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# A Recap of the Public Sector

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# The public sector



## Government Departments

- Health
- Education
- SANDF
- SAPS
- Correctional Services



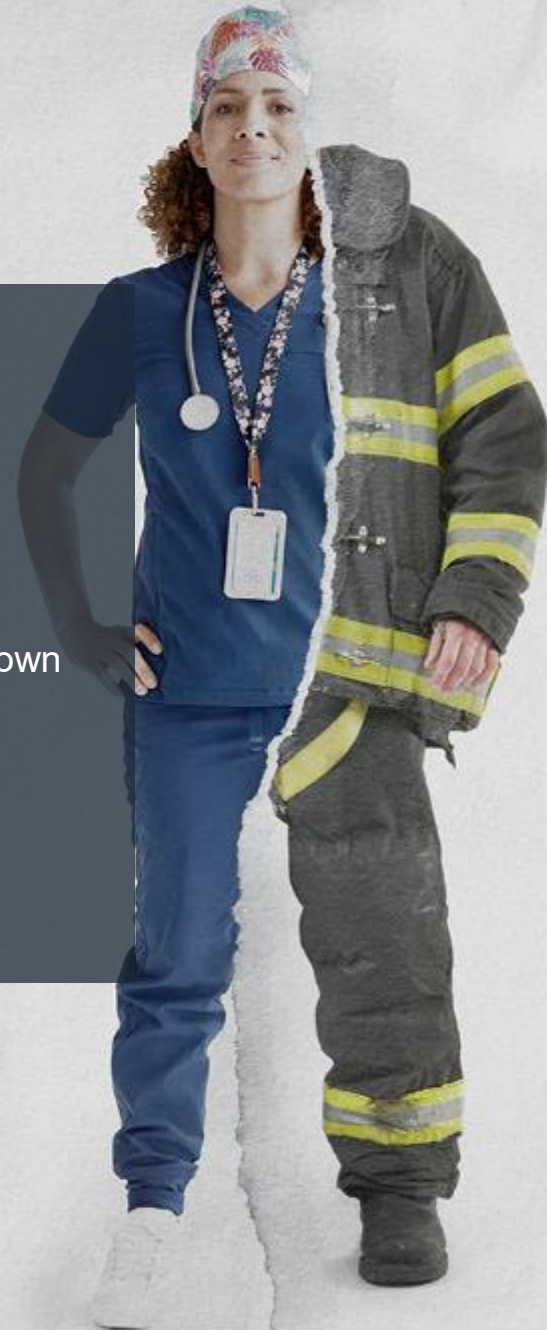
## SOEs

- Transnet
- Eskom
- SAA
- PRASA
- Telkom
- SABC



## Municipalities

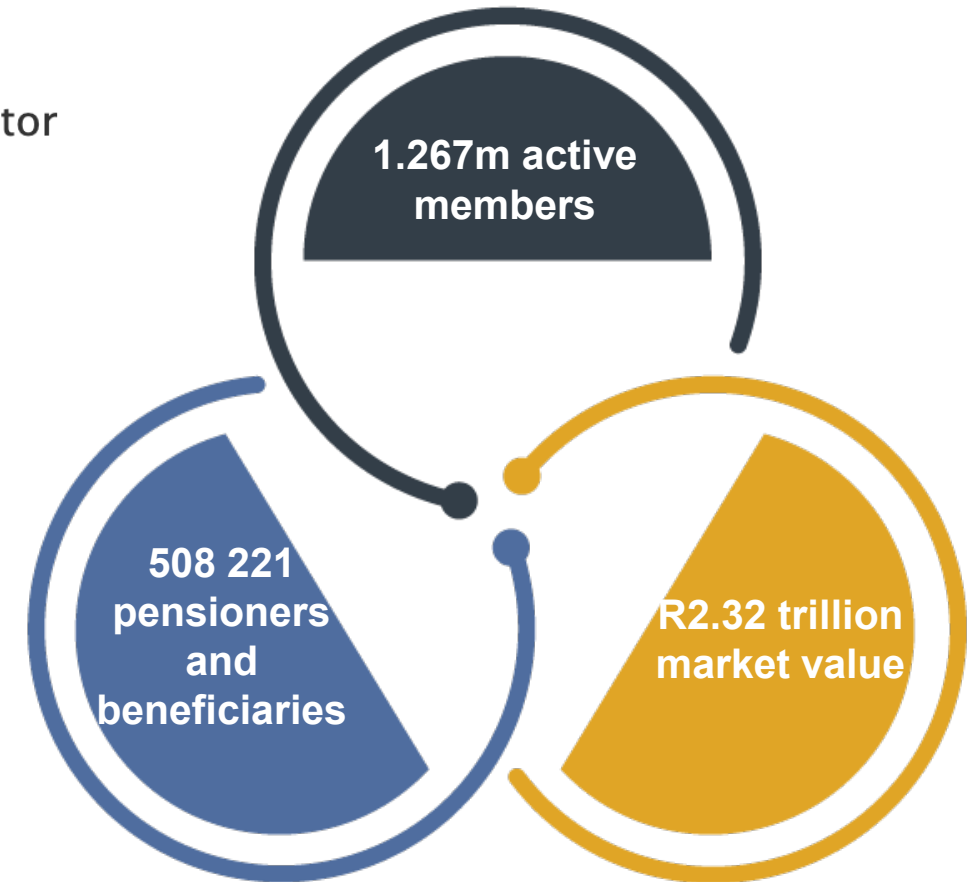
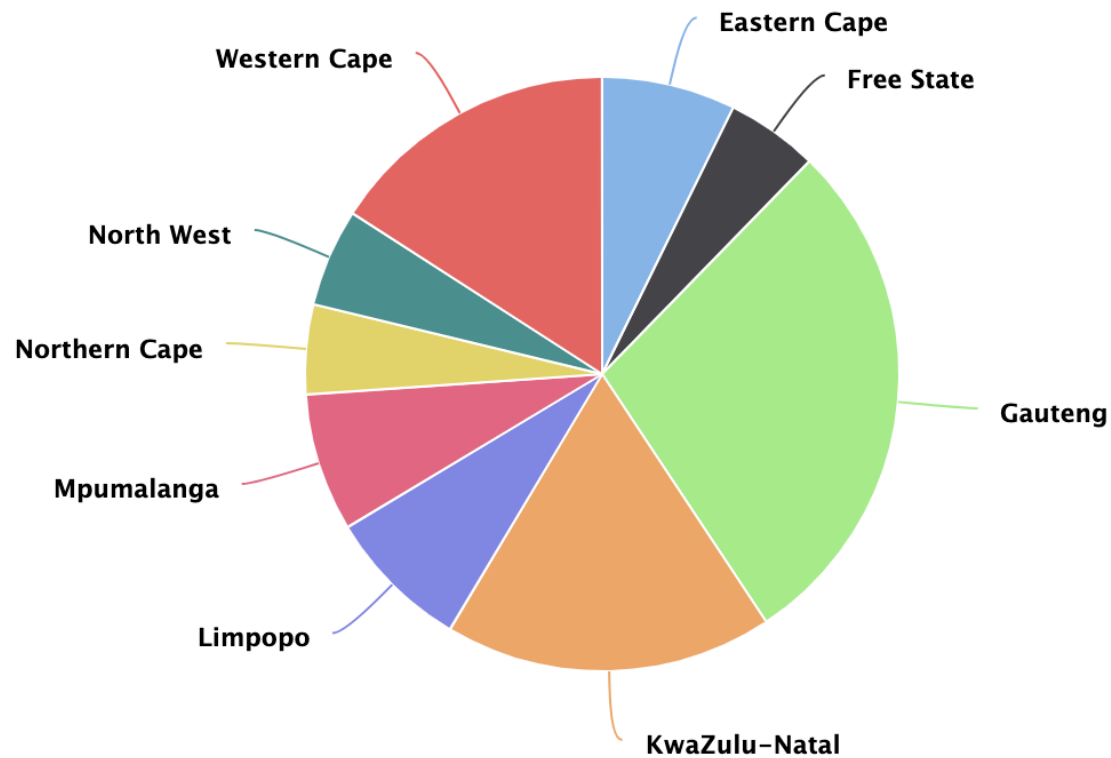
- Tshwane
- City of Joburg
- City of Cape Town
- eThekweni
- Mangaung





# The size of the public sector

Sector of Work (public/semi-private/private) and Province: Public sector





# Defined benefit fund

- Benefits guaranteed upfront
- Benefits based on:
  - Final pensionable salary
  - Years of pensionable service
  - Formulae according to rules of the fund
- Governed by the Government Employees Pension Law
- Falls outside of Pension Funds Act
- Benefits paid in a gratuity, annuity or both



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# Options when nearing retirement

## RETIRE IN THE GEPF

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Retiring with **less than 10 years of service**

- Once-off lump sum (gratuity)
- Equal to actuarial interest

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Retiring with **more than 10 years of service**

- Once-off lump sum (gratuity) PLUS
- A monthly pension

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Gratuity can only be taken in cash – no transfer option

Taxed at retirement scales

Monthly pension taxed at personal tax rate

## RESIGN “CASH OUT”

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Cash amount paid to client’s bank account

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Taxed at withdrawal tax scales

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Decision is final

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GEPF will not reverse the transaction

## RESIGN “TRANSFER”

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Full resignation benefit transferred to an approved fund

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No option to take a portion in cash

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Pre-1998 portion retains its tax-free status when transferred (maximum two transfers)

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Retire privately and 1/3 could be accessed at retirement date while 2/3 must be used to purchase a pension income



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**DISCRETIONARY**

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Retire privately and **1/3 could be accessed** at retirement date whilst **2/3 must be used to purchase a pension income**

**COMPULSORY**



# Let's consider possible member scenarios in the GEPF

We know that every client is different with needs and challenges unique to their circumstances and lifestyle. This is especially true when clients are facing retirement. We have looked at the public servants' post-retirement data, with a specific focus on the members of the Government Employees' Pension Fund (GEPF). We have extracted four likely scenarios of public servants who are members of the GEPF. These scenarios could be taken into account when dealing with public servants who are faced with the decision to retire in the GEPF or privately.

## Four possible scenarios

This information must not be interpreted as financial advice. These are likely scenarios based on common patterns of members' circumstances and taking the Fund's rules into consideration. We've also highlighted some factors for you to consider in the full needs analysis that every client undertakes with their financial intermediary when an important decision needs to be made.







# Scenario

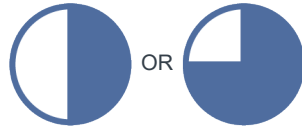
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## THABO AND MARIA



**Thabo** (57) is a public servant and member of the GEPF. He is married to **Maria** (49). They have **two children** – aged 8 and 13 years, respectively.

Thabo could retire in the GEPF, and he and his family will enjoy the following benefits:



The option of a spouse's pension entitlement of either 50% or 75%.



After the member dies, the child's pension is available until the children turn 22.



A post-retirement medical benefit, either in the form of a subsidy or a lump sum, depending on the member's length of service.



A funeral benefit that covers the pensioner, their spouse/life partner and all eligible children.



### Remember:

The death benefit is guaranteed for five years only. A lump sum benefit is payable upon death within the first five years of retirement. If Thabo dies after five years, there is no benefit (often referred to as a legacy) for his dependents after his death.



# Scenario

3

## DEV AND SANUSHA



**Dev** (63) and **Sanusha** (60) are married. Dev is a public servant and a member of the GEPF. They have **two adult children** aged 32 and 41 years, who are both unemployed. One of the children has a **child** who is 7 years old. The children and grandchild are financially dependent on Dev and Sanusha.

### Factors that could support private retirement in this scenario:



The adult children are dependent on their parents, but will not qualify for a child's pension.



The grandchild will not qualify for a child's pension unless the child is legally adopted by Dev and Sanusha.



The death benefit is guaranteed for five years only – a lump sum benefit is payable upon the death of the member within five years of the retirement date.



If Dev dies after five years of the retirement date, the legacy will be lost – a private retirement income product could be structured to provide a legacy and an income for all the dependents.



The spouse's pension entitlement could be catered for with a private retirement income product.



A post-retirement medical benefit could be catered for with a flexible, private, post-retirement product or by using the gratuity to purchase an income-paying product during retirement.



Private funeral benefits are available and could be purchased with the private pension or gratuity payment.



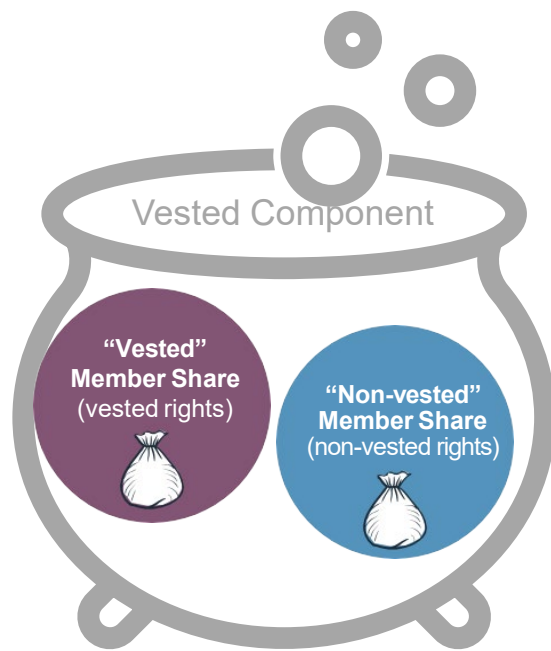
# The Two-Pot Retirement System



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# The two-pot retirement system





	Vested Pot	Savings Pot	Retirement Pot
Benefits	Based on pensionable service up to 31 August 2024.	Based on 1/3 of pensionable service from 1 September 2024 or date of joining, if later.	Based on 2/3 of pensionable service from 1 September 2024 or date of joining, if later.
Access Rule	Can access in full for all exit modes.	Can access once in a tax year through partial withdrawal (subject to a minimum balance of R2 000).	Must be preserved until retirement. Only accessible at retirement or at death.
Retirement Rule	Gratuity and pension payable as current fund rules.	Gratuity benefit payable.	Pension benefit but subject to the minimums.
Taxation Rule	Withdrawal – withdrawal tables; retirement – retirement tables.	Partial withdrawals – Marginal tax rate Other exits – as per SARS tax tables.	Retirement tax tables.

Exact copy of slide presented recently by the GEPF



# Retirement reform insights

The latest retirement reform insights on Glacier Insights.

[Introduction of Member Information Hub - Glacier Weekly - 7 December 2023](#)

[Access to Retirement Savings - 1 September 2024 PDF](#)

[Two-pot retirement system: Overview PDF](#)

[Is the new system applicable to defined benefit funds?](#)

[Two-pot retirement system: More on what it is about PDF](#)

[The two-pot retirement system - Interactive PDF](#)

[What you should know about the two-pot retirement system - Flash Fact PDF](#)

[The two-pot retirement system is a few steps closer to becoming a reality in 2024](#)

[What we know about Two-Pot Retirement System - PDF](#)

[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?](#)

Two Pot Retirement System Car x +

sanlamonline.co.za/campaigns/two-pot-retirement-system/

PERSONAL BUSINESS CORPORATE MARKETS MEDIA

Sanlam Insurance Retirement Investment Financial planning Credit solutions Wealth More

RETIREMENT SOLUTIONS

## Navigate the two-pot retirement system

The two-pot retirement system aims to empower more South Africans to preserve their retirement savings when they leave a job or change employment, while enabling controlled access to these savings in times of financial hardship.

This information reflects our understanding of the two-pot retirement system as of December 2023, including the proposed 1 September 2024 implementation date. For now, clients do not need to do anything – we will provide guidance if and when any action is required.

[Read FAQs](#) [Contact us](#)

[What you should know](#) [How it works](#) [FAQs](#) [Contact us](#)

## What you should know

At Sanlam, we are committed to empowering our clients to live confidently, securely, and prosperously. We want to help you make the best possible decisions to secure optimal outcomes for your financial future.

### Remember that:

- It's crucial to preserve your retirement savings to capitalise on compound interest.
- In tough times, seek guidance from a trusted financial adviser to make optimal decisions for the short- and long-term.
- We encourage our clients to only access their retirement savings as a carefully considered last resort.

glacierinsights.co.za/orig/public-sector/public-sector

Public Sector | Financial

## Public Sector

Employees in the public sector have unique financial planning and investment needs. We are committed to empowering professionals who serve public servants and their clients in the public sector, with information, insight and skills.

Glacier Insights > Public Sector > Public Sector

Financial education and holistic advice amongst public sector employees is something that we take seriously. This page should support you to service your public sector clients as effectively and efficiently as possible.

For more technical information, training and tools, [visit SanPart with your secure login details](#). We have made these resources available to help you enhance your knowledge and skills and enable you to provide advice and services to your clients in the public sector.

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# Retirement reform in the media

Retirement reform articles featured in the media.

[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](#)



# Glacier tools & support

- 1 Proposals
- 2 Public Sector Collateral
- 3 Retirement Income Tool
- 4 Tax Simulation
- 5 Z1525 Completion
- 6 ROT & POP Speed
- 7 Specialised BDM support
- 8 GEPF one-day course



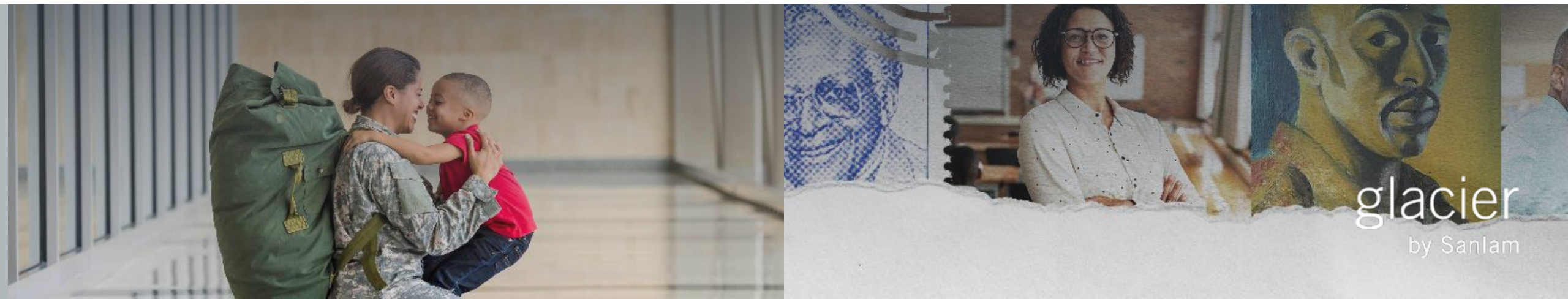


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