

Media Release

Association for Savings and Investment South Africa (ASISA)

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National Treasury's proposed "two-bucket system" a promising response to meet short and long-term financial needs

The Association for Savings and Investment South Africa (ASISA) and its members support meaningful changes to the current retirement system that are aimed at strengthening preservation of savings, while at the same time providing a manageable solution to emergency access to savings.

Rosemary Lightbody, senior policy advisor at ASISA, says while ASISA and its members look forward to engaging with National Treasury on shaping the proposed "two-bucket system", it is important to point out that this will not be an overnight process.

According to Lightbody, changes to the current retirement benefit access rules will require amendments to the Income Tax Act, possibly also the Pensions Fund Act, and various other legislation. In addition, says Lightbody, administrators of retirement funds would need to make extensive system changes, before a "two-bucket system" could be facilitated.

"We are sympathetic to the hardships endured by South Africans because of the Covid-19 pandemic and the lockdowns, but regrettably there is no possible "quick fix" within the current legislative framework. We support a solution that will ultimately help retirement fund members during times of need while at the same time requiring preservation until retirement. However, it will be important to ensure that vested rights of current retirement fund members are protected."

She says that following the announcement yesterday by National Treasury that government is working on a "two-bucket system" aimed at promoting the preservation of retirement savings while also providing a solution for emergency access to funds, ASISA members have been inundated with queries from concerned retirement fund members and shareholders. "People are concerned that their current ability to access retirement benefits will be impacted."

Lightbody says it is of critical importance that members of pension, provident and preservation funds understand that their current access rights are highly unlikely to change. Future changes to access will in all probability only be applied to contributions made after new legislation has taken effect.

She explains that in practical terms, this would mean that pension, provident and retirement annuity contributions made up to the point when a "two-bucket system" becomes effective, will be treated according to the systems currently in place. She says a good example is the implementation on 1 March 2021 of the provident fund annuitization provisions, which only apply to contributions made from that date.

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Association for Savings and Investment South Africa (ASISA)

ASISA represents the majority of South Africa's asset managers, collective investment scheme management companies, linked investment service providers, multi-managers, and life insurance companies.