the member emigrates (certain conditions and criteria apply)
- If the member's benefit is below the de minimis amount
- If a member divorces (applicable to ex-spouse)

What is the Retirement Service?

This is the service that will be used to determine the benefits that will be payable from the Retirement Pot. Retirement service will be calculated as

- Two-thirds of pensionable service from 1 September 2024
- Less two-thirds of service lost on divorces after 1 September 2024
- Plus two-thirds of service purchased after 1 September 2024 plus any Savings Service transferred at retirement).

What is paid from my Retirement Pot at retirement?

The Retirement Pot pays you a pension in retirement unless the sum of the portion of the Vested Pot used to pay a pension and the Retirement Pot balance is lower than the de minimis amount (R165 000).

How will the de minimis calculation work?

If the sum of the portion of the Vested Pot balance that is not paid as a gratuity at retirement and the Retirement Pot balance are lower than the de minimis amount of R165 000, then a member will be able to receive their full Retirement Pot as a lumpsum at retirement.

How are the balances allocated to the different pots determined?

The balances that will be reflected in each pot will be the actuarial interest benefit based on the pensionable service allocated to that pot.

The actuarial interest formula will be as follows

Description	Below 55 years	Above 55 years
Vested Pot	Vested Service x Final salary x Actuarial factor (F(z))	6.72% x Final Salary x Vested Service plus (1/55 x Final Salary x Vested Service) x Actuarial factor (A(x))
Savings Pot	Savings Service x Final salary x Actuarial factor (F(z))	3 x 7.75% x Savings Service x Final Salary for Non-Uniformed Services members 3 x 8.45% x Savings Service x Final Salary for Uniformed Services members
Retirement Pot	Retirement Service x Final salary x Actuarial factor (F(z))	Retirement Service +360) x Actuarial factor (A(x)) for Non-Uniformed Services members (1.5 x 1/60.71 x Final Salary x Retirement Service +360) x actuarial factor (A(x)) for Uniformed Services members

Why are there different accrual rates applied now?

The Two Pot system is allocating one-third of your benefits from 1 September 2024 to your Savings Pot, which is payable as lumpsum, and the remainder (two-thirds) to the Retirement Pot, which is payable as a regular pension. If the old accrual rates were maintained, the proportion of the benefits payable as a lumpsum would be lower than the one-third required by the legislation.

In addition, maintaining the old rates would result in members building up a lower Savings Pot as the pot would accrue benefits that are less than one-third of your total retirement benefits from 1 September 2024. As a result, the accrual rates have been amended to align with the requirements of the legislation.

Why do we now have different accrual rates for Uniformed Services and Non-Uniformed Services members?

Services members are entitled to certain enhancements which are not applicable to non-services members. As a result, a different accrual rate is required to ensure that one-third of the benefits are available as a lumpsum.

Does this change in benefit accrual rates change my overall benefits?

No. As a defined benefit fund, the GEPF rules the benefits that will be payable to members from their normal retirement date. Every other benefit due is derived from what will be payable at a member's normal retirement date. As such, the benefit accrual rates have been determined with reference to what is payable to a member at the normal retirement age of 60.

At this age, the benefit accrual rates result in the same benefit that a member would have received using the older benefit accrual rates. The only difference is that there is a higher lumpsum payable and a lower pension entitlement as a result. However, a member is still being paid the same R1 of benefits but with a different split between a lumpsum and a pension.

Withdrawal claims from the savings component

What are savings withdrawal benefits?

From 1 September 2024, GEPF members will have the option (but not an obligation) to withdraw amounts from the Savings Pot without the need to resign or leave the Fund. These withdrawals are referred to as savings withdrawal benefits.

What are the conditions for members to withdraw from the savings component?

There are certain restrictions that apply to the savings withdrawal benefits

Minimum balance requirement

Members are allowed to make only one withdrawal if the balance is at least R2 000 and a minimum of R2 000 is claimed (before tax is deducted)

Frequency limitations

Members are allowed to make only one withdrawal in a tax year (1 March of current year to 28/29 Feb of next year).

An exception exists for resignations. On resignation, a second withdrawal is allowed in the same tax year if the amount left in the savings component is less than R2 000. In such a case, a member will be required to take their full balance in cash or transfer the full amount to another retirement fund. This means that if you have R1 800 when you resign, you won't be able to take R800 in cash and transfer R1 000. You will either have to take the full R1 800 as cash or transfer that full amount.

So what is the maximum withdrawal limit?

There is no maximum limit to the value which can be withdrawn once per tax year. The minimum that can be taken is R2 000 and the maximum is the balance in the Savings Pot.

(So for example if you have a balance of R50 000 in your Savings Pot, you can withdraw anything from R2 000 up to the R50 000. i.e. you are not limited to withdrawing R30 000)

Will I lose out on my benefits if I do not withdraw?

You will not lose out If you don't withdraw from the Savings Pot in any particular tax year. Whatever you do not withdraw will be retained in the Savings Pot and will still be available for you to use at a later point in time.

Remember, you are not obliged to withdraw from the Savings Pot. You do not have to withdraw if you have no need or use for the money.

How will these withdrawals be taxed?

All savings withdrawals will be taxed and treated as additional income and taxed according to your marginal PAYE rates i.e. the same way a member's monthly salary is taxed.

Please note that IT88's (third-party appointment notification) will be issued, and arrear tax will be deducted from savings withdrawal benefits from the Savings Pot. This means that if you have an outstanding tax debt, SARS has the right to deduct that from your savings withdrawal benefit, in addition to the tax due on that withdrawal.

How will other payments from the Savings Pot be taxed?

On retirement, payouts from your Savings Pot are taxed differently. Lump sum cash withdrawals from the Savings Pot at retirement, will be taxed according to the SARS retirement tax table. The first R550 000 is tax-free subject to previous tax allowances.

However, payments from the Savings Pot on other exits before retirement will be taxed at your marginal rates.

Will I be automatically paid from my Savings Pot to my bank account on 1 September 2024?

No. This will not be the case as not every GEPF member necessarily wants to withdraw the money from their Savings Pot. So a member has to apply to withdraw those funds if they want to use them. In addition, after making an application, there will be reconciliations and checks done in the background before you get a payment. As such, a member will not be paid immediately after making an application.

What is the process for members to claim from the Savings Pot?

Savings withdrawal benefits will be done through the self-service platforms. This is the first time that members will be able to make a benefit request through our self-service platforms. The GEPF aims make this process as simple and seamless as possible, while also ensuring checks are in place to identify fraudulent claims. Members will need to log onto the self-service platforms through their laptops, phones or directly through the GEPF app to submit a claim. It is therefore important for members to be registered for GEPF self-service by 1 September 2024.

Members will need to follow the following steps to make the benefit request:

- **Step 1**: You will have to log onto the Self-Service App or web and input your login details
- **Step 2**: If you want to submit, review historical or track your claim, you will have to click the "claims" button.
- **Step 3**: You will be able to may submit a new claim by clicking on "Submit a claim."
- **Step 4**: After clicking the "Submit a claim," you will be able to see the rules and conditions for the benefits in the different pots. A validation process will take place based on criteria like withdrawals only being allowed once in a tax year, minimum withdrawal amount, other deductions, and so on
- **Step 5**: You will be able to view the amount available for withdrawal from the savings pot. To continue with the withdrawal, you will have to accept the terms and conditions.
- **Step 6**: You will be required to click on the "withdrawal calculator" to see how a withdrawal on your saving pot will impact your years of services.
- **Step 7**: You will then click on the "email icon" to request for a withdrawal quote to be sent to your email address.
- **Step 8**: You will then need to click on the confirmation button to confirm the accuracy of your banking details. To continue with the withdrawal, you will have to accept the terms and conditions.
- **Step 9**: You will be required to confirm your income tax number. If the income tax number indicated is incorrect, you will be able correct the income tax number before you submit. To continue with the withdrawal, you will have to accept the terms and conditions.
- **Step 10:** You will then click on the "continue button" and your claim will be submitted.

Members will be able to track their claim status until their savings withdrawal benefit is paid out. To enable a seamless claims process from the Savings Pot, certain criteria will be important:

- The correct digital claims enabled process is followed (members will have to be registered on GEPF self-service to initiate a claim),
- All the correct information is provided to GPAA,
- Bank account and ID is verified successfully, and
- The member's tax affairs are in order

Members without access to a digital device, or those who are not comfortable with using the self-service platform will need to go to their nearest GPAA offices to get assistance with lodging a benefit request. A GPAA representative will assist them in making the claim on the self-service platforms on the GPAA devices. Please note that no withdrawal requests can be made via SMS or phone calls.

Will there be additional fees or charges for members who make savings withdrawal benefits?

GEPF members are not charged transactional or any additional fees when they make savings withdrawal benefits.

Once I have applied to withdraw my money, how long before I get it?

Processing these claims will take a few weeks, as several data verifications and reconciliations will need to be done to ensure that the correct benefits are paid. In addition, tax and/or employer debt and/or other deductions implications will also need to be included in the process. Payment will take place within 60 working days upon submission of a claim.

What do I need to prepare in the meantime, so I'm ready when I want to withdraw?

To ensure that you're ready to withdraw from your retirement savings when the time comes, it's important to take a few preparatory steps now. The GEPF has communicated the following key actions to help you transition smoothly to the new Two Pot System, effective from 1 September 2024:

Update Personal and Contact Information

Make sure that all your personal details, such as your name, surname, ID number, and contact information, are accurate and up-to-date with the GEPF. This is essential to avoid any delays in processing your claims and withdrawals.

Verify Banking Details

Ensure that the GEPF has your correct banking details, registered in your own name. It is important that these details match with the information held by your bank and the Department of Home Affairs. Also, confirm that you are in good standing with SARS, as tax directives must be issued before any payments can be processed.

Match Information with Home Affairs

Double-check that your details with the GEPF align with the information on record at Home Affairs, particularly your name, surname, ID, and marital status. Any discrepancies could prevent payments from being processed.

Benefit Statement Availability

If you're not receiving a benefit statement, enrol on the GEPF self-service app or portal to ensure your contact details are correct and that your benefit statement is accessible. If you're facing difficulties with the app or portal, or if your statement is still unavailable, please contact your nearest GPAA regional office for assistance.

Tax Compliance

Make sure you have an active tax number and that your taxes are up to date. If there are any outstanding taxes or penalties, SARS will deduct these amounts from your withdrawal before any funds are released to you.

Taking these steps now will help verify your identity and ensure that your retirement savings are secure, minimising any risk of delays or complications when you decide to withdraw. Your prompt attention to these matters will make your transition to the Two Pot System as seamless as possible, allowing you to access your benefits without unnecessary hassle.

Why is the GEPF taxing my savings withdrawal benefit?

The GEPF does not tax any benefit. Tax on your pension benefits is determined by SARS. As a third party, the GEPF is legally required to withhold the tax amount as instructed by SARS and pay it over to them on your behalf. This process ensures that your tax obligations are met in compliance with the law.

Do members need a tax directive to make a savings withdrawal?

A tax directive will be required when a savings withdrawal is made. The GPAA will apply for the tax directive from SARS. The tax directive issued by SARS will inform the GEPF how much tax, as a Rand amount, must be deducted before the payment from your Savings Pot is made to you.

Please note that as part of the tax directive process, SARS may issue an IT88 and deduct amounts to pay tax debts.

What is an IT88?

Section 179 of the Tax Administration Act (TAA) empowers SARS to issue a collection notice called an IT88 third-party appointment notification. This notice instructs a third party, such as an employer, retirement fund, or any other person managing or controlling the taxpayer's income, monies, or property, to withhold and pay over amounts due to SARS. This includes situations where the taxpayer has outstanding tax liabilities.

If a taxpayer does not respond to notices or demands regarding outstanding tax debts, SARS can appoint a third party who holds or owes money to the taxpayer, including salary, wages, or retirement benefits, to pay the amounts owed to SARS. In the case of retirement funds, SARS often instructs the fund to pay outstanding tax liabilities before releasing lump sums to the member. This is commonly done through an IT88 notice attached to the tax directive sent to the retirement fund. The IT88 outlines any unpaid taxes that must be deducted from the member's savings withdrawal benefit.

In terms of section 179(1) of the TAA, a senior SARS official is authorised to issue the IT88 notice, and the retirement fund has no discretion in this regard. The deduction of outstanding taxes must be paid directly to SARS. The only way to avoid this deduction is if SARS issues a letter confirming an arrangement for the outstanding taxes or proof of settlement of the debt.

Failure by a third-party recipient of an IT88 notice to comply may result in the third party being held personally liable for the tax debt, and they may also be found guilty of an offence. If convicted, they could be subject to a fine or imprisonment of up to two years.

So can I cancel the request for a savings withdrawal if I find out that I have outstanding tax?

No. Once a member has elected to take a savings withdrawal benefit, the GEPF will apply for a tax directive. Such a directive cannot be cancelled. Members will therefore need to understand the tax consequences of a savings withdrawal and be aware that their choice to make a savings withdrawal cannot be reversed.

What can I do if I find out that I have an outstanding tax debt?

If you discover that you have an outstanding tax debt, you have a few options to address the issue and potentially avoid the deduction of arrear taxes from your retirement benefits:

1. Contact SARS Debt Collection: You can reach out to SARS Debt Collection to make arrangements for settling your outstanding tax debt. This could include negotiating a payment plan or settling the debt in full.

2. Obtain a Settlement or Arrangement Letter: To avoid the deduction of arrear taxes from your retirement benefits, SARS must issue a letter to the administrator of the fund confirming that:

- An arrangement has been made for the outstanding taxes, or
- The debt has been fully settled, with proof provided to SARS.

3. Submit the Necessary Proof: Once you have made arrangements or settled the debt, ensure that SARS provides the required documentation to the retirement fund administrator. Without this letter, the outstanding tax amount will be deducted from your benefit.

What can cause a member's tax directive to be declined?

A tax directive may be rejected because:

- A member's ID number does not match the ID with SARS
- A member is not registered as a taxpayer;
- A member's tax number is not active
- A member has outstanding tax matters with SARS

Members whose tax directives are declined are advised to contact SARS directly to resolve these issues.

What can I do to find out more about my tax status?

Before you submit a Savings Pot claim, you should request a statement of account, from SARS to check if you have any outstanding tax debt, as this may be deducted from your Savings Pot withdrawal amount.

To get a statement of account, you can:

Log on to your eFiling profile - https://secure.sarsefiling.co.za/app/login.

Use the SARS Online Query System (SOQS). – under 'SARS notices' (https://www.sars.gov.za/individuals/i-need-help-with-my-tax/use-our-digital-channels).

Request via SARS WhatsApp number 0800 11 7277.

What are the implications of taking out a savings withdrawal benefit?

If you withdraw these savings before you retire, you will have a reduced cash lump sum payout at retirement.

Savings withdrawals will reduce your Savings Service (i.e. the pensionable service in that pot), and will reduce the overall benefit at date of withdrawal or retirement. Savings withdrawal benefits will not reduce your Vested Service nor your Retirement Service. So in retirement, your pension benefit will be unaffected but your gratuity benefit will reduce if you have taken out savings withdrawal benefits.

Members should consider that when they retire, they have the right to take up to R550 000 as a cash lump sum, tax-free. However, if you do not have this amount available to take in cash because you have withdrawn from your Savings Pot, you will lose out on the benefit of taking up to R550 000 tax-free.

Must members withdraw from the savings pot before retirement?

No. Members have the option but not an obligation to withdraw amounts from their savings pots. While the Savings Pot allows members limited access to retirement savings before retirement, the main objective of the Savings Pot is to provide for a retirement cash need or to further enhance a retirement income need. It is still important and advisable for members to save for emergencies separately instead of relying on their savings pot, as it should only be considered as a last resort.

Can I put the money back into my savings pot once I'm financially stable again?

Unfortunately, there is no direct mechanism to top up the benefits in the Savings Pot in isolation. Your retirement savings – and your Savings Pot specifically – do not work like an ordinary savings account. So, you can't put money back directly into your Savings Pot.

While you do have the option to purchase additional service, this will be allocated across both pots in accordance with the system's rules: one-third will be directed to your Savings Pot, and the remaining two-thirds will go into your Retirement Pot.

Do the rules that apply to savings withdrawal benefits apply to benefits payable from the savings pot on exits?

Not quite. For all exits, the requirement for you to have a minimum balance of R2 000 to get a payment is not applied .i.e, you will be paid your full balance in the Savings Pot even if it is below R2 000.

The requirement for the Savings Pot to be paid once in a tax year is applicable to all other exits except on death or retirement. This means that if you resign in the same tax year that you took out a savings withdrawal benefit, you will not be immediately paid from the Savings Pot, unless your remaining Savings Pot is below R2 000. You will have to wait for the next tax year to receive the remaining balance from the Savings Pot.

On all other exits, except on retirement, the payments from your Savings Pot will be taxed according to your marginal tax rates. For members who retire, payments from the Savings Pot will be taxed according to the retirement tax tables with the first R550 000 being tax free.

NB: This is always subject to previous amounts which have been taken as a lump sum from retirement funds and severance benefits. Savings withdrawal benefits taken before retirement do not affect the retirement lump sum tax table.

Are there situations where a member may not be able to claim a savings withdrawal benefit?

Yes, it is. You could be denied a savings withdrawal if:

- You have already withdrawn from your Savings Pot in that tax year

  (1 March to 28/29 February annually);
- You have less than R2 000 in your Savings Pot;
- You or your spouse have instituted divorce proceedings;
- Your employer has a judgment against you for damages arising from misconduct;
- You owe maintenance to a former spouse and/or your children;
- You owe tax, penalties and/or interest to the SARS, and SARS instructs the GEPF to pay part or all of the withdrawal to it.

What will happen to the portion of the Savings Pot that I will not be able to immediately be able to access if I resign in the same tax year that I have taken a savings withdrawal benefit?

If you resign and you opt not to receive a cash lumpsum from the Vested and Savings Pots and in that same tax year you had previously taken a savings withdrawal benefit, then the following will apply

- You will be paid a lumpsum from the Vested Pot
- You will not be immediately paid a lumpsum from your Savings Pot unless it is lower than R2 000
- If your Savings Pot is R2 000 or more then your remaining Savings Pot will be retained in the GEPF as a paid-up benefit that can only be paid starting from the next tax year.

For example, let's say a member makes a savings withdrawal in September 2024 and then resigns in December 2024. If they have a Savings Pot balance that is R2 000 or more when they resign, they will not be paid from this Savings Pot in that tax year. The earliest time they can get paid from that Savings Pot will be 1 March 2025 .i.e. in the new tax year. The paid-up benefit held in the GEPF will be increased with late payment interest until it is paid to the member.

NB: The payment in the new year is not automatic. The member will have to make an application to the Fund to request for the payment of the remaining balance.

If I resign and leave my Savings Pot as a paid-up benefit with the GEPF, but then move to a new fund and receive the payment from the GEPF's Savings Pot in the next tax year, will this count as a savings withdrawal benefit? And will it prevent me from making a savings withdrawal from the new fund in the same tax year?

If you resign and leave your Savings Pot as a paid-up benefit with the GEPF, and then receive payment from that pot in the next tax year, it will still count as a savings withdrawal benefit from the GEPF for that tax year. However, it's important to understand that benefits from different funds are treated as separate contracts.

This means that receiving a payment from the GEPF's Savings Pot after resignation does not prevent you from making a savings withdrawal from the new fund you join, even if both withdrawals happen in the same tax year. Each fund operates independently, so your withdrawal from the GEPF won't affect your eligibility to withdraw from the new fund.

Exiting the fund – retirement, resignations, dismissal and retrenchment

What happens if a member leaves the fund before retirement (dismissal, resignation or retrenchment)? Do they still have access to their retirement savings or do they have to use their Savings Pot?

While we do not recommend that members withdraw their retirement savings when leaving their employment, members will continue to have immediate access to their Vested Pot and Savings Pot on all exits.

Please note that, if one withdrawal has already been made from the Savings Pot in the same tax year in which a member resigns, a second withdrawal will only be allowed, in that tax year, if it's less than R2 000. If the remaining balance is more than R2 000, then this will be kept in the GEPF as a paid-up benefit and the member will have to wait until the next tax year to receive the remaining balance. Members will not be able to access the Retirement Pot until they reach their retirement age. As such members will either have to transfer their Retirement Pot to another approved fund or retain the Retirement Pot in the GEPF as a deferred pension.

How will the Two-Pot system be applied when a member is retrenched?

Based on the current legislation, retrenchments will be treated the same as resignations. This means that they will be paid the Vested Pot in full when they get retrenched. The member will be paid their Savings Pot in full provided that they did not take out a savings withdrawal benefit in the same tax year

Members will be allowed one withdrawal from the Savings Pot in a tax year if the withdrawal amount is R2 000 or more. If the member has already taken a withdrawal and is retrenched in the same tax year, then a second withdrawal will not be allowed unless the amount is less than R2 000. These members will have to wait for the following tax year, to access the remaining Savings Pot balance.

Members will not be able to access the Retirement Pot until they reach their retirement age. As such members will either have to transfer their Retirement Pot to another approved fund or retain the Retirement Pot in the GEPF as a deferred pension.

What are the benefit entitlements on resignation?

From 1 September 2024, a member will be entitled to the following benefits on resignation:

SCENARIO 1

Member chooses to transfer their resignation benefit in full

- The Vested Pot will be transferred to the Vested Pot or Retirement Pot of the new fund as instructed;
- The Savings Pot will be transferred to the Savings Pot or Retirement Pot of the new fund as instructed; and
- The Retirement Pot will be transferred to the Retirement Pot of the new fund

NB: Members who choose to transfer all their benefits will be able to transfer the Savings Pot at the date of exit irrespective of whether they have made a savings withdrawal in the same tax year that they are exiting.

SCENARIO 2

Member chooses to take the cash lumpsum and to transfer the Retirement Pot, and they did not take a savings withdrawal benefit earlier in the same tax year

- The vested actuarial interest as a lumpsum from the Vested Pot will be paid on date of exit;
- The savings actuarial lumpsum as interest as a lumpsum from the Savings Pot will be paid on date of exit; and
- The Retirement Pot will be transferred to the Retirement Pot of the new fund

SCENARIO 3

Member chooses to take the cash lumpsum and to retain the Retirement Pot in the GEPF, and they did not take a savings withdrawal benefit earlier in that tax year

- The vested actuarial interest as a lumpsum from the Vested Pot will be paid on date of exit;

- The savings actuarial lumpsum as interest as a lumpsum from the Savings Pot will be paid on date of exit; and
- A deferred pension of 1.5 x 1/58.65 x Final Salary x Retirement Service for Non-Uniformed Services members or 1.5 x 1/60.71 x Final Salary x Retirement Service for Uniformed Services members, with the earliest point at which the pension will commence being from your 55th birthday. [The deferred pension is payable from age 60 without an early retirement penalty being applied. The deferred pension will be increased with pension increases during the period of deferment]

SCENARIO 4:

Member chooses to take the cash lumpsum and to transfer the Retirement Pot, and they made a savings withdrawal earlier in the same tax year

- The vested actuarial interest as a lumpsum from the Vested Pot will be paid on date of exit;
- The savings actuarial interest will be paid on date of exit only if it is lower than R2 000. If the savings actuarial interest is R2 000 or more, then the savings actuarial interest will only be payable from the next tax year.
- The Retirement Pot will be transferred to the Retirement Pot of the new fund

SCENARIO 5:

Member chooses to take the cash lumpsum and to retain the Retirement Pot in the GEPF, and they made a savings withdrawal earlier in the same tax year

- The vested actuarial interest as a lumpsum from the Vested Pot will be paid on date of exit;
- The savings actuarial interest will be paid on date of exit only if it is lower than R2 000. If the savings actuarial interest is R2 000 or more, then the savings actuarial interest will only be payable from the next tax year.
- A deferred pension of 1.5 x 1/58.65 x Final Salary x Retirement Service for Non-Uniformed Services members or 1.5 x 1/60.71 x Final Salary x Retirement Service for Uniformed Services members, with the earliest point at which the pension will commence being from your 55th birthday. [The deferred pension is payable from age 60 without an early retirement penalty being applied. The deferred pension will be increased with pension increases during the period of deferment]

When will the Retirement Pot be payable if I resign and retain my Retirement Pot in the GEPF?

The Retirement Pot will not payable immediately on exit. If a member retains their Retirement Pot in the GEPF when they resign, then the earliest point at which they can request for payment (apart from earlier death or ill-health retirement) is from the age of 55. An early retirement penalty will be applicable if the member retires between age 55 and 60.

Upon resignation when the Retirement Pot is retained, at age of retirement how will the benefit be paid?

Will it be paid as pension or lump sum?

The legislation requires that regular pensions be paid from the Retirement Pot unless the balance in the Retirement Pot is below the de minimis amount of R165 000

So the benefit will be paid as a pension payable for life and continuing to a surviving spouse (if any),

Please explain in more detail how this deferred pension works

When a member resigns and retains their Retirement Pot, their balance will be used to purchase a deferred pension which will be payable without a penalty from age 60. In the period of deferment, the deferred pension will be increased with the pension increases granted to pensioners.

The deferred pension is meant to be paid from age 60 and will be payable for life, subject to the five-year guarantee period and will continue to a surviving spouse. A member can opt to start receiving the deferred pension from age 55 but the same penalty levied on early retirements will be applied. If a deferred only comes forward to receive the deferred pension after age 60, such a member will be entitled to back pay for the pensions that should have been paid from age 60. Please note that no penalties are applied for members who cash in on the deferred pension from age 60.

NB: The pensions from the Retirement Pot are taxed as income at your PAYE rates.

What happens if a member who resigned and left their Retirement Pot with the GEPF dies before they have started receiving payments from the Retirement Pot?

In the unfortunate event that a former member passes on before they have started drawing a pension from their Retirement Pot, then the balance in the Retirement Pot will be distributed to the former member's beneficiaries according to the nomination forms and in accordance with the rules and legislation.

After resignation, while the Retirement Pot is retained, will they still need to update the nomination form?

Yes, it is advisable for all members, including those who have retained their Retirement Pot after resignation, to keep their nomination forms updated. In the event of your passing before retirement, the GEPF will be responsible for distributing the benefits in your Retirement Pot to your nominated beneficiaries. Keeping your nomination form up to date ensures that your benefits are paid out according to your wishes

While the Retirement Pot is retained, will such members qualify for funeral benefits in case of death?

No. Members who have preserved their Retirement Pot but are not yet receiving a pension from it will be regarded as deferred pensioners. During this period of deferment, they do not qualify for funeral benefits. They will only become eligible for funeral benefits again once they start receiving pension benefits from the Retirement Pot.

Would the Two-pot system affect the payment of death benefits?

There will be no change in the way in which death benefits are paid.

What will be my benefit entitlement at retirement?

The general rule of thumb is that a member will be entitled to a gratuity and regular pension at retirement but subject to the de minimis amount being applied to the Retirement Pot balances

SCENARIO 1

Member retires with less than 10 years of vested services and less than 10 years of total pensionable service

Description	Below 55 years	Above 55 years
Gratuity equal to vested actuarial interest	Gratuity equal to: 3 x 7.75% x Savings Service x Final Salary for Non-Uniformed Services members or 3 x 8.45% x Savings Service x Final Salary for Uniformed Services members	No gratuity payable [unless the retirement actuarial interest is less than R165 000. In such a case the retirement actuarial interest is payable as a gratuity]
No pension payable	No pension payable	Pension (1.5 x 1/58.65 x Final Salary x Retirement Service +360) for Non-Uniformed Services members or (1.5 x 1/60.71 x Final Salary x Retirement Service +360) for Uniformed Services members [no pension payable if the retirement actuarial is less than R165 000]
No pension payable	No pension payable	Pension (1.5 x 1/58.65 x Final Salary x Retirement Service +360) for Non-Uniformed Services members or (1.5 x 1/60.71 x Final Salary x Retirement Service +360) for Uniformed Services members [no pension payable if the retirement actuarial interest is less than R165 000]

SCENARIO 2

Member retires with less than 10 years of vested services but with more than 10 years of total pensionable service

Vested Pot	Savings Pot	Retirement Pot
Gratuity equal to 6.72% x Final Salary x Vested Service	Gratuity equal to: 3 x 7.75% x Savings Service x Final Salary for Non-Uniformed Services members or 3 x 8.45% x Savings Service x Final Salary for Uniformed Services members	No gratuity payable [unless the retirement actuarial interest is less than R165 000. In such a case the retirement actuarial interest is payable as a gratuity]
Annual pension equal to 1/55 x Final Salary x Vested Service	No pension payable	Pension (1.5 x 1/58.65 x Final Salary x Retirement Service +360) for Non-Uniformed Services members or (1.5 x 1/60.71 x Final Salary x Retirement Service +360) for Uniformed Services members [no pension payable if the retirement actuarial interest is less than R165 000]

SCENARIO 3

Member retires with 10 or more years of vested services

Vested Pot	Savings Pot	Retirement Pot
Gratuity equal to 6.72% x Final Salary x Vested Service	Gratuity equal to 3 x 7.75% x Savings Service x Final Salary or Non-Uniformed Services members or 3 x 8.45% x Savings Service x Final Salary for Uniformed Services members	No gratuity payable [unless the retirement actuarial interest is less than R165 000. In such a case the retirement actuarial interest is payable as a gratuity]
Annual pension equal to 1/55 x Final Salary x Vested Service	No pension payable	Pension (1.5 x 1/58.65 x Final Salary x Retirement Service +360) for Non-Uniformed Services members or (1.5 x 1/60.71 x Final Salary x Retirement Service +360) for Uniformed Services members [no pension payable if the retirement actuarial interest is less than R165 000]

Similar benefits apply for early retirements but with the early retirement reduction being applied.

Will a member receive the payments from the Retirement Pot immediately if they choose to exit as an early retirement?

Yes. An early retirement is treated the same as a normal retirement but with the application of the early retirement penalty. This means that the pension from the Retirement Pot will be payable from the date of early retirement.

Will the early retirement deduction apply to payments from the Retirement Pot if I receive it before the GEPF normal retirement age?

The same reduction applied on early retirement will be applied to the pensions payable from the Retirement Pot if a former member requests for payment from age 55 but before reaching the age of 60. The reduction factor is one-third of a percentage for each complete month by which the date of receiving pensions from the Retirement Pot precedes the normal retirement date (based on age 60).

What if a member has exhausted both their Savings Pot and their Vested Pot before retirement?

Such a member will receive a pension from the Retirement Pot. There will be no gratuity payable in such an extreme case.

No part of the Retirement Pot can be taken as a cash lump sum-(unless its below the de minimis amount)

How will the Two Pot system work for contract workers when the contract expires?

Expiry of contracts are currently treated in a similar manner to retirements. This approach will continue under the Two-pot system.

For contracts that expire with a total period of pensionable service lower than 10 years, a member will be entitled to the following benefits:

- A gratuity equal to the vested actuarial interest from the Vested Pot; and
- A gratuity equal to the savings actuarial interest from the Savings Pot; and
- A pension, payable for life, from date of contract expiry from the Retirement Pot (unless the Retirement Pot balance is below the de minimis amount of R165 000-in this case the Retirement Pot balance will be paid as a lumpsum) [the pension will be equal to 1.5 x 1/58.65 x Final Salary x Retirement Service +360 for Non-Uniformed Services members or 1.5 x 1/60.71 x Final Salary x Retirement Service +360 for Uniformed Services members]

For contracts that expire after a total period of pensionable service, a member will be entitled to the following benefits:

- A gratuity (6.72% x Final Salary x Vested Service) from the Vested Pot, and
- A gratuity (3 x 6.72% x Final Salary x Savings Service) from the Savings Pot, and
- A pension from the Retirement Pot, payable for life, from date of contract expiry (unless the Retirement Pot balance is below the de minimis amount of R165 000)[the pension will be equal to 1.5 x 1/58.65 x Final Salary x Retirement Service +360 for Non-Uniformed Services members or 1.5 x 1/60.71 x Final Salary x Retirement Service +360 for Uniformed Services members]

How will deductions be made?

Any deductions for employer debt owed, maintenance orders and other allowable deductions will be made proportionally in each pot and will be effected as a reduction of the pensionable service in each pot.

Will the Two-Pot system affect the way a divorce benefit will be applied?

Under the legislation before 1 September 2024, the total value of a member's retirement fund benefits was considered and divided for divorce settlements.

A court granting a divorce decree may order the transfer of part, or all, of these benefits of a member spouse to the non-member spouse. While the Two-Pot system won't change the overall value of a spouse's retirement savings, there are important differences to how things will be handled.

The GEPF now must be notified when a couple is initiating divorce proceedings. This is to ensure that no withdrawals are made from the Savings Pot during the legal process, and that assets are divided correctly between the parties according to the law.

However, the approach will stay the same. When the retirement benefits are divided, the total value of the retirement savings will be considered for division. i.e. a member's ex-spouse can receive the benefit entitlements on divorce from all three pots as a cash lumpsum or to transfer the benefits to their approved retirement fund arrangement.

Will I be able to purchase additional service as before?

Yes. Members will still be able to purchase additional service as before. However, under the Two Pot system, any additional service purchased will be allocated between the two pots: one-third will go into your Savings Pot, and two-thirds will be directed to your Retirement Pot. This allocation ensures that your retirement savings are balanced between immediate accessibility and long-term preservation.

How will the service enhancements work under the Two-Pot system?

Service enhancements will be applied as before, where applicable and will be based on a member's total period of pensionable service. The enhancements will be allocated proportionally across the different pots.

Transferring funds

How will transfers received after 1 September 2024 related to a prior period be treated?

If the GEPF receives a transfer request on or after 1 September 2024 that relates to a period before 1 September 2024, this will be allocated to the Vested Pot.

For example, if a transfer is effective 1 July 2024, but the GEPF only receives the transfer value during November 2024, such a transfer value will be allocated to the Vested Pot when it is received in November 2024.

These amounts allocated to the Vested Pot on or after

1 September 2024 will not be considered in calculating the Seed Capital allocation because they were not part of your Vested Pot on 31 August 2024. (i.e. your Seed Capital will not be recalculated if additional service periods are allocated to the vested pot after 1 September 2024)

What happens when you transfer your benefits from the GEPF to other retirement funds?

Currently, when a member transfers from or to the GEPF, the entire benefit is transferred. Under the Two-Pot system, this will remain the same. However, due to having different pots (vested, savings and retirement) in the Two-Pot system, the fund receiving the members' benefits will be required to copy these pots as they were in the GEPF. All pots that exist for the member in the GEPF be transferred to the other fund (except the portion taken as a cash lump sum where this applies). Similarly, if the benefits are being transferred into the GEPF, the GEPF has to replicate the pots for that member in the GEPF.

Please note: The transfers have to be pot-specific .

e.g. a Vested Pot to another Vested Pot (unless the member decides to transfer the Savings and /or Vested Pots into the Retirement Pot).

If a member transfers their benefit to another retirement fund, do they lose their vested rights?

No. Vested rights will remain in place even if there are transfers. if a member transfers from the GEPF to another occupational retirement fund then the Vested Pot from the GEPF will transfer to the Vested Pot of the other fund and will retain the same accessibility rules.

However, it's important to keep in mind that the vested rights in a retirement annuity fund and preservation fund differ from the vested rights of an occupational retirement fund. For example, if a member transfers from the GEPF to a retirement annuity fund, then the accessibility rules associated with a retirement annuity fund (before 1 September 2024) will apply to the Vested Pot which is transferred to it.

Am I allowed to move money between pots?

Yes. The legislation allows for intra-fund transfers meaning that a member can transfer from the Savings Pot to the Retirement Pot. If you are considering moving money from your Savings Pot into your Retirement Pot so that you aren't tempted to withdraw it, remember that once it's in there, you won't be able to move it out again. i.e, the transfer to the Retirement Pot is irreversible. Members cannot transfer from the Retirement Pot to the Savings or Vested Pot.

NB: Members will NOT have lump sum access to the money once transferred to the Retirement Pot and cannot transfer back from the Retirement Pot to the Savings Pot. This substantially reduces access to their money in an emergency and a cash portion at retirement.

Members can also transfer from their Vested Pot to their Retirement Pot. Again, no transfers are allowed out of the Retirement Pot, so once the transfer is made, it is irreversible.

Both these transfers could be a disadvantage at retirement, especially to members who still have the R550 000 taxed at 0% allowance or part thereof available to them. This is because the Retirement Pot does not allow for a cash lump sum to be taken from it at retirement unless the retirement benefit is less than the de minimis amount (R165 000).

I understand that with the change in accrual rates, I will get a higher gratuity and lower pension going forward. If I do not make a withdrawal from my Savings Pot, how can I get the same gratuity and pension I would have received had the accrual rates not been changed?

It is possible for you to receive the same benefits that you would have been entitled to, in retirement, using the old accrual rates. This is possible through a transfer of benefits from the Savings Pot to the Retirement Pot at retirement.

Once all systems and processes are finalised, members will be able to request for a quotation of the transfer required to the Retirement Pot to ensure that they get the same gratuity and pension they would receive under the old accrual rates.

Will I be able to receive the same benefits I would have received had Two-Pot not been implemented?

Yes. However, this will only be possible if a member has not previously taken out a savings withdrawal benefit. Once you take a savings withdrawal benefit, you will no longer be able to receive the same gratuity you would have been entitled to under the old system, as any benefit you take out now reduces your entitlement in the future. You are, however, able to receive the same pension as before if you transfer the required amounts from your Savings pot to your Retirement Pot.

Does it mean that I now have flexibility in choosing the amount I can ultimately receive as a gratuity?

Yes. Under the old system, you were compelled to receive the gratuity in full. Going forward, members have the choice to receive a lower gratuity than they are entitled to in exchange for a higher pension. This will be possible through a transfer from the Savings Pot to the Retirement Pot at retirement.

For example, a member will now be able to limit what they receive as a gratuity to the tax-free lumpsum amount and transfer the rest of the gratuity entitlement to the Retirement Pot to increase the pension payable.

Tax treatment

Are there any changes to the tax treatment for contribution rates?

No. Contributions remain tax deductible up to 27.5% of remuneration, up to a maximum of R350 000 per annum.

Why does the GEPF tax my savings withdrawal benefits yet they taxed me on my contributions. Is this not taxing me twice?

The GEPF does not tax any benefits as it is not the revenue authority of the country. All taxes are levied and charged by SARS as per the laws of South Africa. As per the laws of the country, the GEPF is required to withhold any tax charged by SARS on your benefits and pay it over to SARS.

It is not true that you are taxed on your contributions. The contributions you make to the GEPF are not taxed. The benefits you get paid from a pension fund are not tax-free but are taxed deferred. This means that income that is earmarked as a retirement contribution is not taxed when it is earned but when the gratuity and pension benefits are paid out in the future.

So, when a member withdraws from their savings pot, they are taking untaxed income that will no longer be used for its intended purpose, that is, to fund their retirement. This renders the tax on it immediately due.

How much tax would be paid on withdrawal?

- Tax applies to all pre-retirement withdrawals from the Savings Pot at marginal tax rates.
- Tax applies to all pre-retirement withdrawals from the Vested Pot according to the withdrawal tax table.

- Tax applies to lump sum withdrawals at retirement according to the retirement tax table. The first R550 000 is taxed at 0%, subject to any previous allowances. The pension payable from retirement is taxed as income at your PAYE rates.

A summary of the tax treatment is shown in the table below.

Description	Vested Pot	Savings Pot	Retirement pot
Benefits paid before retirement	Withdrawal tax table	Marginal tax rate	No cash lumpsum can be taken
Savings withdrawal benefit	n/a	Marginal tax rate	n/a
Benefits paid at re-tirement	Retirement tax table	Retirement tax table	Pension taxed at PAYE rates

What exactly is the marginal rate?

Imagine you have a stack of money, and each layer of the stack represents a different amount of income. SARS taxes each layer at a different rate. The more money you earn, the higher the tax rate on that new layer of income.

So, if you earn a little bit more, only that extra bit of money gets taxed at a higher rate (I,e, not everything you' have earned is taxed at that higher rate). That higher rate applied to your last Rand earned is what is called the "marginal tax rate."

In other words, the marginal tax rate is the percentage of tax you pay on your next Rand of income. It doesn't apply to all of your income, just the portion in the highest tax bracket you reach

So as the savings withdrawal benefits are treated as part of your gross income (as per the Revenue Laws Act (2024)), they are added to your current income as additional income, resulting in them being taxed at your marginal tax rate.

Would withdrawals before retirement from the Savings Pot affect the tax treatment at retirement?

If a member makes a savings withdrawal from their Savings Pot before retirement, they will pay tax at the highest tax rate that applies to them on any amount they withdraw (marginal tax rate). This will not affect the tax treatment at retirement. In other words, the retirement tax table will still apply to any cash lump sums withdrawn at retirement. The first R550 000 is taxed at 0%, subject to previous allowances.

NB If members wait until retirement to withdraw cash from their Savings Pot, they will be able to get up to

R550 000 tax-free (this applies to the gratuity they will get from the Savings Pot and Vested Pot), rather than paying tax at their marginal rate.

How will pre-1998 tax benefits be treated under the Two Pot system?

According to Paragraph 2A of the Second Schedule of the Income Tax Act, members of public sector funds are entitled to a tax-free benefit for the benefits accrued before 1 March 1998. This tax exemption is applicable solely to lump sum benefits payable upon exit from the GEPF. Given that this benefit pertains to benefits earned prior to 1 March 1998, it will be specifically applied to lump sum benefits that are paid from the Vested Pot.

Will members be informed if their tax directive is declined when applying for the savings withdrawal benefit?

The directive request will be processed when you submit your savings withdrawal benefit claim on the self-service app and web. If the tax directive is finalised, the claim will proceed and the member will be informed of the successful directive request. If the tax directive application is declined, the claim be closed. The member will be notified of the decline reason via the app or platform and will have to resolve the tax issue and resubmit a new claim.

Will the fund inform me if there is a tax debt due to SARS?

The GEPF can only know if there is an outstanding tax debt once it has issued a request for a tax directive. Once SARS has informed the GEPF that there is an outstanding tax debt, the member will be notified through the app or self-service platform.

If I withdraw from the Savings Pot, I understand I will be taxed on the withdrawal. How will that tax be deducted? Will the GPAA deduct the tax at source and pay it to SARS on my behalf, or will I get paid the full amount and then have to pay the tax later?

When you withdraw from the Savings Pot, the GPAA will request a tax directive from SARS. Based on this directive, GPAA will deduct the required tax amount at source and pay it directly to SARS on your behalf. What you will receive is the benefit amount net of tax, meaning the tax will already have been deducted before the payment is made to you. You will not need to pay the tax yourself later

Will my Two Pot withdrawal affect my tax bracket, and could I owe more tax later?

Yes. A withdrawal from your Savings Pot can affect your tax bracket, potentially increasing the amount of tax you owe. The tax you pay on your savings withdrawal benefit is based on your marginal tax rate, which corresponds to your total income for the year. If your current income is close to the top of your tax bracket, the income from your savings withdrawal benefit could push you into a higher tax bracket. This may also happen if you receive a salary increase or any other windfall during the same tax year.

When SARS conducts your yearly tax assessment, they will consider all your income, including your salary and any savings withdrawal benefits, to determine your total taxable income and your applicable tax bracket. If the tax deducted at the time of the withdrawal was not enough to cover the higher tax rate, you may owe additional tax when you submit your annual tax return.

Investment issues

Will the GEPF change the investment strategy?

The introduction of the Two Pot system in the GEPF does not necessitate a significant change in our overall investment strategy. The core purpose and objective of retirement savings, which is to secure financial stability for our members in retirement, remains unchanged. The GEPF's long-term investment approach continues to be aligned with this objective, ensuring that retirement savings are preserved and grown to provide sufficient income during retirement.

While the Two Pot system introduces more flexibility with the Savings Pot, allowing members to access a portion of their retirement savings before retirement, it also imposes stricter restrictions on the Retirement Pot, which is preserved exclusively for retirement purposes. These opposing characteristics effectively balance each other, minimising the need for any drastic changes to our investment strategy.

The overarching strategy will remain focused on long-term growth and stability, ensuring that the ultimate objective of securing adequate retirement income for our members is consistently met.

Will the Fund still be secure after the implementation of the two-pot system?

The implementation of the Two-Pot system will not have a detrimental impact on the financial security of the GEPF. When a savings withdrawal is made by a member, it corresponds to a reduction in the Fund's obligation to that member. Consequently, the decrease in assets due to these withdrawals will be offset by a corresponding decrease in the overall liability of the Fund.

This means that the financial position of the Fund remains relatively stable despite the anticipated savings withdrawals.

Can the GEPF handle the liquidity pressures introduced by the Two-Pot system?

The GEPF has been diligently preparing to manage the potential liquidity pressures that may arise from the introduction of the Two Pot system.

The Fund has conducted extensive modelling to estimate the potential impact of withdrawals from the Savings Pot. By stress-testing various scenarios, including worst-case scenarios, we have evaluated how different levels of withdrawals might affect our liquidity position. Based on these analyses, we are confident that the GEPF has the necessary liquidity buffers to manage the anticipated withdrawal demands without compromising the stability of the fund.

To prepare for potential liquidity needs, we maintain a portion of our investments in cash-equivalent assets that can be accessed quickly. This approach allows us to meet withdrawal demands without the need to liquidate long-term investments at unfavourable times.

Moreover, the Fund is well-prepared to cover the anticipated partial withdrawal benefits, as it maintains sufficient liquid assets to meet these obligations. The GEPF is committed to ensuring the financial security of its members and will continue to manage its resources effectively to meet its obligations.

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