My future

ISSUE 6 | 2024

THE CONTRACT CLEANING NATIONAL PROVIDENT FUND

CONTENT:

UNDERSTANDING THE NEW TWO-POT SYSTEM

The law is changing with effect from 1 September 2024. To comply with the new Two-Pot system the Fund has submitted revised rules to the Financial Sector Conduct Authority (FSCA).

The two-pot system, actually involves three components or pots. The vested, savings, and retirement components.

This structure enables fund members to access a portion of their retirement savings before retirement without having to resign, this is a change from the current system. Despite this change your benefits in the Fund remains the same, only the way in which benefits are paid changes.

From 1 September, members will be able to manage their retirement savings in a more flexible and accessible manner.

In short

- The vested component consists of the retirement savings accumulated until 31 August 2024, which remains subject to the old rules, which means that you can continue to take this benefit in cash when you retire.

- The savings component allows for partial annual withdrawals in case of emergencies, reflecting the government's understanding of the financial realities many South Africans face.

- The retirement component, on the other hand, is strictly preserved for retirement, ensuring long-term financial security.

1 SEPTEMBER 2024

Your retirement fund savings up to 31 August 2024

1/3 of your contribution

2/3 of your contribution

VESTED POT/COMPONENT EXPLAINED

Your Fund credit as at 31 August 2024 will be ring-fenced and protected in the vested pot. CCNPF members will still be able to take their vested component in cash when they retire.

After 1 September 2024 members will no longer contribute to their vested component.

Members aged 55 and older

Members who were 55 years and older on 1 March 2021 will only have a vested pot/component, which they can take in cash when they resign or retire. These members will continue contributing to their vested pot and are exempted from the Two-Pot system. However, upon request, members may opt-in to participate in the two-pot system. ***If you were 55 years and older and a member of the CCNPF on 1 March 2021 please contact the Fund directly for assistance.***

SEED CAPITAL

The seed capital is a once-off transfer that will create an opening balance in your Savings Component. This will enable immediate access to the available balance (accumulated credit) in the Fund on 1 September 2024. Thereafter, one-third of your future retirement fund contributions will be allocated to your Savings Component.

Members will be able to withdraw up to 10% of their savings as of 31 August 2024 (minimum of R2,000 but not exceeding R30,00). This option will be available from 1 September 2024. Savings withdrawals will be taxed at the member's marginal tax rate.

How will this work?
NBC will do a once-off compulsory transfer of 10% of your retirement savings OR R30 000 on 31 August 2024, whichever is the lowest, to your savings component. The rest of the money will remain in your vested component.

Let's look at how your money will be allocated!

Retirement savings on 31 August 2024	Amount transferred to your Savings Pot (Component)
R5000	R500
R10 000	R1000
R20 000	R2000
R50 000	R5000
R100 000	R10 000

As seen from the table above - if you have less than R20 000 as a Fund Credit (retirement savings) as at 31 August 2024 you will not be able to make a savings withdrawal from the Fund on 1 September 2024. ***You will have to wait until you have at least R2000 in your savings component before you can withdraw this money.***

1/3 of your contribution

SAVINGS POT / COMPONENT EXPLAINED
From 1 September 2024 members must contribute one-third (about 33%) of their total retirement fund contributions, after deductions, to the savings component.

Amounts contributed to the savings component, including fund return/growth, will be available to the member as a savings withdrawal benefit (minimum of R2,000 and no maximum limit) once a year before retirement without resigning from employment or retiring from the fund.

When you resign or retire the savings component will be paid in cash.

It is important to note that withdrawals from the savings component will be added to members' taxable income and taxed as normal income at their marginal rates and not as a retirement fund lump sum withdrawal benefit.

2/3 of your contribution

RETIREMENT POT/COMPONENT EXPLAINED
From 1 September two-thirds (about 67%) of contributions (after deductions) must be allocated to members' retirement component, which may only be accessed at retirement and not paid in cash.

When a member resigns the retirement pot (contributions plus investment returns/growth) will have to be transferred to an annuity or new employer's retirement pot as it may not be taken in cash.

At retirement, it must be invested in a pension plan/annuity to pay a monthly pension to the member, unless this value is equal to or less than R165 000 then it may be taken in cash.

EXAMPLE - SAVINGS WITHDRAWAL

Alina is 30 years old and has R30 000 in her retirement savings. On 31 August 2024, 10% of her retirement savings (R3 000) will be transferred to his Savings Component as an opening balance. This will leave her with R27 000 in her Vested Component.

When Two-Pot is implemented, Alina can do the following with the R3000 in her Savings Component:

- Withdraw it - this will be subject to tax. Alina's marginal tax rate is 26% she will therefore pay R780 tax on the R3000. She will also be charged a transaction fee (of R95) for the withdrawal to cover administration costs. She will therefore only receive R2125 in cash.
- Let it continue to grow. She can take it once per tax year for future emergencies.
- Avoid withdrawing it until retirement. At retirement she can choose to receive it as a lump sum (subject to tax) or add it to her Retirement Component to purchase a pension.

CLOSING

Look out for more information on how you can make a savings withdrawal from the Fund.

Making an annual withdrawal is voluntary and not compulsory and should be considered carefully, as it will could have a negative impact on your final retirement benefit.