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National Treasury
REPUBLIC OF SOUTH AFRICA

Enquiries: Communications Unit • Email: media@treasury.gov.za • Tel: (012) 315 5046 • 40 Church Square, PRETORIA, 0002 • www.treasury.gov.za

MEDIA STATEMENT

SIGNING OF THE PENSION FUNDS AMENDMENT BILL INTO LAW

National Treasury welcomes the signing into law of the Pension Funds Amendment Act (31 of 2024) by the President. This ushers in the last part of the significant amendments required to implement the two-pot system to commence on 1 September 2024 after proclamation by the President.

The Pension Funds Amendment Act provides for certain amendments to the Pension Funds Act, 1956, the Post and Telecommunications-related Matters Act, 1958, the Transnet Pension Funds Act, 1990 and the Government Employees Pension Law, 1996 which are necessary to enable retirement funds, including public sector funds, to implement the two-pot reform. These changes follow the related amendments to the Income Tax Act, which are contained in the Revenue Laws Amendment Act (12 of 2024).

The main intention of the two-pot system reform is to improve South Africa's retirement outcomes for members at retirement through the preservation of a larger portion of the retirement savings. At the same time the reform allows some measured access in cases of financial distress without a member having to resign from employment.

The new two-pot retirement system creates a more sustainable retirement fund system, while increasing flexibility to cater to the differing needs of members. The system will provide a welcomed relief mechanism for people in real crises to access emergency funds without resorting to loan sharks or having to quit their jobs to access their retirement savings, while ensuring a larger portion of those savings are preserved until retirement.

Retirement funds and trustees are now in the process of aligning their fund rules with the changes to the acts and should be communicating with fund members about these rule changes and processes to be followed for savings benefit withdrawal claims. Fund rule amendments still need to be submitted to the Financial Sector Conduct Authority for approval before implementation. Most

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funds are set to implement the new split for contributions to the two new components (i.e. savings component and retirement component) on 1 September 2024, as planned. They will also calculate the once-off seeding capital value using the vested component (i.e. retirement savings accumulated before implementation date) on 31 August 2024, that will be available for transfer to the savings component and accessible to members from 1 September 2024. However, not all funds will likely be able to process withdrawal requests immediately on 1 September 2024, as the systems to do so and the mechanics to request such withdrawals will still be new or being installed. Funds that are ready for such withdrawals will also need some time to process requests.

We urge fund members to seek trustworthy financial advice to consider the implications for withdrawals from the savings component. Fund members should also note that administration costs and tax at marginal rates will be deducted from such withdrawals. Members will lose out on all related future growth and the retirement benefit originally intended for those funds.

Further information can be found on the National Treasury website: a two-pot retirement system questions and answers and two-pot system presentation.

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