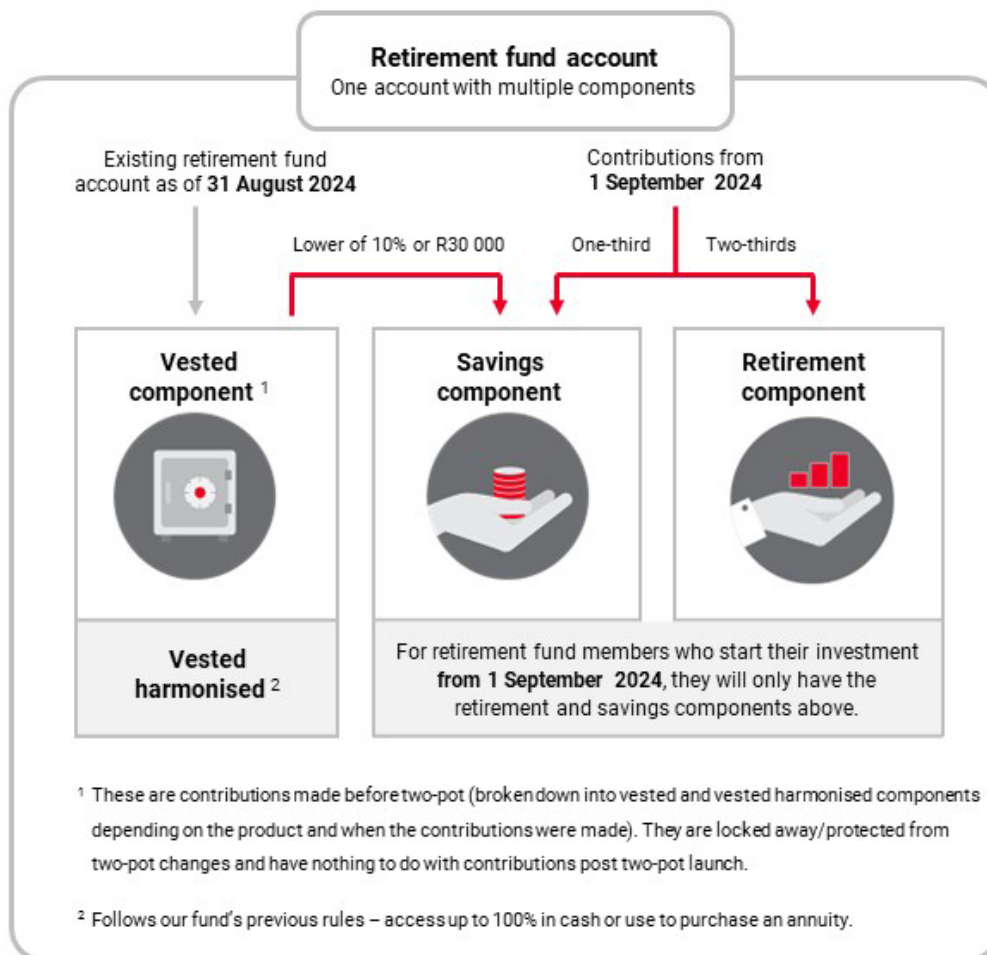


THE TWO-POT RETIREMENT SYSTEM WILL BECOME EFFECTIVE FROM 1 SEPTEMBER 2024

The new two-pot retirement system, which aims to promote the preservation of retirement fund savings until retirement, while also providing access to savings in times of need, will be implemented on 1 September 2024. The two-pot retirement system will impact all members of retirement funds, including members of the Allan Gray Retirement Annuity, Pension Preservation, Provident Preservation and Umbrella Retirement funds on the implementation date – unless they are excluded from the two-pot system. Members who will be excluded include those who have been a member of the same provident fund, or have consistently been a member of a provident preservation fund, since before 1 March 2021 and were 55 or older on that date.

What will be changing?

All retirement contributions from 1 September 2024 will be split between two components: the retirement component and the savings component. Existing assets on the implementation date will be vested and will comprise of the vested component.



Retirement component

Two-thirds of new contributions will be allocated to the retirement component. Members will not be able to access funds invested in the retirement component before retirement. At retirement, members must use the total amount in the retirement component to purchase an income-providing product.

Savings component

One-third of new contributions will be allocated to the savings component. Members will have the right to withdraw up to the full amount invested in their savings component once per tax year. At retirement, any remaining balance will be available as a cash lump sum and can be used together with the retirement component to purchase an income-providing product.

Vested component

Contributions made up until the implementation date, plus all future growth on those contributions, will be housed in the vested component and will remain subject to the existing retirement rules.

No further contributions can be made to the vested component, except by members who will be excluded from the two-pot system.

What will happen on the implementation date?

The value of a member's account will be allocated to the vested component. The member's savings component will then be seeded by transferring 10% of the vested component, subject to a maximum amount of R30 000, to the savings component. All future contributions will be split between the retirement component (two-thirds) and the savings component (one-third).

When and how can members withdraw from their retirement fund account?

Members will be able to withdraw from their savings component from 1 September by submitting a transaction via their Allan Gray Online account. You will also be able to submit savings component withdrawal instructions on your clients' behalf by using the digital authorisation process or submit directly to Allan Gray if you have the necessary authorisation. Members will need a valid bank account and tax reference number. They would need to provide an estimate of their expected taxable income as outlined by SARS. SARS will use this information to determine the marginal tax rate to apply to the withdrawal.

Members will be able to submit one withdrawal per account. Each withdrawal must be for a minimum of R2 000 and will be taxed at the member's marginal tax rate. Once a member has submitted a withdrawal, it cannot be cancelled, and they will not be able to submit another withdrawal on their account until the following tax year, i.e. 1 March 2025.

Savings component withdrawals are not retirement fund lump sum withdrawals and therefore they will not reduce the R550 000 tax-free withdrawal amount available at retirement nor the R27 500 tax-free withdrawal amount on pre-retirement lump sum withdrawals from the vested component.

How long will withdrawals take to be processed?

The timeline for a savings component withdrawal will depend on whether the member is performing a full or a partial withdrawal from their savings component. If the member requests a full withdrawal, we will first switch the amount in their savings component into the Allan Gray Money Market Fund. Once this switch has been completed, we will apply for a tax directive from SARS. If the member requests a partial withdrawal, we will apply for a tax directive as soon as we receive a valid withdrawal instruction. Currently, we do not know how long SARS will take to approve these tax directives. Once we receive the approved tax directive, we will process the withdrawal following our usual withdrawal timeline of 5 to 6 business days.

How will members with harmonisation vested benefits be treated?

Members under 55 on 1 March 2021

These members currently have their benefit invested across two accounts: their vested account, which contains the value of their benefit on 1 March 2021, plus growth, and their unvested account, into which any new contributions were invested. On implementation, both the vested and unvested account will be divided into components and the savings component in each account will be seeded, subject to the R30 000 limit, taking into account the combined value of both accounts. The amount in the savings component in the vested account will then be transferred to the savings component in the unvested account. Thereafter, these members' full savings component will be in their unvested account, and they will be able to submit withdrawal instructions from this account via their Allan Gray Online account. The remainder of their benefit in their vested account will remain invested therein, with the rights attached thereto continuing to be protected.

Members over 55 on 1 March 2021

Provident and provident preservation fund members who were over the age of 55 on 1 March 2021 and excluded from the harmonisation changes, and who remain members of a provident or provident preservation fund, will be excluded from the two-pot retirement system. They can continue to contribute to their account, where applicable, with their contributions continuing to be protected from both the harmonisation and two-pot changes.

These members will be allowed to opt in to the two-pot retirement system at any time. At the point of opting in, their existing benefit will be vested, and any future contributions will be split between their retirement and savings components. Their account will also be seeded according to the same seeding calculation as described above and using the market value of their account on 31 August 2024.

We will implement these changes on 1 September 2024

We are in the process of updating our rules, processes, systems and content to reflect the changes described above. These will be live on 1 September 2024.

We will communicate the changes to all Allan Gray retirement fund members towards the middle of August. We will inform you of these communications ahead of distribution.

For more detail on these changes, please refer to our [Two-pot frequently asked questions](#) or visit our [Two-pot retirement system](#) page on our website, at www.allangray.co.za.

If you have any questions or feedback, please contact your Business Development Manager, our Adviser Service Centre on 0860 000 653 or email us at ifa@allangray.co.za.