

Two-pot Savings withdrawal claims



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Introduction

The Operations & Administration division (O&A) issues practice notes to:

- Increase awareness and provide insight into the best practices and procedures adopted by Alexforbes for the effective administration of your fund.
- Clarify our administration role.
- Align expectation between Alexforbes, trustees, employers and members of the retirement funds.



Please note that in the event of a conflict, the fund's rules, applicable legislation or the signed service level agreement will take precedence over the processes set out in this practice note.

In this issue, we highlight the best practices adopted in respect of dealing with savings withdrawal claims and we focus on the following:



Different methods of submitting savings withdrawal claims to Alexforbes.



Processing of savings withdrawal claims.



Procedural requirements that need to be complied with by the employer and the member.



Please note that for defined benefit members, a supplementary communication is available to be read alongside this practice note.

How do savings withdrawal claims need to be Alexforbes?

All savings withdrawal claims must be submitted to Alexforbes using an online claim notification.

Savings withdrawal claims are not triggered by an exit event from the employer but rather by members who decide, while still working (remaining employed), to withdraw from their savings pot. To ensure efficient processing and to limit the fraud risk to members, claims will only be accepted in the following two methods:



Member claim submission

Members will be able to submit claims on **AF Connect**. All engagement channels will direct members to AF Connect. These channels include amongst others:

- Call centre
- Marketing material
- WhatsApp
- Website

It is therefore essential for members to register on AF Connect as soon as possible.

After logging in and selecting to submit a savings withdrawal claim, the member will be required to verify and provide certain member specific information. AF Connect will validate and verify information up front, as well as ensure that different claim criteria are met, for instance having a balance in their savings pot, withdrawals only being allowed once in a tax year and claims requested being R2 000 or more.

Alexforbes best practice on savings withdrawal claims

Alexforbes' best practice is to receive online savings withdrawal claim forms through our digital channels from either the member or employer.

Validation is applied to the online claim data to ensure that it complies with the minimum quality standards and enables our systems to upload claims information and initiate the claims process in an automated and seamless manner.

Once the user has completed the required fields and submitted the savings withdrawal claim form, our systems automatically upload the savings withdrawal claim.



Employer claim submission

Employers will be able to submit individual or bulk online claims through the employer submission portal (Khulisa AF Online) on behalf of members. The functionality is in line with existing claim submission steps on Khulisa AF Online.

Employer representatives responsible for claim submission who do not already make use of the online claim solutions are encouraged to request access as a matter of urgency. Complete **this form** to initiate the access request process.

The claims process will be initiated once a member or employer submits the online savings withdrawal claim.

Supporting documentation

For both channels, various validations and verifications are performed. Under certain circumstances, where the validation or verification fails, we may request you to upload supporting documents. This will enable us to perform manual verifications without causing any undue delays. Potential supporting documents could include:

- Proof of Identity
- Proof of banking details
- Proof of tax details

Therefore, the risk of losing or misplacing claims and the consequential risk of missing disinvestment deadlines are minimal.

Once submitted, the member will receive a confirmation email and/or sms, providing our contact details for future follow up. Where the claim is submitted through Khulisa AF Online, the employer will also receive a confirmation email.

Additionally, the member will receive notifications through email and/or sms as key milestones are reached throughout the process. These milestones are also available on Khulisa AF Online for employer viewing.

The savings withdrawal claim process

Once Alexforbes receives a savings withdrawal claim, the following process is followed:

- Disinvestment of the claimed amount from the member's savings pot from the relevant investment portfolio/s on a pro rata basis (if applicable).
- Await disinvestment to be deposited into the fund's bank account.
- Alexforbes will deduct a transaction fee from the members savings pot claim and will apply for tax on the net claim amount.
- Await tax directive from SARS.
- Payment processing to the member and SARS.
- Alexforbes will provide SARS with the value of the members pensionable salary or other income information provided to us by the employer. Alexforbes will not verify the information provided by your employer and Alexforbes will not be responsible for any incorrect information provided to us by the employer. SARS will decide how much tax must be deducted at the members marginal rate.
- Alexforbes will deduct that amount from the net claim amount. At the end of the tax year when the member does their tax filing, they may have to pay in extra tax to SARS or SARS may give a refund if the correct marginal tax was not levied by SARS when the claim was processed.
- SARS may issue an IT 88 (for arrears tax owing to SARS). This means that SARS could deduct more tax from the claim.
- For guidance on IT 88 and marginal tax please visit the SARS website on www.sars.gov.za.

Are there situations where a member may not be able to claim a savings withdrawal benefit?

If a member has a benefit in their savings pot to claim from, legislation limits claims allowed to one cash withdrawal in a tax year, and that the claimed amount needs to be R2 000 or more.

In addition, the Pension Funds Amendment law allows for the payment of a savings withdrawal benefit to be suspended in certain situations including:

- Where the member has a housing loan in place and if they take a savings withdrawal benefit and there will not be sufficient value left in the fund to repay the loan.
- Where the employer is in the process, or has obtained a judgment against the member for fraud, theft, dishonesty and misconduct and if the member takes a savings withdrawal benefit and there will not be sufficient value left in the fund to pay the employer.
- Where the fund receives a divorce or maintenance order in respect of the member and if they take a savings withdrawal benefit and there will not be sufficient value left in the fund to pay the divorce or maintenance order.
- If the fund is notified that the member is in the process of getting divorced, the non-member spouse must consent to the member claiming a savings withdrawal benefit.
- Where the fund receives a formal written notification from the maintenance investigating officer that a maintenance order is pending against a member, and if they take a savings withdrawal benefit and there will not be sufficient value left in the fund to pay the maintenance order if granted.



Lastly, if the member forms part of a Section 14 transfer to a new fund, all claims from the old fund will be stopped once the Section 14 is approved, irrespective of the status of the claim.

How long will it take to process a savings withdrawal claim?

Where there are no reasonable factors delaying the process, as discussed below, the savings withdrawal claims process should be completed within 20 working days from date of receipt of the completed claim form.

Service Level Standards

Processing timelines associated with savings withdrawal claims will be included in Service Level Standard documents from January 2025 onwards, based on actual claims experience.

Due to the uncertain savings withdrawal claim volumes and any unforeseen circumstances there may be a deviation from standard turn around times applicable to ALL claim types.

What factors can cause delays in the savings withdrawal claim process

3rd Party Dependency

If there are any delays in their services, this will impact on our expected processing timelines. Certain Investment types, for instance monthly priced funds, could also impose restrictions on how quickly disinvestments are allowed.

How much tax would be paid on savings withdrawal?

Tax applies to all savings withdrawal claims at the member's marginal tax rate. In addition, SARS could potentially issue us with an IT88 deduction to be made against the savings withdrawal claims amount.

Will transaction fees apply on savings withdrawal claims?

A transaction fee will apply when a savings withdrawal claim is processed, in line with the fund specific agreement.



The above is Alexforbes standard best practice.

Member related (Manual intervention required)

- Incorrect/inaccurate information supplied on the savings withdrawal claim that require manual intervention to correct.
- SARS directive applications declined due to member's personal tax affairs.
- Matters relating to S37D, such as housing loans, divorce and maintenance orders, pending criminal or civil cases.

Where manual intervention is required, a savings withdrawal claim should be settled within 6 weeks from date of receipt, but could be indefinitely delayed until the matter is resolved with the member.

Exceptional volumes

Although all preparations are made to ensure we can accommodate the expected large increase in volumes as a result of Two-pot savings withdrawal claims, the industry has no past savings withdrawal claims data to use to accurately estimate expected volumes. Should exceptionally high volumes be experienced, we have processes in place to allocate additional capacity to savings withdrawal claims. Under these circumstances there could be delays experienced until claims return to expected volumes

Processing and resourcing for savings withdrawal claims

A dedicated savings withdrawal claims processing team will attend to all savings withdrawal claims. The claims processing team is supported by a dedicated call centre number and e-mail address.



If you have a query or need assistance with any of the information here, contact our Call Centre at 0860 896 768 or email twopotqueries@alexforbes.com.

Online platforms will be available on 3 September 2024. We anticipate that members will be able to start their savings pot claim submissions on AF Connect from 3 September 2024.