Retirement Reform

Following extensive consultation and engagement, the Revenue Laws Amendment Bill, 2023 (RLAB) has been finalised in Parliament and now merely requires the assent of the President for purposes of promulgation. The final iteration of the RLAB makes provision for the following:

(a) The rules of the fund must make provision for the member's interest in the retirement component, the savings component and the vested component;

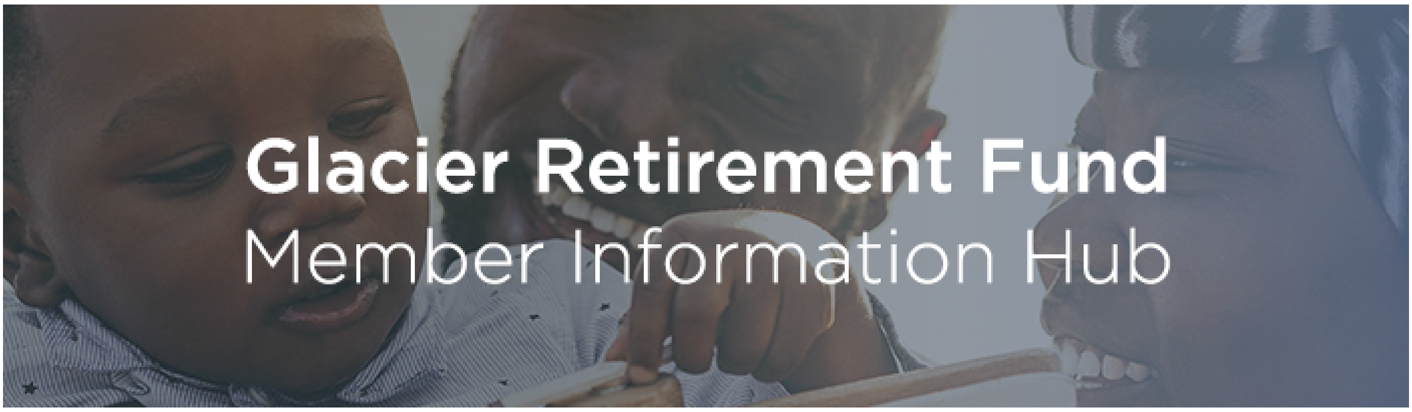
(b) Seeding capital - a once-off amount of 10% of the member's total fund value of the vested component as at 31 August 2024 capped at R30 000 is allocated to the savings component;

(c) Application of the two-component system to all funds including defined benefit funds (also public sector funds) save for certain exceptions for some members and funds, as outlined below;

(d) Exemption for legacy retirement annuity funds upon application to the Authority;

(e) Deductions (proportionately from each component) in terms of Section 37D of the Pension Funds Act, 1956 (Act No. 24 of 1956) (PFA) are to be provided for from all components; and

(f) An effective commencement date of 1 September 2024.



The retirement savings culture of South Africans first started attracting the attention of the authorities in the 90s, although there are references of discussions on the topic being had as early as the 80s. This led to a focus in legislation during the 2000s where the intention was to protect retirement fund members from themselves in order to better secure their own retirement years. This strategy is known as the Retirement Reforms in South Africa.

As National Treasury explains, the dilemma with the current retirement regime is that individuals are able to make full withdrawals from their pension or provident fund when they cease employment, and they can also make once-off withdrawals from their pension preservation or provident preservation fund(s). These withdrawals are taking place irrespective of the tax rates applied upon withdrawal, and leaving South Africans high and dry when it comes to capital to provide an income during retirement. The main reasons for the new system are simply this lack of pre-retirement preservation and then the financial distress of households in the case of emergencies and hardship.

Which retirement funds will the new two-pot (three-component) system apply to?

All pension, provident, preservation and retirement annuity funds.

Which Glacier retirement funds will the new two-pot (three-component) system apply to?

- Personal Portfolios Retirement Annuity Fund
- Personal Portfolios Preservation Provident Fund
- Personal Portfolios Preservation Pension Fund

What does the new retirement system mean for clients invested in the Glacier Retirement Fund Solution for employer funds?

The Glacier Retirement Fund Solution is a special investment option available to the members of employer funds, who approved this option for their members. The two-pot (three component) system will not influence the investment option availability, but the employer retirement fund will indeed be subject to the new system.

On the Glacier side the investment process will not change. On the retirement fund side, implementation of the new system will be dependent on the applicable retirement fund. Retirement fund members who are clients in the Glacier Retirement Fund Solution, will have to conform to the rules of the retirement fund and the law.

If clients invested in the Glacier Retirement Fund Solution have any questions about implementation of the new system, the best option would be to contact the employer retirement fund directly.

See more about the Glacier Retirement Fund Solution and view some fast facts.

As things develop and become certain on the new system - we will update this page.

Retirement reform insights
Retirement reform in the media
Saving for retirement

Please visit this page regularly for news and summaries.

Retirement reform journey

2012

START

2014

Tax deduction for post-retirement income Section 10C

2015

Tax-free investments to support savings culture

2016

Harmonisation: all retirement fund contributions are tax deductible but capped

2014-2018

Deferred/ postponed retirement date

2019

Default regulations preservation, investment strategy, income option and retirement benefit counselling

2019-2020

Estate duty liability changes that benefit income and preservation choices

2021

Annuitisation

1/3, 2/3 rule at retirement for the members of all types of funds

Taking retirement savings offshore

Changing the concept of emigration to tax residency cessation for access

Sustainable post-retirement income

Rubber stamp on many annuity policies to provide retirement income

2023

Draft Bill to introduce the new two pots/three components system

2024

Commencement of new system 1 September 2024

The retirement reform journey, as explained by National Treasury in the draft Explanatory Memorandum to the Revenue Laws Amendment Bill, 2023 as published on 9 June 2023.

Retirement reform insights

The latest retirement reform insights on Glacier Insights.

Member Information Hub
Access to Retirement Savings - 1 May 2024
An overview video - 26 February 2024
Two-pot retirement system: Overview PDF
Access to Retirement Savings - 1 September 2024 PDF
The two-pot retirement system - Interactive PDF
What you should know about the two-pot retirement system - Flash Fact PDF
Is the new system applicable to defined benefit funds?
What to know about the two-pot system when you resign from your retirement fund at work - 23 January 2024
Department of the National Treasury Two-Pot System FAQ 2024

Retirement reform in the media

Retirement reform articles featured in the media.

GEPF Two Pot Retirement System - Frequently Asked Questions
National Treasury MEDIA STATEMENT - Proposed Amendments to Public Sector Pension laws PDF - *11 March 2024*
Overview on the Two Pot Retirement System in the GEPF context. *www.gepf.co.za - 26 January 2024*
How bizarre: three pots in a two-pot system. *FA News - 26 June 2022*
Two-pot retirement system: Who will be the winners and the losers? *Moonstone - 8 June 2023*

Saving for retirement

In 2021 already, the Sanlam Benchmark Survey indicated that about 75% of South African retirees were reliant on state old age grants as their main income source during their golden years. TimesLIVE conducted a survey amongst readers between 28 and 31 July 2021, asking whether people should be allowed access to their retirement savings in order to pay off debts. They reported on 31 July 2021 that 74% of the participants indicated that they needed access, as they feared not even reaching retirement without it.

Now if 75% of retirees have state grants as their main source of income, and 74% of income earners have the intention of dipping into their savings before reaching retirement, it paints a very bleak picture indeed. Any withdrawal from retirement savings prior to retirement will certainly have a detrimental impact on a client's retirement, as they will have less capital with which to purchase an income. And the loss in value should not just be measured by the withdrawn amount. Savings in retirement funds are protected from creditors, have tax benefits and are not estate dutiable in the event of death before retirement. These benefits, along with the power that compounded interest growth gives to future income, go a long way to ensuring financial security in retirement. There is very little chance of recovering from such a withdrawal in monetary terms, and it is of the utmost importance to not make this decision lightly and certainly not without the professional advice of a financial adviser.

Affording the life you want after your last pay cheque
10 Considerations before putting together your retirement plan
The best investment opportunities in your 20s and 30s
Access a wider range of investment choices in an employer retirement fund
What to know about preservation funds and why you may need one
Saving tips for you no matter your age
Saving for retirement requires a positive mindset
Q&A – Retirement lifestyle costs
Five bad attitudes that prevent you from saving

2023 Content archive

Two-pot retirement system: More on what it is about PDF
What we know about Two-Pot Retirement System - PDF
The two-pot retirement system is a few steps closer to becoming a reality in 2024
An update on the proposed two-pot retirement system
The South African retirement landscape: Hoping that reconstruction will lead to rehabilitation
Accessing retirement savings prior to retirement – a good idea?