



FURNITURE BARGAINING COUNCIL

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CIRCULAR 09/24

TO ALL EMPLOYERS AND EMPLOYEES

THE TWO-POT SYSTEM

The Two-Pot System allows a member of the Furniture Bargaining Council Provident Fund, to claim a portion of his/her Provident Fund credit after 1 September 2024, without having to resign from his/her place of work. The portion a fund member may claim from, is referred to as the fund member's future **Savings Pot**.

There are strict requirements and rules regulating these claims, which may not be waived at any time. In order to ensure that all role players fully comply with these requirements, the applicable legislation related to retirement funds, has been amended by the government, to give life to the Two-Pot System. This also required certain amendments to the Furniture Bargaining Council Provident Fund rules, which has been approved and registered with the Financial Sector Conduct Authority (FSCA).

The purpose of this Circular is to outline the process and procedure to be followed in respect of any claim under the Two-Pot System.

A fund member will not lose or forfeit any of his/her previously accumulated Provident Fund credits, as a result of the Two-Pot System. The previously accumulated Provident Fund credits of every fund member up until 31 August 2024, will remain invested in favour of each particular fund member's credit in the fund, in his/her existing **Vested Component**, until the member is allowed to claim such portion in terms of the fund rules.

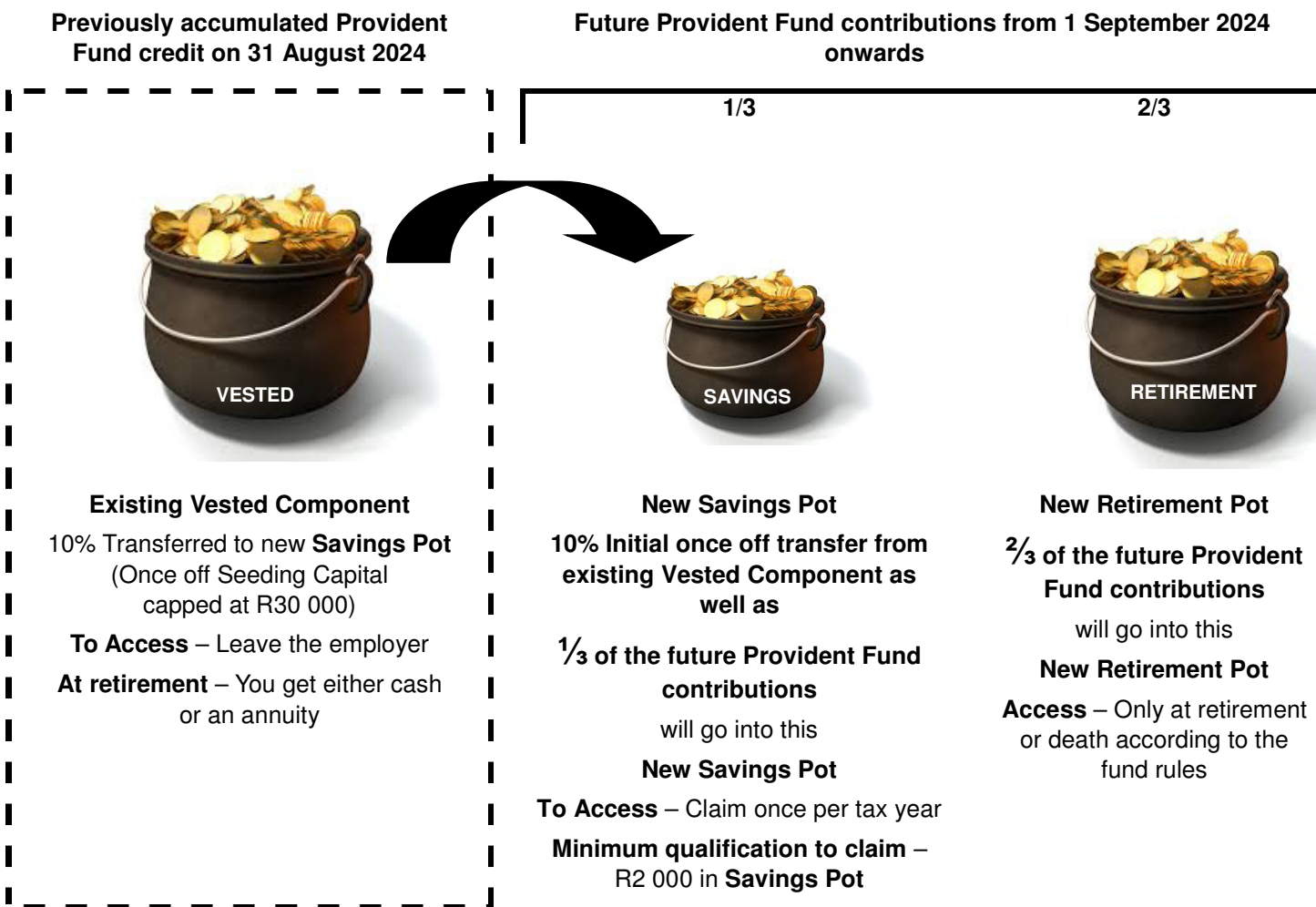
The Two-Pot System establishes two additional new pots for each fund member from 1 September 2024 and onwards into the future, namely a new **Savings Pot** and a new **Retirement Pot**.

The new **Savings Pot** will initially after 1 September 2024 receive a once-off funding of 10% to a maximum of R30 000, from the fund member's previously accumulated fund credit in his existing **Vested Component**. This once off transfer of an amount will be known as the **seeding capital**.

As from 1 September 2024 and onwards, the new **Savings Pot** will only be funded from a portion of the fund member's future Provident Fund contributions, as explained hereunder. The remaining portion from the future Provident Fund contributions will fund the fund member's new **Retirement Pot**.

The remainder of the previously accumulated fund credits in the existing **Vested Component** of the fund member after the **seeding capital** was transferred to the new **Savings Pot**, will remain invested in favour of fund member's credit, in the fund as indicated above.

The illustration below demonstrates the split of funds into the various pots from 1 September 2024 onwards into the future.



Opt-Into Two-Pot System: Members 55-years of age or older on 1 March 2021

Furniture Bargaining Council Provident Fund members that were 55 years of age or older on 1 March 2021, will NOT automatically be able to participate in the Two-Pot System.

If the above fund members (55 years of age or older on 1 March 2021), wish to participate in the Two-Pot System, they are required to complete a special form called an “Opt-In Form” in order to demonstrate their wish and election to participate in the Two-Pot System. These members shall have 1 year from 1 September 2024 until 31 August 2025 to make their election.

If the member elects to opt-in, he/she will be subject to the requirements and rules of the Two-Pot System explained above and elsewhere in this Circular. In the event that the fund member elects not to opt-in, he/she will remain subject to the old or current Furniture Bargaining Council Provident Fund’s requirements and rules.

If necessary, an “Opt-In Form” will be available at all the official FBC offices, also on the FBC website and at the various establishments registered with the FBC.

- These members must please note that, once they elected to opt-into the Two-Pot System, their decision cannot be reversed and they will be subject to the Two-Pot rules and legislation, until they retire from the Industry.

As from 01 September 2024, the following will happen:

- The Two-Pot System will commence with three parts namely:
 - The previously accumulated **Vested Component** up until 31 August 2024;
 - A future **Savings Pot** from 1 September 2024 and onwards; and
 - A future **Retirement Pot** from 1 September 2024 and onwards.
- After 1 September 2024, as soon as the system has completed the calculation and transfer of the initial **seeding capital** (10% to a max of R30 000) from the existing **Vested Component** to the new **Savings Pot** of each fund member, a qualifying fund member (R2 000 or more in the new **Savings Pot**), will be allowed to claim with the prescribed claim form and the necessary supporting documentation, from his/her new **Savings Pot**.
- In order to qualify to claim under the Two-pot System, the claimant must have a minimum amount of R2 000 in his new **Savings Pot**, at the time of claiming.
- All Provident Fund contributions received by the fund on behalf of fund members, due for the period 1 September 2024 and thereafter, will be allocated as follows:
 - $\frac{1}{3}$ of the Provident Fund contributions will be paid into the fund member's new **Savings Pot**; and
 - $\frac{2}{3}$ of the Provident Fund contributions will be paid into the fund member's new **Retirement Pot**.
- A member may ONLY withdraw funds from his/her new **Savings Pot**, once per tax year. A tax year commences on 1 March of each year and ends on the last day of February of the following year.
- Benefit statements reflecting the split into the three parts namely the existing **Vested Component**, the new **Savings Pot** and the new **Retirement Pot**, will only be available after the seeding calculation and transfer of funds were completed.
- Before you apply for an annual payment from your new **Savings Pot**, check your fund benefit statement to ensure that you qualify with at least R2 000 or more in your new **Savings Pot**, to allow you to claim after 1 September 2024.
- The prescribed claim forms for the Two-Pot System will be available at the establishments registered with the Furniture Bargaining Council (FBC), also on the FBC website and at the official FBC offices.

Please see the following practical example:

- Member A has a fund credit of R9 000 in the existing **Vested Component** as at 31 August 2024. On the 1st of September 2024, 10% of this fund credit being R900, will be transferred as **seeding capital** and paid into the new **Savings Pot** of this member.
- From 01 September 2024, the monthly Provident Fund contributions made to the fund for this member is for example R942 and will be split with (1/3) R314, being paid into the new **Savings Pot** and (2/3) R628, being paid into the new **Retirement Pot**.
- As the fee is below R2 000, this member will not be able to claim any funds immediately from his new **Savings Pot** from 1 September 2024. It will take this member 4 months ($R314 \times 4 = R1\ 256$) + R900 = R2 156, to qualify to claim in terms of the two-pot.
- Should Member A then submit a claim to withdraw an amount of R2 000 after 4 months from his/her new **Savings Pot**, such withdrawal claim will be processed and he will be taxed at his marginal tax rate. The tax amount and an administration fee will be deducted from the R2 000.

Claim forms

The Two-Pot claim form is available on the Council's website: www.furnbed.co.za, at registered establishments, as well as at any of the Council's official offices in Johannesburg, Pretoria and Bloemfontein.

The following supporting documentation must accompany each completed claim form:

- Certified copy of the member's identity document or passport;
- Proof of residence of the member;
- Official SARS income tax reference number of the member; and
- Confirmation of banking details.

Please note:

NO payment will be made to any third-party bank account or into any eWallet.

NO withdrawal claim will be processed without a valid SARS tax reference number belonging to fund member. (claimant)

NO payments will be processed if any of the above four (4) documents are outstanding

NB: Once the claim form is completed, it may, together with the required supporting documentation, be:

- Emailed to: two-pot@furnbed.co.za
or
- Submitted by hand to the Two-Pot Department at any of the Council's official offices in Johannesburg, Pretoria and Bloemfontein.

Please note that Agents may only collect Two-Pot claim forms with supporting documents from establishments' HR or Payroll Representatives, once such Representatives have verified that the claim forms are completed in full and all supporting documents have been checked and attached.

Members are requested not to hand their withdrawal application forms to Agents individually, but to hand such forms to their nominated HR or Payroll Representative for submission to the Council, if members are unable to submit their forms by e-mail or directly at the offices of the Council.

Registration with SARS and tax payable by a member?

- A member will pay tax at his/her marginal tax rate on any amount that is withdrawn from their Savings Pot under the Two-Pot system. As the withdrawal is taxable, a member needs to be registered with SARS prior to attempting to claim any withdrawal. An official tax number from SARS is required to process any claim. Without a tax number, the Council will not be able to process any claim.
- The marginal tax rates applicable will be the tax rate that is applied to each member's claim, based on their level of income in South Africa under the Tax Act.

Deductions under the Two-Pot System

PLEASE NOTE: All claim payments in terms of the Two-Pot System shall be subject to:

- The payment of SARS tax at your marginal rate;
- If a member owes SARS any money in respect of arrear taxes, SARS may deduct such arrear amount from any amount claimed under the Two-Pot System.
- An administration fee of R300.

Members are advised to carefully consider the impact of claims or withdrawals on their fund credits. We recommend that you speak to a qualified financial advisor, before claiming any funds.

Do not hesitate to contact the Agents of the Council should you require any additional information.

A COPY OF THIS CIRCULAR MUST BE DISPLAYED ON YOUR ESTABLISHMENT'S NOTICE BOARD

23 August 2024