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PSA The Union Of Choice

FOR PSA MEMBERS: **PUBLIC SERVICE COORDINATING BARGAINING COUNCIL (PSCBC)**

13-08-2024

Feedback: Special PSCBC meeting

Implementation of two-pot system

Members will recall that the *Revenue Laws Amendments Act* and the *Pension Fund Laws Amendments Act,* which gave effect to the implementation of the two-pot component system, will be implemented on 1 September 2024. The new law, according to the two-pot system, would provide for contributions to pension funds to be divided into the savings, retirement, and vested components as follows:

- **The savings component** would constitute one-third of the total contribution made to the pension fund. This component would be accessible to members before they reach retirement age, which will allow them to withdraw funds without a need to resign. It is aimed at providing financial relief for workers under such economic hardships. Members with more than R2 000 in the savings pot will be allowed to withdraw. The withdrawal amount will be taxed according to the marginal tax rate of each employee.
- **The retirement component** will preserve two-thirds of the contributions made to a pension fund. This portion is locked until the member reaches retirement age and retires. When the member retires the funds in the retirement pot will be disbursed in the form of an annuity.
- **A vested component** will hold all the retirement savings until 31 August 2024. Only R30 000 or 10% will be taken from the vested-pot component and be transferred to the savings-pot component as capped seed capital.

Whilst the signing of the *Pension Funds Amendments Act* marks a significant milestone, the PSA urges members to exercise caution. It is advisable to withdraw from the savings component only in cases of emergency, rather than for leisure or lifestyle expenses.

Members should note that the *Act* was promulgated by Parliament and the amended rules will be up for negotiations at the Bargaining Council. The employer, through the GEPF, further reported that it is in the process of aligning the new regulations by ensuring that the benefits are distributed fairly. It intended to amend Rule 14.2.1.1(a) and (c) of the pension fund rules. The PSA, however, raised concern regarding the process that was followed. The *GEPF Law* section 29, read in conjunction with PSCBC Resolution 1/2021 and the *Labour Relations Act,* dictates that any benefit change must be negotiated at the level of the PSCBC. Unfortunately, this was not done and therefore the PSA requested that due processes be followed.

The amendment to the law necessitates the adjustment of the current accrual rates of a 75%/25% split. Under the new pension fund amendments, the employer proposed a split of 33% gratuity and 67%

pension. Members would still get the same total benefit, despite changes to accrual rates. The proposed amendment will result in a higher gratuity but a lower pension (monthly). The PSA was not comfortable with the proposed split and requested that the Council should provide a second opinion by securing the services of an independent actuary. Parties agreed to reconvene by 26 August 2024 to clarify the implications of the changes about accrual rates and consideration of the second opinion. The above changes may not be clear to members and members are requested to contact their nearest PSA Provincial Office for assistance.

Members will be informed of developments.

Employees who have not yet chosen the PSA as their Union of Choice can visit the PSA's website (*www.psa.co.za*), send an email to *ask@psa.co.za*, or contact PSA Provincial Offices.

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GENERAL MANAGER