



## GERMISTON MUNICIPAL RETIREMENT FUND

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### NEWS UPDATE: TWO POT SYSTEM

Dear Member,

Although the Two Pot System was discussed at the AGM of 2023 and at the recent Investment Choice Meeting in May 2024, the most recent developments toward the finalization of the legislation were still pure speculation. In order to bring all the Members up to date and to clarify the Two Pot System, this News Update will be dedicated to unpacking the Two Pot System to clarify and answer all the Member's questions.

#### The latest news on the Two Pot System: Early Access to Retirement Money Whilst Still in Service

The graphic documentation of the Two Pot Presentation as discussed at the Investment choice Meeting held on 8 May 2024, can be viewed on the Fund's website on [www.gmrf.co.za](http://www.gmrf.co.za). This news letter will therefor deal with more recent developments regarding the finalization of legislation and the practical impacts thereof.

- The implementation date has been confirmed by National Treasury as 1 September 2024.
- The Pension Funds Amendment Bill still needs to be signed into legislation by the President.
- The Board of Fund, in consultation with the Actuary of the Fund, approved the Rule Amendments required to give effect to the implementation of the Two Pot System.
- These Rule Amendments need to be registered by the Financial Services Conduct Authority (FSCA) before the Fund can implement the Two Pot System.
- Internally, the Fund's Member Administration System is in progress of being developed to cater for three accounts (Pots) per member instead of one, as well as the administrative process from registration until payment to the members of the money applied for.



**A substantial amount of interest has been shown and quite a few questions have been asked to clarify certain aspects of the Two Pot System. A few important notes are listed below that Members should be aware of:**

- The Two Pot system is applicable on all Members. You cannot opt out.
- Please note that your investment strategy will remain as is, in other words the 3 accounts, namely Vested, Retirement and Savings will be invested according to your current investment strategy.
- The withdrawal from the Savings Account is **not** compulsory. If there is no withdrawal, your retirement outcome will not be impacted.
- The current Fund value as at 31 August 2024 will remain in the Vested Account less 10% to a maximum of R30,000 which will be transferred over to the Savings Account as an opening balance. The Vested Account's funds will be available in cash when a member exits the Fund.
- With regards to monthly contributions: two-thirds ( $\frac{2}{3}$ ) of your contributions from September 2024, will go to the Retirement Account. This will be used to obtain a monthly pension and will only be available at retirement age (55-65). One-third ( $\frac{1}{3}$ ) will go to the Savings Account and can be withdrawn when sufficient funds are available (minimum withdrawal is R2,000)
- Only one withdrawal from the Savings Account in a Tax year (1 March to 28 February)
- Withdrawals from the Savings Account **do not need to be paid back**.
- The **minimum withdrawal is R2,000**. Members whose 10% is less than R2,000 will have to wait until the balance in this account exceeds R2,000 before a withdrawal can be made. Remember this account opens with the 10% (to a maximum of R30,000) and increases monthly with  $\frac{1}{3}$  of the monthly contributions and monthly investment growth.
- Please note that this withdrawal will incur a tax liability on the member's side at the tax rate applicable to each individual member's marginal tax rate (your current rate that you pay tax on)
- If a member owes money to SARS, SARS will issue an IT88 and the amount due will be deducted and paid over to SARS and you will receive the balance.
- The Fund will obtain a tax directive for each withdrawal.
- A R250.00 admin fee will be charged on every withdrawal.
- No physical Two Pot payments will be done in September 2024.
- To protect members from fraudulent claims against their savings pot money, members will have to apply in person at the Fund's office in Wadeville.
- A completed claim form together with your ID and proof of banking details will be required.
- Claims will be processed in batches, applications received by a certain date (to be determined) will be processed and paid within 25 to 30 days.
- No online applications.
- Applications for withdrawals from the Savings Account can only be accepted after the registration of the Rule Amendments by the FSCA.
- A follow up update will be sent to members once the Rule Amendments are registered by the FSCA.
- Dates to attend information sessions at the Fund offices from middle August 2024 will be communicated to the members. The Fund will be able to accommodate 50 members per session.
- Application forms will be available on the Fund's website once the Rule Amendment is approved by the FSCA.

- If a member is involved in a divorce process, then the spouse consent will be required.



### Important Aspects to Take Note Of:

- Withdrawals will be taxed plus an admin fee of R250 will be payable.
- Withdrawals will reduce your final retirement outcome.
- On resignation:
  - a) the amount is the Vested and Savings Accounts, less Tax, can be taken in Cash.
  - b) The amount in the Retirement Account ( $\frac{2}{3}$  of member and employer's contributions after 1 September 2024) can only be accessed on retirement (55 years and older) when a compulsory monthly pension will have to be purchased by the member.
  - c) The amount in the Retirement Account on resignation can only be transferred to a preservation scheme, to a new employer's pension fund, or left in the current fund until retirement.
- Your funds, irrespective of the Accounts/Pots, will remain invested in the fund and will grow with investment income.
- Please speak to your financial advisor if you are contemplating a withdrawal from the Savings Account.
- The Fund fully supports the Two Pot system and will ensure a smooth implementation and execution of the requirements of the Two Pot System.

Should you have any additional questions on Two Pots which has not been addressed in this letter or on the documentation on the Fund's website, you are welcome to direct your enquiries to [reception@gmrf.co.za](mailto:reception@gmrf.co.za) or [joey.stander@gmrf.co.za](mailto:joey.stander@gmrf.co.za) or visit the Fund office for an in-person conversation.

Yours faithfully

**DA RENKE**  
**PRINCIPAL OFFICER**  
**11 JULY 2024**