glacier
by Sanlam

The two-pot retirement system effective **1 September 2024**

Dear «CLNT_TITLE» «CLNT_INITIALS» «CLNT_SURNAME»
Client number: «CLNT_NR»

What you should know about the **new retirement system**

As you are a valued member of the **Personal Portfolios Retirement funds**, it is our duty to inform you of the manner in which the new retirement system, widely known as the **two-pot system**, will affect you.

Importantly, you are not losing any existing rights, and your retirement savings value as on 31 August 2024 will not be affected. What will change, however, is how and when you'll have access to your retirement savings with effect from 1 September 2024.

We are also excited to share the availability of a new **Glacier Retirement Fund Member Information Hub**, where we will keep you informed about the new retirement system (read more about this below).

The **reason** for the changes

The changes aim to better help **preserve** retirement savings and at the same time also allow members to **access** their savings in a controlled manner in times of financial hardship.

The challenge with the current system is that members are able to make once-off withdrawals from their retirement savings (preservation funds) and full withdrawals (pension and provident funds) when they leave an employer. These withdrawals significantly decrease the capital available to members to provide an income during retirement.

The **current** situation

Access to your retirement savings depends on whether you save in a retirement annuity, pension preservation fund or provident preservation fund. Read more about the current situation in the “Further information – The current situation in detail” section below.

What is changing?

The new system makes provision for the retirement savings in your retirement fund (retirement annuity, pension preservation fund and provident preservation fund), and your future contributions, to be allocated to three distinct components, commonly referred to as “pots”: the **vested** component, the **retirement** component, and the **savings** component. The new system will automatically allocate your contributions into these components from 1 September 2024.

Your existing savings on 31 August 2024 will be exempted from the new system and will form part of your **vested** component. The current rules will continue to apply to this component. New contributions from 1 September 2024 will be split between the **savings** and **retirement** components.

Two of the most significant **changes**

Access prior to retirement	Access at retirement
Preservation funds: Preservation fund members can currently access 100% of their retirement savings prior to retirement, using the allowable once-off withdrawal. This will still apply to the benefits in the vested component, but not to the benefits in the savings and retirement components (i.e. contributions made from 1 September 2024).	**Compulsory annuitisation:** This principle at retirement will remain the same as it is currently, but from 1 September 2024 you will be able to access the one-third in the savings component at any time prior to retirement, irrespective of the type of retirement fund in which you are saving.

The **three** components

Detail about the three components, including access to the funds in each component prior to and at retirement, can be found below, in the “Further information – The three components in detail” section.

What happens **next**?

The legislative process to introduce the new retirement system is underway and awaiting finalisation. We have been preparing for this change by updating our administration systems, processes, and the rules of the **Personal Portfolios Retirement Annuity Fund, the Personal Portfolios Preservation Pension Fund, and the Personal Portfolios Preservation Provident Fund (“the Funds”)** to make the change as smooth as possible.

It is important to note that implementation of the **two-pot system** is subject to our Funds' rule amendments being approved by the Financial Sector Conduct Authority.

Stay **informed**

Information is also available on our **Glacier Retirement Fund Member Information Hub** at Retirement Fund Member Information – Glacier Insights. You can click through to the new hub, or you can open your browser and copy and paste this link. Alternatively, you can search for Glacierinsights.co.za on the web, open the search functionality on the website and search for retirement + fund + member + information. Please visit this hub regularly, as we will continue to add information as it becomes available.

55 and older on 1 March 2021

Members of our provident preservation fund who were 55 and older on 1 March 2021, and are still members on 31 August 2024, will be **excluded from the two-pot system**. If you fall into this category, please note that nothing will change and all the rules currently in place will continue to apply. You can choose to participate in the **two-pot system** up to 12 months after the implementation date. We will send a separate communication to you in due course.

Kind regards

Natashja Terblanche
Head: Client Services

Tel: +27 21 917 9002 / 0860 452 364
Fax: +27 21 947 9210
Email: client.services@glacier.co.za
Website: www.glacier.co.za

Further **information**

The **current** situation in detail

Access to your retirement savings depends on whether you save in a retirement annuity, pension preservation fund or provident preservation fund.

Retirement annuity fund	Pension preservation fund	Provident preservation fund
Access prior to retirement You have limited access to the Funds until you retire. Access to the Funds can be obtained in the case of disability, death, or emigration.	**Access prior to retirement** You are allowed to make one withdrawal from the Funds before retirement. Up to 100% of the underlying fund value can be withdrawn, provided there are no restrictions placed on the investment by the transferring fund. Any remaining amount will remain invested until retirement, death, or disability.	**Access prior to retirement** You are allowed to make one withdrawal from the Funds before retirement. Up to 100% of the underlying fund value can be withdrawn, provided there are no restrictions placed on the investment by the transferring fund. Any remaining amount will remain invested until retirement, death, or disability.
Access at retirement: the one-third / two-thirds principle	**Access at retirement: the one-third / two-thirds principle**	**Access at retirement: the one-third / two-thirds principle**

You can take up to one-third of your savings as a lump sum. You have to use the rest of your savings to purchase a retirement income product.	You can take up to one-third of your savings as a lump sum. You have to use the rest of your savings to purchase a retirement income product.	You can take up to one-third of your savings as a lump sum. You have to use the rest of your savings to purchase a retirement income product. All contributions made before 1 March 2021 are also available as a lump sum on retirement. If a member was 55 and older on 1 March 2021, the full retirement benefit is available as a lump sum at retirement.

The **three** components in detail

VESTED COMPONENT **This is your protected component to which the new system does not apply.**	The component will consist of all the savings that accumulated in your retirement fund up until 31 August 2024, minus a prescribed amount that will be allocated to your savings component. Your current vested and non-vested rights portions together will make up the content of this component. The rules that apply to this component will remain the same as under the current retirement fund legislation. All future growth and earnings on this value will accumulate in this component. **Access prior to retirement** The current rules are applicable to the vested and non-vested rights portions. Access is possible in the case of emigration (three years cessation of residency), disability or death, subject to the applicable fund rules. **Access at retirement** Your benefits in the vested rights portion will be available as a lump sum (subject to tax) or as an annuity, or as a combination. Benefits in the non-vested rights portion are subject to the purchase of a compulsory annuity with at least two-thirds of the value unless the value falls below a prescribed minimum, in which case the two-thirds will be available as a cash lump sum.

RETIREMENT COMPONENT **This component addresses the preservation goals.**	Two-thirds of all contributions made from 1 September 2024 will go into this component, which you will not have access to until retirement, even if you are retrenched or leave your employer. At retirement, these funds must be used to buy a retirement income. All future growth and earnings will accumulate in this component until you retire. **Access prior to retirement** There is no access prior to retirement except in the case of emigration (three years cessation of residency), disability or death, subject to the applicable fund rules. **Access at retirement** All benefits must be used to purchase a retirement income, unless the value falls below a prescribed minimum, in which case the value will be available as a cash lump sum.

SAVINGS COMPONENT **This component allows controlled access to your savings.**	One-third of all contributions made from 1 September 2024 onwards will go into this component. The component will initially be funded by a once-off allocation from the vested component. This amount is equal to 10% of the value in the vested component as on 31 August 2024 (up to a maximum of R30 000). You may access the savings component once in a tax year. All future growth and earnings will accumulate in this component. **Access prior to retirement** You will be allowed one withdrawal per tax year, subject to tax. The value of the withdrawal must be at least R2 000 before costs, but there is no maximum withdrawal value. **Access at retirement** You may take the full value of this component as a lump sum, subject to tax as per the retirement tax table, or you may purchase a compulsory annuity with the value.

**** Tax implications***

It is important that you are aware of the tax implications of withdrawing part of your retirement savings early. The tax directive from the South African Revenue Service (SARS) will inform us of how much tax must be deducted from your withdrawal amount before it is paid to you. The withdrawal amount will be included in your tax assessment in the specific tax year in which the withdrawal happened.

Glacier Financial Solutions (Pty) Ltd. | A member of the Sanlam Group | Private Bag X5 | Tyger Valley 7536 | client.services@glacier.co.za | Tel +27 21 917 9002 / 0860 452 364 | Fax +27 21 947 9210 | www.glacier.co.za | Twitter @GlacierBySanlam | Reg No 1999/025360/07

Sanlam Life Insurance Ltd. | life@sanlam.co.za | Tel + 27 21 916 5000 / 0860 726 526 | Fax +27 21 947 9440
Reg No 1998/021121/06 | Licensed Financial Services Provider | Sanlam's Privacy Policy

THINK WORLD CLASS