LA RETIREMENT FUND
Formerly known as the Cape Joint Pension Fund
Securing your retirement

OVER 55 OPT-IN REMINDER

Two-pot retirement system

Dear Member

MEMBERS AGED 55 AND OVER AS AT 1 MARCH 2021 HAVE UNTIL 31 AUGUST 2025 TO OPT-IN TO THE TWO-POT RETIREMENT SYSTEM

The two-pot retirement system came into effect on 1 September 2024. Members who were 55 and older on 1 March 2021 may decide, within 12 months of 1 September 2024, to opt-in to the two-pot retirement system. You will not be allowed to opt-in to the two-pot retirement system at a later stage.

The Fund sent out a newsflash in February 2025 to members who fall into this category to alert them to the various implications.

As members who fall into this category have until **31 August 2025** to elect to opt-in to the two-pot retirement system, we wish to remind you of the available options.

If you decide not to opt-in to the two-pot retirement system – what will happen?

If you decide **not to opt-in** to the two-pot retirement system, then you retain your vested pot and will not have a savings pot or a retirement pot. All your contributions after 1 September 2024 will be allocated to your vested pot. Please note that this means that you will continue to have access to your full member share in cash should you withdraw or retire from the Fund.

If you elect to opt-in to the two-pot retirement system – what will happen?

If you choose to **opt-in** to the two-pot retirement system, you will have a savings pot (with a seeding amount therein), a retirement pot and a vested pot.

On the first of the month following your decision to opt-in, your contributions will be split one-third to your savings pot and two-thirds to your retirement pot.

Your retirement pot is not accessible until you retire.

Legislation requires that the full member share in the retirement pot must be used to buy an annuity either from the Fund (an in-fund annuity) or outside the Fund from a registered financial services provider.

The amount in the vested pot may be taken as a cash lump sum at retirement (subject to tax) or you may choose to purchase a cost effective in-fund annuity which will provide you with a monthly income (such as the In-Fund Living Annuity or the In-Fund Life Annuity - also known as a pooled annuity or PAC). If you resign from employment and wish to withdraw from the Fund after age 55, you will not have access to your retirement pot. This is only accessible at retirement.

The decision to opt-in to the two-pot system is irreversible. Please ensure you understand the implications of opting into the two-pot retirement system.

The Fund sent a link to details of the two-pot retirement system to all members on 6 June 2024; details of which can be found on the Fund's website under "Fund Guides". This guide contains useful information relating to when you can access monies from the various pots.

How do I opt-in to the two-pot retirement system?

The "Opt-in" form can be found under the "Forms" tab on the Fund's website. The completed form must be sent to support@laretirementfund.co.za, if you wish to opt-in.

The completed form must reach the Fund by no later than **31 August 2025**.

CAUTIONARY MESSAGE FROM THE TRUSTEES

The two-pot retirement system was introduced to allow access to the savings pot within a retirement fund in times of **emergency**. There have been many comparisons made available by the Fund to demonstrate that it is often financially better for a member to save for a larger expense rather than withdrawing money from their savings pot. These comparisons are available on the Fund's website.

Withdrawals from your savings pot dramatically reduce the positive effects of compound interest earned on your member share (i.e. the interest earned on interest over the medium to long term). You will also lose a substantial amount to tax as your cash lump sum is taxed at your marginal tax rate. The LA Retirement Fund is not a bank account. It enables you to build up savings over a long term to provide you with a comfortable retirement.

If you keep withdrawing from your savings pot, you will deplete your retirement savings and the amount that you will have access to as a cash lump sum, when retiring. This could result in you depending on the State and/or your family in retirement or struggling with the little money you have.

Should you have no choice but to utilise savings pot withdrawals, an option for you is to make monthly Additional Voluntary Contributions (AVC's) to help grow your member share. 1/3rd of your AVC's will go into your savings pot. Please speak to your payroll department to arrange this.

Remember, a retirement fund is designed for you to save for a comfortable retirement which is why withdrawals from the savings pot before retirement is for **emergencies** only.

Speak to the Fund's Retirement Benefits Counsellor, Grant Greenfield, if you need more information regarding the Fund's benefits and the contents of any of our communications.

WhatsApp us on 079 918 6187 and we will call you back.

"The question isn't at what age I want to retire; it's at what income."
– George Foreman

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