

# The **Two-Pot** Retirement System:

## An update from Sanlam Corporate



## Member Education and Communication

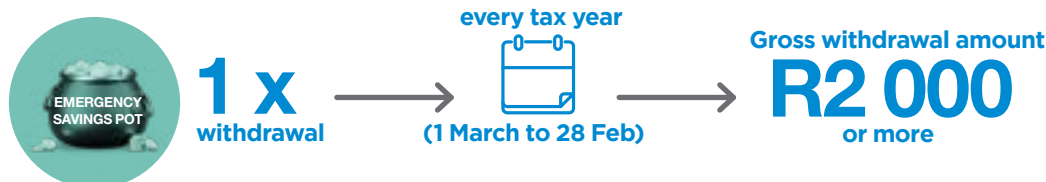
Member education is key in helping our members understand the changes that Two-Pot brings about. With this newsletter we provide you with complimentary educational material you are welcome to use.

Among the many things that we must make members aware of, one important matter is the expectation of members with a fund credit smaller than R20 000. These members will not be able to make a cash withdrawal from the Savings Pot as the withdrawal amount will fall below the R2 000 minimum. We recommend to clients to make members aware of this matter specifically.

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## Cash withdrawals from the Savings Pot

Members who have a Savings Pot can make one withdrawal from their Savings Pot once every tax year (1 March to 28 February). The gross withdrawal amount must be R2 000 or more.



In our previous newsletter we mentioned that we are considering a process where withdrawal requests can be made via the Employer and/or members can submit them directly to the Administrator. However, if the member is allowed to submit a payment request directly to the Administrator, we have no doubt that less informed members may be scammed and that the risk of fraudulent claims will increase exponentially.



Considering the above, the withdrawal process we are putting in place has the following main features:

Withdrawal request submitted by the member:



- ① We will ask the Employer to provide us with a member's bank account upfront. A digital facility on the employer portal will be made available for a bulk upload of the data as required.



- ② We suggest the Employer provides us with a member's salary bank account details because the Employer has access to this information.



- ③ This information will then be published on the Member App in the new cash withdrawal screen. The member will not be able to edit this information when applying for a cash withdrawal.



- ④ Once a member submits the claim, they will be sent an SMS OTP to their "employer provided" mobile number and/or email address, which they must enter to complete the claims process. We need to use this number as the fraud risk again increases if false mobile numbers are provided by a scammer, pretending to be the member.



- ⑤ Please note that where we do not receive bank account details for pre-population on our system, we will not be able to allow the member to make a cash withdrawal application directly with Sanlam.

Withdrawal request submitted by the Employer



- ① Where this route is followed, the Employer is able to adopt any process they consider appropriate right up to the point where the request is submitted on the Employer Portal and sent to Sanlam for processing.



- ② This means that the Employer needs to extract the member's preferred bank account at the time the member elects to make a cash withdrawal from the Saving Pot and enter these details on the Employer App for processing. It can be any account specified by the member and needn't be a salary bank account.



- ③ In these cases the member will receive an SMS and/or email advising them that the request has been received, and if this was not initiated by them - to contact the administrator.





## Cyber security re bank account

We appreciate that Employers may be concerned about providing Sanlam with salary bank account details upfront where they have not done so in the past.

From a security perspective, the Sanlam Group has an approved Cyber and Information Security Strategy which is reviewed annually, to which Sanlam Corporate subscribes. The strategy is driven and governed by Sanlam Group Technology and the execution thereof (the controls and preventative processes) are co-ordinated and executed by Sanlam's Group Cyber Security centre and Group Information Security Programme. Governance is performed via approved governance forums (representing all the businesses in the Sanlam Group) that report quarterly to the Sanlam Board.

The receipt of and processing of bank account details provided by the Employer will fall under this cyber security blanket in the same way as the currently provided employer information is protected.

## Impact of the Two-Pot System on Section 14 transfers

There are two important dates to keep in mind when processing Section 14 transfers between funds. The first is the effective date of the transfer. From this date fund credits will become paid-up in the 'old' fund and contributions will commence in the 'new' fund. The second is the transfer date, following FSCA approval, usually after a couple of months if it is a Section 14(1) transfer. Following approval, the Administrator can transfer the fund credits from the old fund to the new fund.

The basic principle is that all fund credits of active and paid-up members on our administration system will be seeded. For example, if the effective date of the Section 14 is 1 February 2024 and the transfer date is 1 June 2024, the member will have two fund credits on different funds. It follows that between these two dates, both these fund credits will be seeded into two Savings Pots on 1 March 2024 and members will be able to make a cash withdrawal from both Pots. The dual pot situation will resolve itself after the transfer date, when the pots in the old fund is transferred to the new fund.

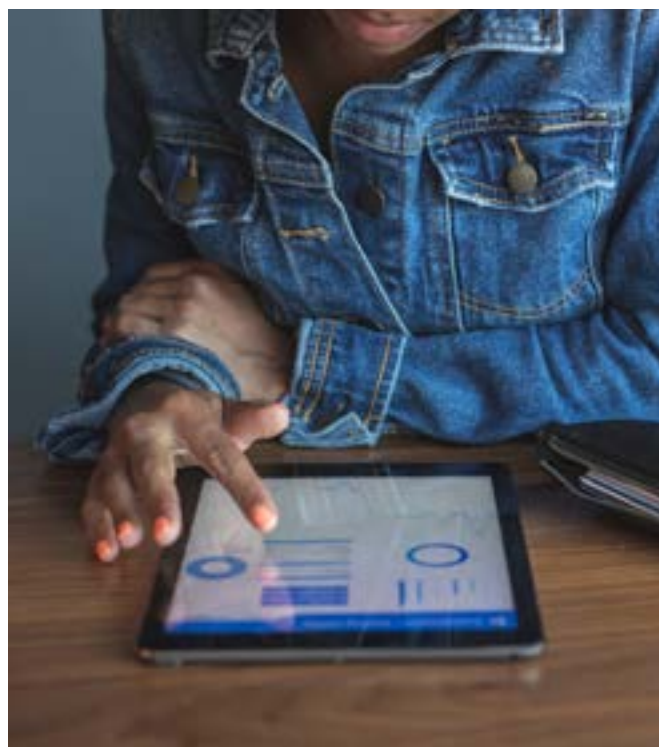
Please note that current practice is that one cannot pay benefits from the old fund after the approval of the Section 14 by the FSCA - it can only be paid once the fund credits are actually paid to the new fund. For this short period the old fund will also not be able to pay a withdrawal from the Savings Pot either.

## Contributions

Arrear contributions that relate to the pre-implementation period will be allocated to the respective pre-implementation period and will be subject to the rules applicable under the pre-implementation retirement regime. Arrear contributions that relate to a post-implementation period will be allocated to the respective Savings Pot and Retirement Pot.

Sanlam will only seed from contributions received that have been allocated to member credits before the implementation date. Any arrear contributions will therefore not be taken into account for seeding to the Savings Pot.

Employers are requested to ensure that all contributions are up to date prior to the Two-pot implementation date, and we encourage employers to pay contributions for the month prior to implementation date before the implementation date.







## Frequently asked questions

We received a number of questions in our engagements with clients thus far. These questions and answers are published here for your information.

**Q: If a member is invested in more than one portfolio, can the member withdraw from just one portfolio.**

A: No, the withdrawal will be made pro rata based on the value of the respective portfolios

**Q: If a member belongs to more than one fund, can the member make cash withdrawals from each of these funds?**

A: Yes, the cash withdrawal applies per fund

**Q: What if a paid up member wants a partial payment but don't want to withdraw everything - if we don't allow them the seed amount we are forcing them to take their full benefit?**

A: We will seed paid-up members. However, the current draft legislation says that we must not seed phased retirees/deferred pensioners i.e. members who have already retired but who have not yet elected to receive their retirement benefit. These members will have to retire in terms of the rules of the fund should they wish to access cash.

**Q: What if the member has an ITA88 (a tax directive for arrear tax). Will this be deducted from the cash withdrawal from the Savings Pot?**

A: This is regrettably a matter that is not clear at this stage. We have it on our agenda to discuss with SARS when they are ready to engage.

**Q: Will the turnaround times for payments be the same as the normal withdrawal turnaround times?**

A: Cash withdrawals from the savings pot should be the same turnaround time as a normal full cash withdrawal. The current SLA is 10 business days, depending on whether validations pass or fail. Please note that if volumes of claims exceed our planning, the SLAs will be under pressure. We also need to make sure there is enough cash in the bank account to pay the claims, especially in a peak period.

**Q: Preservation Fund members can currently make a once-off cash withdrawal from their fund. Will this remain in place and how does it work with the savings pot?**

A: The once-off cash withdrawal from a preservation fund remains in place and it will apply to the vested pot. If the member has a savings pot, whether it be in the fund from which the benefit is transferred or in the preservation fund itself, the cash withdrawal from the savings pot will be possible on top of the once-off withdrawal from the vested pot in the preservation fund.

## In our next newsletter...

We promised you more information about member options when terminating – i.e., resignation or retirement – employment with their employer. Due to legislative uncertainties, we decided to hold back on this. We specifically refer to cases where the member wishes to take some cash at resignation and preserve the balance in the fund. We will keep you posted.



## Contact us

We hope you found the information in this newsletter informative.

Please feel free to contact us at [2pot.sc@sanlam.co.za](mailto:2pot.sc@sanlam.co.za) should you have queries, questions or ideas to share with us.