

A photograph of a person wearing a yellow sweater, sitting at a table. They are holding a blue folder and looking at papers on the table. A calculator is also visible on the table. The background is slightly blurred, showing a cup of coffee on a saucer.

“Two-Pot” Retirement System to be implemented 1 September 2024

Dear CRF Member

Since 2022 one of the most talked about topics in the industry has been the implementation of the “two-pot” retirement system.

During the 2024 Budget speech which took place on the 21st of February 2024, it was announced that the “two-pot” retirement system is now envisioned to be implemented effective 1 September 2024. National Treasury will aim to finalise legislation in the upcoming months to ensure that the industry can implement the system on time.

Essentially the “two-pot” retirement system will allow for pre-retirement access to a portion of your retirement savings without having to resign. The structure of the “two-pot” retirement system will in principle work as follows: All retirement savings as at 1 September 2024 will not be affected and remain in your “vested” pot. An initial seed capital amount, which will be the lower of 10% of your Fund value as at 31 August 2024 or R30 000 and will be transferred from your “vested” pot to your “savings” pot. This will assist members who require an immediate withdrawal due to a financial emergency. This seeding will be a once-off event, and if not used, it will remain available for future emergencies.

Contributions received from the 1st of September 2024 will be split between a “retirement pot” and a “savings pot”. Up to one third of contributions will be split into the “savings pot” and the remainder will flow into the “retirement pot”.

Should the need arise, members will be able to make one withdrawal from their “savings pot” annually, without having to resign to gain access to their retirement savings. The value of each such withdrawal may not be less than R2 000. The maximum withdrawal amount would be the available amount in your savings pot.

It is important to remember that pre-retirement withdrawals from the “savings-pot” will be taxed at marginal rates, like all other income. Even National Treasury notes that the optimal option is still to preserve your retirement savings for as long as possible as the amounts grow at compound rates. Any amounts left in your “savings-pot” on retirement can be withdrawn and will be taxed according to the retirement lump sum benefit tax table, which includes a tax-free lumpsum of R550 000. Members do not just lose the tax portion of the benefit, but also the accumulated returns on the amounts withdrawn annually, which could have an impact on your retirement benefit.

In light of the abovementioned, you will be rewarded with a better pension if you do not withdraw from your savings and preserve the savings until you retire. It is therefore in your best interest to only withdraw from your "savings-pot" if you really need to and have no alternative.

When it comes to your retirement well-being, never make emotional decisions. You can always consult with the Fund's appointed financial advisors to help guide you every step of the way, ensuring that you retire financially independent and secure.

Should you need more information or any assistance relating to your retirement goal, please don't hesitate to contact our communication team on 0861 CRFund (0861 273863).

Warm Regards

Your Consolidated Retirement Fund Communication Team

Ref: Two-Pot Retirement System Update October 2022

Board of Trustees: Mr SA Mokweni (Chairman), Mr JJ Wagner (Deputy Chairman), Mr PJS Gouws, Mr TA Loko, Mr L Mbandazayo, Mr AM Owen, Mr ET Scott, Mr FA Willemse
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Contact Details:

Head Office:

Cape Town: CRF Building, 3rd Floor, 4 Bridal Close, Tyger Falls, Bellville, 7530

Regional Offices:

East London: The Quarry, Pilot Mill House, Ground Floor, Selborne, East London, 5201

George: Block B, Eden Office Park, Platinum Drive, George, 6530

Gqeberha: Waterfront Business Park, Pommern Street, Unit 1, Humerail, Gqeberha 6001

Kimberley: Unit 5, Royalyard Park, 1-9 Jacobus Smit Street, Royal Glen, Kimberley, 8301

Postal address: P.O. Box 4740, Tyger Valley, 7536

Tel: 0861 CRFund (0861 273863)

WhatsApp: 021 915 3500

Email: support@crfund.co.za Website: www.crfund.co.za

Facebook: @CRFund.co.za

Instagram: @crfund

TikTok: @the_crf

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