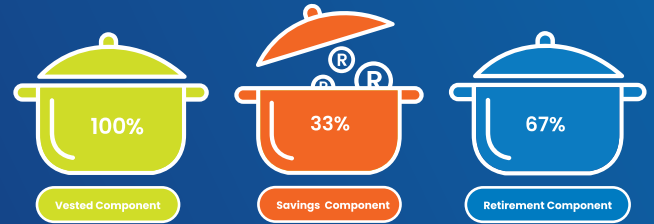


Two-Pot Retirement System and Section 37D Deductions

October 2024



Section 37D Deductions: Divorce, Maintenance, Employer Claims, Pension-Backed Home loans.

Divorce and Your Pension: Key Changes

Recent changes to the Pension Funds Act affect divorce orders in retirement funds, beyond just updates for the two-pot retirement system. Here's what you need to know:

- Divorce orders now apply to fund benefits even after a member leaves service.
- Any payment due from a divorce order will proportionately reduce vested, retirement, and savings components.
- If there's a pending divorce, the non-member spouse must consent in writing before the member can withdraw from savings.
- Members cannot withdraw from their savings component in the specific tax year while the divorce is pending.
- Once the divorce order is settled, the member may withdraw from the savings component in future tax years.

For Defined Benefit Fund Members (Coparties Pension Fund):

- Pensionable service is proportionately reduced across components (vested, savings, retirement), rather than by reducing a fixed amount.

Maintenance Orders and Your Pension

Here's what recent updates to the Pension Funds Act mean for maintenance orders:

- Maintenance orders are deducted proportionately from all available components at the time of payment.
- If funds are insufficient, withdrawal benefits from the savings component may be suspended to prioritize the maintenance order.
- Maintenance orders can be deducted from a pensioner's capital amount after retirement.

For Defined Benefit Fund Members (Coparties Pension Fund):

- Pensionable service is proportionately reduced across vested, savings, and retirement components, rather than by a fixed Rand amount.

Employer Claims and Your Retirement Savings

In cases of financial loss to an employer due to an employee's fraud, theft, dishonesty, or misconduct, retirement savings may be impacted as follows:

- Retirement savings can be used to compensate the employer if a civil or criminal judgment is in place.
- Any deduction for employer compensation will proportionately reduce vested, retirement, and savings components.
- Savings withdrawal benefits may be suspended if an employer compensation claim is pending.

Pension-Backed Home Loans and Divorce

New rules apply to pension-backed home loans, especially if there's a pending divorce:

- If there's a pending divorce order, the non-member spouse must consent before any new housing loan or guarantee is granted.
- From 1 September 2024, the fund must obtain written consent from the non-member spouse before approving a housing loan or guarantee if they've been notified of a divorce.
- Any amount to settle a housing loan or guarantee will reduce the vested, retirement, and savings components proportionately.

Housing Loan Settlement

- The loan will be settled if the member withdraws, retires, or defaults.
- Settlement will occur proportionately across all available components on the date of the reduction