

Dear Members

I trust that you will find this newsletter interesting and informative.

The objective of the newsletter is to keep you informed about the retirement funds and to promote a better understanding of how the funds operate.

The Board of Trustees, who represents your interests, strives for service excellence, and is committed to the cost-effective administration of the Fund. You can be assured that the Board of Trustees is looking for ways and means to enhance your investments and ensure that the funds stay relevant.

Feel free to direct any questions you may have to this office.

Danie Hattingh
Principal Officer of the Pension Scheme and Provident Fund

Two-pot Retirement System

The South African retirement fund industry will within the next four months be undergoing a significant change with the introduction of the new two-pot retirement reform proposals. National Treasury has published draft legislation to give effect to these proposals. Once the legislation is promulgated, the effective date of these changes will be September 1, 2024.

The two-pot retirement system will change the way fund members can access their retirement funds and aims to have two objectives:

1. To allow members of retirement funds access to a portion of their fund value in times of financial stress.
2. To improve members' long-term preservation of their fund values until they retire from their employment.

To help you navigate through all the information about the proposed two -pot retirement system, the following link was provided by Sanlam, administrator to the Building Industry Pension Scheme and Provident Fund.

You can find commentary on the 2-pot system on the Sanlam website that will, amongst others, includes FAQ's. Click on the following link: <https://www.sanlamonline.co.za/campaigns/two-pot-retirement-system/>

Also refer to Sanlam's infographic below - *The two-pot system for retirement savings - what you need to know*

The two-pot system for retirement savings

what you need to know



New legislation for retirement funds, called the **two-pot system**, will be implemented from **1 Sept 2024**.

Why is the two-pot system being introduced?

During stressful financial times, retirement fund member often resign so they can access their retirement savings. **The new two-pot system will give members of pension, provident and retirement annuity funds access to short-term financial relief in an emergency as they will be able to withdraw some of their retirement savings before they retire.**



How will it work?

From 1 September 2024, your retirement fund savings and monthly contributions will be allocated to three pots.

Your accumulated retirement savings up to **31 August 2024** will be allocated to the Vested pot and will not be affected by the two-pot system.



From **1 September 2024**, you will not be able to make any more contributions to your Vested pot.



1

VESTED POT



At retirement, the savings in your Vested pot benefit will be paid according to the Fund rules.



Your Vested pot will continue to grow with investment returns.

The draft Bill proposes that 10% of your Vested pot on 31 August 2024, up to a maximum of R30 000, will be transferred to your Emergency Savings pot as a starting balance.

10% maximum of R30 000



33% of your net fund contributions will be allocated to your Emergency Savings pot.



This pot will grow with monthly contributions and investment returns.



2

EMERGENCY SAVINGS POT

At retirement, the balance in this pot can be paid as a lump sum and taxed or used to buy a pension.



@ Retirement
Lump sum OR buy pension

You can make one withdrawal from this pot once in a tax year.

- The minimum withdrawal amount is R2 000
- The maximum withdrawal amount is what is available in your emergency savings pot
- PAYE plus an administration fee will be deducted before it is paid out

1 x withdrawal per tax year



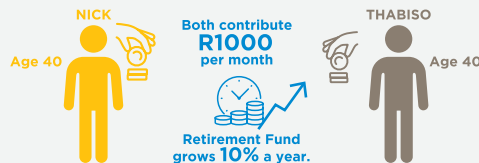
Important – there are financial consequences to withdrawals

The goal of your retirement savings is to pay you a pension when you are no longer working. If you withdraw money from your retirement savings, you will lose out on the compound interest you would earn by saving this money and you will have less money to live on when you retire.

This could negatively affect your retirement plans. The emergency savings pot is there to help you cope with financial emergencies and not to pay for a new car or an expensive holiday. You are encouraged to preserve your savings for retirement.

Example of the financial consequences of withdrawing money from the Emergency Savings pot:

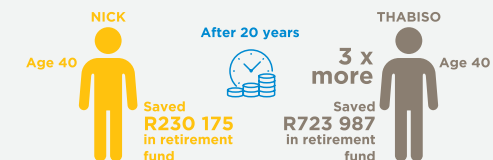
Nick and Thabiso are 40 years old and are members of their employer's retirement fund. They both contribute R1 000 per month to the retirement fund and underlying portfolio, which grows at 10% a year.



Nick decides to take advantage of the new two-pot legislation and withdraws 10% every 12 months to help with various emergencies. Thabiso doesn't withdraw and simply allows his investment to grow at 10% a year.



After 20 years, Nick has R230 175 saved in his retirement fund while Thabiso has saved R723 987, three times more than Nick. Nick would also have paid tax on his withdrawals, further reducing the money that he gets at retirement.





67% of your net fund contribution will go to your retirement pot.

This pot will grow with monthly contributions and investment returns.



3

RETIREMENT POT



Buy pension @ retirement

The total balance in your Retirement pot must be used to buy a pension at retirement. If your balance is less than R165 000 it can be taken in cash.

No withdrawals can be made from this pot.



55+ Provident fund members have a choice

Provident fund members who were 55 years or older on 1 March 2021 and who remained members of the fund until 1 September 2024 (referred to as members 55+) can:

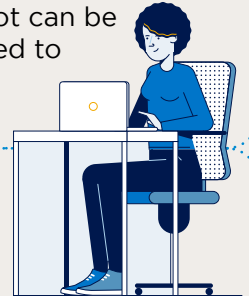
Stay in the vested pot

- These members will continue making contributions to their Vested pot according to their current Fund rules.
- At retirement, one-third of their Vested pot can be taken in cash (taxed) with the balance used to buy a pension.

OR

Move to the two-pot system

- On the first of the month following a decision to move to the two-pot system, these members will start contributing to the new Emergency Savings and Retirement pots and will be able to make one withdrawal per tax year from their Emergency Savings pot (see above for more information).
- **NOTE:** Members who are 55 and older should be encouraged to preserve as much as possible for their retirement. Any withdrawals will mean less money at retirement.





The two-pot system is **not** available to:



- ⦿ Unclaimed members
- ⦿ Pensioners
- ⦿ Deferred pensioners, i.e. members who have retired but who have not elected to receive their retirement benefit
- ⦿ Beneficiary fund members
- ⦿ Non-contributing members of terminating funds and funds in liquidation

Where can I get more help or advice?

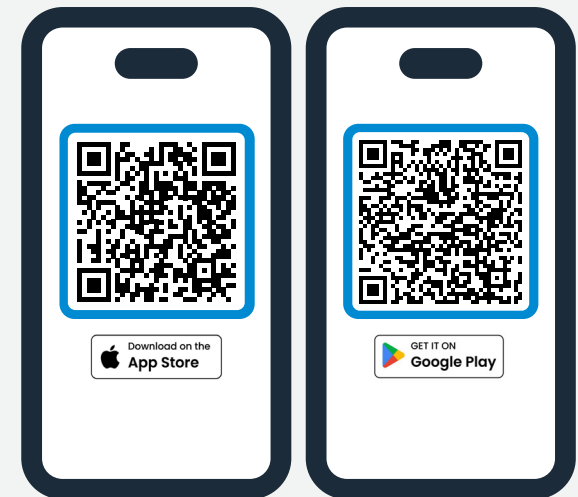
If you want advice or more help, please speak to a **Retirement Benefit Counsellor** or a financial adviser. These services are available at no cost to you.

What you need to do now

- 1 Make sure your employer has your correct personal details eg. surname changes, contact details and tax number.
- 2 Download the **Sanlam Portfolio App** on your phone or visit the **Sanlam Member Portal online**. It's essential for accessing your emergency savings.



Please **register** on the member portal by following this link in the browser.



Please **register** by downloading the App on your phone by scanning this QR code.

Investment Returns

	1 Year	3 Years	5 Years
Allan Gray Global Balanced	12.3%	12.4%	10.5%
Camissa Global Balanced	7.8%	8.4%	10.2%
Mianzo Global Absolute Return CPI +5%	8.7%	9.2%	9.5%
Ninety One Inflation Opportunity	14.2%	12.7%	11.4%
Sanlam Global Absolute Return CPI + 5%	8.4%	8.1%	8.1%

	1 Year	3 Years	5 Years
Accumulation	10.8%	11.0%	10.5%
Accumulation benchmark	12.8%	9.6%	9.1%
Consolidation	9.4%	9.1%	8.3%
Consolidation benchmark	11.7%	9.1%	9.0%
Preservation	8.7%	8.7%	7.6%
Preservation benchmark	12.4%	9.4%	8.9%
Dormant	10.4%	10.5%	9.2%
Dormant benchmark	12.4%	9.4%	8.9%

Market value of consolidated assets

(R'million)

	Total	Accumulation	Consolidation	Preservation	Dormant	Reserves
Allan Gray Global Balanced	R491.63	R255.00	-	-	R225.97	R10.67
Camissa Global Balanced	R336.87	R336.87	-	-	-	-
Mianzo Global Absolute Return CPI +5%	R333.82	-	R54.59	R 45.07	R223.53	R10.64
Ninety One Inflation Opportunity	R1 064.25	R670.96	R37.71	-	R339.46	R16.12
Sanlam Global Absolute Return CPI + 5%	R299.55	-	R62.30	R50.73	R178.05	R8.47
Nedgroup Investments Flexible Income	R93.40	-	-	-	-	R93.40
Total	R2 619.53	R1 262.83	R 154.60	R95.80	R967.00	R139.30

