VESTED AND UNVESTED BENEFITS

Compulsory annuitisation of retirement funds from 1 March 2021

1 March 2021 – known as T-day – is the date from which Pension and Provident retirement savings are treated equally in terms of tax and annuitisation.

From this date, at least two thirds of your value at retirement must purchase an annuity.

To protect members rights under the previous taxation rules, your retirement savings are divided into 'Vested' (old rules apply) and 'Unvested' benefits (new rules apply).

De minimis amount of R247 000: The legislation provides that at least two thirds of the value at retirement (less the vested portion) must purchase an annuity unless the total fund value does not exceed R247 500 in which case the total value may be taken as a lump sum.

1. **For members 55 and over on T-day**, their vested benefits will be:
   a. All contributions to a provident fund and transfers to a provident preservation fund of which they were a member on T-day, **both on and after T-day**
   b. Any amount credited to the member's account on and after T-day
   c. Any fund return, past and future, on the above amounts

This means that the full value of the benefits in the retirement fund they were members of on T-day will be vested benefits and available at retirement date.

On transfer to another approved fund, **all amounts at date of transfer plus fund return on the transfer value** in the new fund going forward will be vested benefits. **New contributions and fund credits plus fund return thereon in the new fund, will be non-vested benefits.**

2. **Members under age 55 on T-day,** their vested benefits will be:
   a. all contributions made to a provident fund prior to T-day or transfers to a provident preservation fund of which they were a member on T-day
   b. any additional amounts credited to the fund-up to T-day
   c. any fund return, past and future, on the above amounts

This means that the fund value on T-day plus all future growth on that fund value going forward will be vested benefits and the member will always be entitled to that portion as a lump sum.

All contributions made to a provident fund of membership after T-day plus any fund return or credits after T-day, will be **non-vested**, and on retirement will be subject to the annuitisation rules.

De minimis amount of R247 000
The legislation provides that at least 2/3 of the value on retirement (less the vested portion) must purchase an annuity unless the total fund value does not exceed R247 500.

3. Transfers to another approved fund

Vested benefits and non- vested benefits that are transferred by a provident fund member or provident preservation fund member to any other retirement fund after T-Day (excluding the GEPF) must retain their vested and non-vested nature in that new retirement fund.

This general rule is also true for any of those vested benefits and non-vested benefits that may be transferred to successive retirement funds. Vested and non-vested benefits will retain their nature irrespective of how many times they are subsequently transferred to other transferee retirement funds and irrespective of the type of retirement fund they are transferred to