

# Transnet Retirement Fund Two-Pot System



Prepared by N.Salke (March 2024)

# Why Two Pot ?

## PRESERVATION

- Insufficient preservation - members leave employment and cash out their retirement savings
- Encouraging South Africans to save more for retirement

## ACCESS TO CASH

- Members of funds can only access their retirement savings (pre-retirement) if they resign from employment
- Allowing members to access a portion of their retirement savings in retirement funds without leaving employment



# Proposed Implementation Date

**1 SEPTEMBER 2024**



**VESTED POT**



**SAVINGS POT**



**RETIREMENT  
POT**

Let's look at  
each of the  
pots separately





# Vested Pot

Rules existing immediately prior to 1 September 2024 apply to this pot



## What goes in?

- The member's value in the fund immediately prior to 1 September 2024
- Plus vested pots transferred in from other funds
- Plus investment return |
- Nothing else from 1 September 2024 (except for certain older members)

## What comes out?

- Withdrawal on leaving employment
- On retirement: **layers in the pot** - some amounts will be annuitised and some paid in cash depending on the current compulsory annuitisation (vesting and non vesting) rules – no change



# Savings Pot

## What goes in?

- One third of contributions from 1 September 2024
- Other funds savings pots
- Plus investment return



## What comes out?

- *Once a rolling 12 months* the member can take a “savings withdrawal”
- Minimum amount in the pot of R2000 (“the value of each such withdrawal may not be less than R2000”)
- Taxed at member’s **marginal rate**
- *Withdrawal on leaving employment:* can take everything in cash
- *On retirement:* can take everything in cash or elect to transfer amounts in the savings pot to the retirement pot in the fund (and annuitise) – tax
- **Transfer within the fund to the retirement pot**
- At any time, saving pot may be transferred partially or in full to the retirement pot in the same fund
- Section 14 transfer
- On retirement



### What goes in?

- Two-thirds of contributions made after 1 September 2024
- Amounts transferred in from retirement pots or savings pots in other funds
- Plus investment return

## Retirement Pot

### What comes out?

- **Withdrawal on leaving employment:** nothing
- **On retirement:** the whole amount must be paid as an annuity
- unless the “total value of the retirement interest” is below the statutory minimum, or the retirement interest is transferred to a pres fund or RAF, or the member dies
- Retrenchment debate

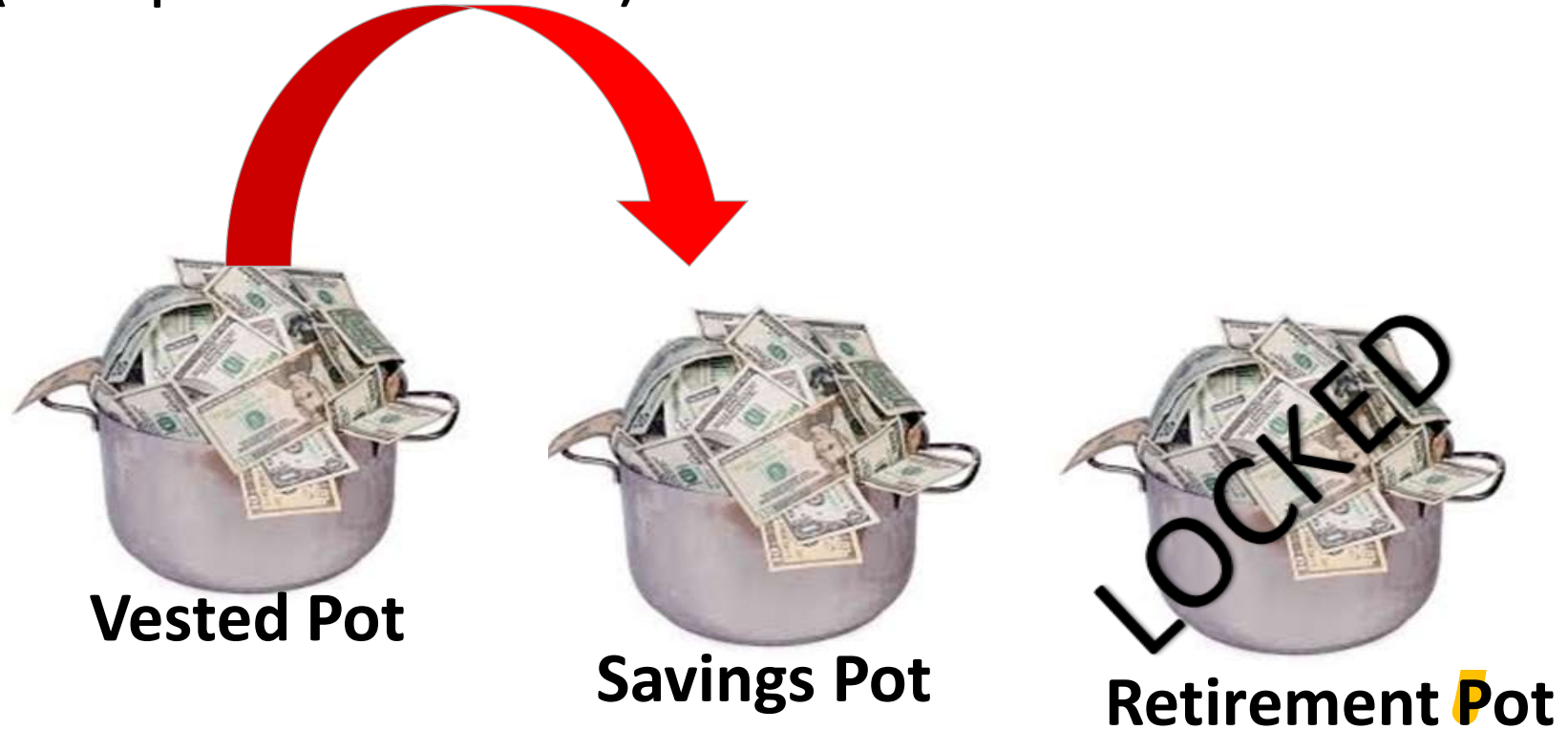
# Vested pot – specific category of members

- **Older members**
- Contributions can be made to this pot by **member of provident fund who was 55 years of age or older on 1 March 2021** (“older members”)
- Continue contributing to the vested pot and then take the full amount as a withdrawal benefit
- Intention - all contributions before and after the implementation date in cash

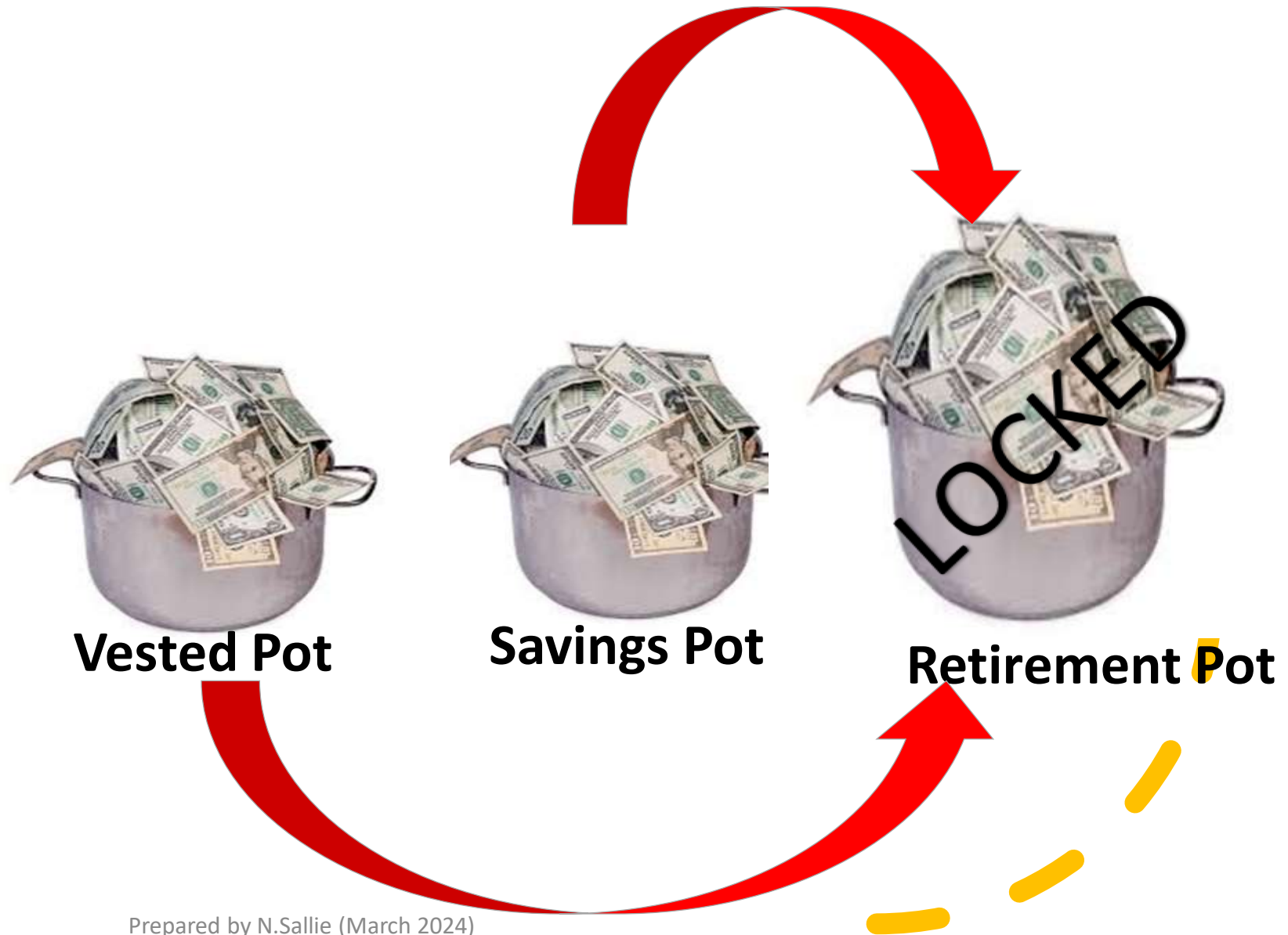


Seeding  
Debate  
(Once Off)

Lesser of 10% or R30 000  
(1 September 2024)



Transfers  
Allowed



# Let's put it together.....

**While still in employment**

Savings withdrawal once a year (subject to R2000 rule)

**On withdrawal from Fund**

- Everything in savings pot is paid
- Nothing from the retirement pot is paid
- Everything in vested pot is paid

**Retirement**

- Everything in savings pot paid (cash or transferred to retirement pot and annuitised - at member's choice)
- Everything in retirement pot paid as annuity
- Vested pot paid as part annuity and part cash depending on annuitisation vesting/non vesting amounts)
- *De minimus* amount still applies (slightly different application)

# What is Treasury still working on?

- Final Legislation still awaited
- Emigration scenario
- Defined benefit funds and old retirement annuity funds (exemption application)
- 'Older members' – opt in or opt out ?
- Retrenchment –a subsequent amendment according to Treasury
- Deductions (Maintenance, Divorce )



A photograph of two firefighters in full orange protective gear and yellow helmets, actively spraying water from a hose onto a fire. The scene is filled with steam and the glow of the fire, creating a dramatic and intense atmosphere. The firefighters are positioned in the center-left of the frame, with the fire on the left and the water spray extending towards the right.

# Why all the fuss

- Systems
- Processes and forms
- Resource planning
- Investments
- Training
- Communication
- Changes to ACT & Fund Rules



# Pension Backed Lending



# Pension Backed Lending

- Board of Trustees of the Transnet Retirement Fund (TRF) approved an amendment to the Rules of the Fund which allow the Fund to implement a **housing loan suretyship scheme**
- FNB – preferred provide appointed by the Board



# Conditions Applicable



## THE LOAN MUST BE USED TO

- acquire **immovable property** on which a residence has been or will be erected, or
- **erect a residence on immovable property** in respect of which the member has obtained ownership or the right to ownership through a right of occupation for the member, or
- **make additions or alterations** to or to maintain or repair a residence of which ownership or the right to ownership was obtained through a right of occupation and which is or will be occupied by the member, or
- to a member against security of immovable property which belongs to the member and on which a residence has been or will be erected which is or will be occupied by the member,

# Will the Loan affect Members Benefit?

- No monies leave the fund
- Benefit is kept in tact
- FNB issue the loan
- The loan will be secured by a **suretyship** given against a **proportion** of the member's accumulated benefit in the Fund
- Loan will be repaid by means of a monthly salary deduction via the Transnet/PRASA payroll



# Loan Parameters

- **Interest Rate Applicable :** Prime less 0.5%
- **Once Off Initiation Fee :** R 500
- **Monthly Service Fee :** R 69
- **Credit Life :** Optional
- **Cost of Credit Life (pm) :** R2,49 per R 1 000





## Contact Details

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