# IMPORTANT *NEWSFLASH* FOR ALL **MEMBERS** AND **EMPLOYERS**


MOVING TOWARDS **A BETTER FUTURE**

## TSRF **PROVIDENT FUND** MEMBERS **VESTED RIGHTS** ARE **PROTECTED** WHEN **ANNUITISATION CHANGES** ARE IMPLEMENTED ON **1 MARCH 2021**

The **Taxation Laws Amendment Act, 2013** contained the following changes with an effective date of **1 March 2016**:

1. 27.5% tax deduction up to a maximum of R350 000 per annum for all retirement fund contributions;
2. The increase to the de minimis annuitisation threshold from R75 000 to R247 500;
3. The fringe benefit taxation of employer contributions to pension and provident funds;
4. **The tax-free concession for pension to provident fund transfers;**
5. **Making provident funds subject to the pension fund annuitisation regime, subject to the protection of vested rights.**

Items 1 to 3 were implemented effective 1 March 2016, but **items 4 and 5 were postponed several times; the last postponement happened via the Taxation Laws Amendment Act, 2018 which set the effective date at 1 March 2021.**

## WHAT IS **CHANGING?**

***From 1 March 2021 provident funds must work like pension funds***, i.e. at retirement only one- third can be taken as a cash lump sum and two-thirds must be used to buy a pension for life**.**

***To protect members' vested rights all members will from 1 March 2021 have two "pots" of money in a Fund. A vested "pot" and a non-vested "pot".***

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## WHAT IS THE DIFFERENCE BETWEEN A **VESTED "POT"** AND A **NON-VESTED "POT"?**

The **vested "pot"** of money is the member's current fund savings as at ***1 March 2021*** plus growth on the money until the member retires. At retirement this pot can be taken as a cash lump sum.

The **non-vested "pot"** of money is all the new contributions from ***1 March 2021*** up until the member retires plus growth. At retirement the member can only take one-third of this money as a cash lump sum and two-thirds must be used to buy a pension (compulsory/guaranteed/life annuity).

If the **non-vested "pot"** is ***less than R247 500*** (the de minimis) this may be taken as a cash lump sum.

This means that provident fund members will keep their right to withdraw their accumulated retirement savings as at ***1 March 2021***, plus the growth on them, as a lump sum cash benefit, even if they transfer to another retirement fund after ***1 March 2021.***

## ALL **MEMBERS** TO REMAIN **CALM** AND **NOT OVERREACT**

The Fund urges all members to **remain calm and to not overreact**. This change will have no immediate impact on members as their vested rights are protected.

If you have any **concerns or queries** please contact the Fund at

**011 544 8300**


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## WHAT ABOUT **MEMBERS** WHO ARE **55 YEARS** OR **OLDER** ON **1 MARCH 2021?**

If these members stay in the TSRF until their retirement, they will be allowed to take their **total** accumulated retirement savings as a cash lump sum at retirement. This means that they only have a "vested pot".

If these members transfer to any other retirement fund after 1 March 2021, they will have two "pots" at retirement:

***The vested "pot"***, which will be an amount that they can take as a lump sum cash benefit at retirement, consisting of their accumulated retirement savings in the TSRF on the effective date of the transfer to the new fund, plus the growth earned on the transferred amount in the new fund until retirement.

***The non-vested "pot"***, which will be an amount that they must use to buy an annuity at retirement, consisting of their contributions made to the new fund plus the growth on these contributions, at retirement. If the value of the non-vested "pot" is less than R247 500 at retirement this may be taken as a cash lump sum.

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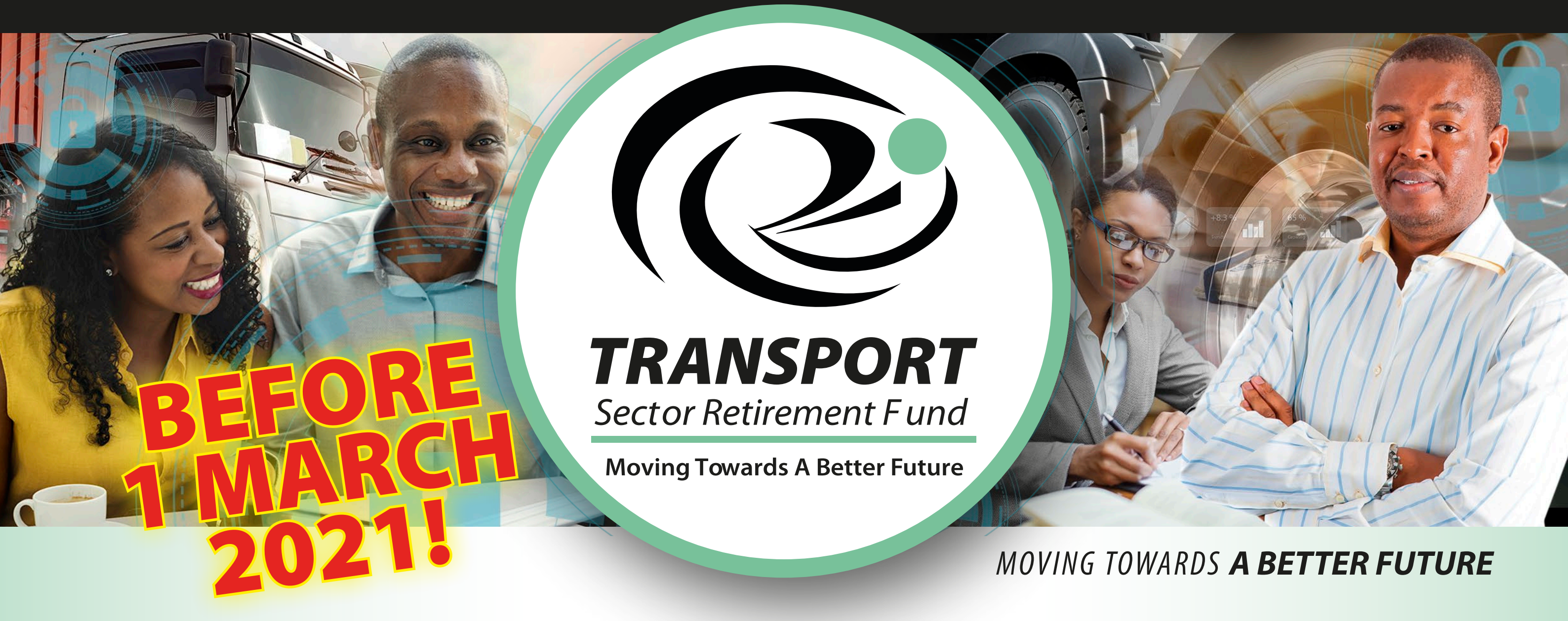


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## **IMPORTANT** REQUEST TO **EMPLOYERS**

## OUTSTANDING CONTRIBUTIONS AS AT **28 FEBRUARY 2021**

1. The Pension Funds Act allows the administrator of the Fund to collect contributions from the participating employers in arrears. It also allows the administrator to collect monthly contributions in arrears up to the 20th of the following month.

2. The view of the administrator of the Fund, which is similar to the views expressed by most industry players, is that contributions made to the Fund up to and including the period ending ***28 February 2021*** (i.e. in respect of all payment periods up to and including February 2021), but only collected by the administrator after 28 February 2021, are amounts contributed to the Fund before 1 March 2021 and therefore should be part of members' vested "pots" on 1 March 2021.

3. We would rather like to urge participating employers to pay arrear contributions, if any, plus the February 2021 contributions to the Fund by the latest 28 February 2021. This will make sure that these contributions form part of the members' vested "pots".

It is therefore **very important** that **all participating employers** make sure **contributions** that are **in arrears** and **February 2021 contributions** are **paid before 1 March 2021.**

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