BACK TO BASICS

ANNUITISATION CHANGES FOR TSRF PROVIDENT FUND MEMBERS

TRANSPORT
Sector Retirement Fund
Moving Towards A Better Future

1 MARCH 2021 IS AN IMPORTANT DATE FOR ALL PROVIDENT FUND MEMBERS

From **1 March 2021**, it will be ***compulsory*** for a ***provident fund member*** to ***buy an annuity*** at ***retirement*** with at least ***two-thirds of*** their ***accumulated retirement savings.***

The good news is that provident fund members' ***vested rights are protected*** and this means that members 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.

1 MARCH 2021

MEMBERS YOUNGER THAN 55

You will have two "pots" of retirement savings when you retire:

- **The vested "pot"**, which will be your accumulated retirement savings at 1 March 2021, plus the growth on this money until your retirement. You will have the right to take the full value of this "pot" as a lump sum cash benefit at retirement.
- **The non-vested "pot"**, which will consist of your contributions made to the provident fund and/or any other retirement fund ***after*** 1 March 2021, plus the growth on this amount until your retirement. You cannot take the full value of this "pot" as a lump sum cash benefit and need to use two-thirds of this money to buy an income for retirement (annuity) when you retire. Only one-third can be taken as a cash lump sum on retirement.

This will mean that you will have two separate records indicating your two "pots" of accumulated retirement savings. One as at 1 March 2021 and one after 1 March 2021.

MEMBERS 55 AND OLDER

If you stay in the TSRF provident fund until your retirement, you will be allowed to take your total accumulated retirement savings as a cash lump sum at retirement. This means that should you remain in the TSRF until retirement, you will have only one "pot" and your entire benefit will be in the vested "pot".

Should you transfer to any other retirement fund after 1 March 2021, you will have two "pots" at retirement:

- **The vested "pot"**, which will be an amount that you can take as a lump sum cash benefit at retirement, consisting of your 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 you must use to buy an annuity at retirement, consisting of your contributions made to the new fund plus the growth on these contributions, at retirement.

WHAT IS A VESTED RIGHT?

A right belonging completely and unconditionally to a person and which cannot be impaired or taken away. In this case the vested right refers to the member's fund credit in the Fund as at 1 March 2021 - this is protected and the member will always be able to take this money in cash when they retire.

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 mininimis rule*) this may be taken as a cash lump sum.

The Fund urges all Provident Fund 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**