EMPLOYER NEWSLETTER - JULY 2026

Dear Participating Employer

In this Employer Newsletter, we share important updates on recent Pension Funds Adjudicator determinations relating to Section 37D deductions. These determinations highlight the importance of a properly executed acknowledgement of debt (AOD) and provide useful guidance on the circumstances in which retirement benefits may be withheld or deductions made where an employer has suffered financial loss as a result of a member's dishonesty, fraud, theft or misconduct.

In our April 2026 Employer Newsflash, we highlighted the impact that Savings Pot withdrawals can have on members' retirement outcomes and the importance of carefully considering the long-term effect of accessing retirement savings. You can find the April 2026 Employer Newsflash on the Fund's website **www.vurf.co.za** under EMPLOYERS / EMPLOYER COMMUNICATION.

Following several enquiries, we would like to highlight some additional important considerations relating to Savings Pot withdrawals and retirement benefits. These include the tax implications of Savings Pot withdrawals and the options available to members when leaving employment before retirement.

Understanding these considerations is critical in managing member expectations and reducing dissatisfaction.

Regards,

Michelle de Jager
Principal Officer

SECTION 37D DEDUCTIONS - RECENT ADJUDICATOR DETERMINATIONS

Section 37D of the Pension Funds Act permits certain deductions from a member's retirement benefit where financial loss has been suffered by the employer as a result of a member's dishonesty, fraud, theft or misconduct. However, correct legal process must be followed when attempting to recover these losses.

Recent determinations by the Pension Funds Adjudicator in *Nkosi v 10X Umbrella Fund* and *Singh v Old Mutual Superfund Provident Fund* highlight the importance of a properly executed acknowledgement of debt (AOD). In both matters, the Adjudicator confirmed that a valid AOD signed by the member can provide a basis for a Section 37D deduction. The determinations also confirmed that members are generally bound by agreements that they voluntarily sign and that allegations of having signed under duress must be supported by evidence.

A criminal case alone is not sufficient to justify the withholding of a member's benefit. For a Section 37D claim to be considered by the Fund, there must be either a valid AOD signed by the member or a civil judgment against the member. Where civil action has been instituted, the Fund may be requested to withhold a benefit for a **reasonable** time-period pending the outcome of the proceedings.

The Trustees are required to consider each request independently and balance the interests of both the member and the employer before deciding whether a benefit should be withheld or a deduction authorised. Supporting documentation and timely updates remain essential when a Section 37D matter arises.

Where a civil case is instituted, the Fund should be provided with regular updates regarding the progress of the matter.

The form required (as an acknowledgement of debt) can be found on the Fund's website under Fund Administration Forms (ACKNOWLEDGEMENT OF LIABILITY AND AGREEMENT TO PAY).

IMPORTANT TAX CONSIDERATIONS FOR SAVINGS POT WITHDRAWALS

Savings Pot withdrawals are taxed at marginal tax rates and the withdrawal amount is added to a member's taxable income for the tax year.

This tax rate is higher than the tax rate that is applied when a member leaves the Fund due to resignation, retirement or death.

This may result in:

- A higher tax deduction than expected;
- A member's total taxable income moving into a higher tax bracket, meaning that the member may pay more tax on their salary; and
- A requirement to submit an income tax return to SARS, even if a member was not previously required to do so.

Employers should remind members that, when applying for a Savings Pot withdrawal, members must ensure that their taxable income is correctly recorded on the mobile app, as the Administrator only has access to the pensionable earnings on which contributions to the Fund are paid. The pensionable earnings may be lower than a member's taxable income. A member's taxable income should be reflected on their employer pay slip.

Only one Savings Pot withdrawal may be made during a tax year (1 March to the end of February of the following year).

LEAVING EMPLOYMENT BEFORE RETIREMENT

When a member leaves employment before retirement, there are several options available in respect of the withdrawal benefit. Depending on the member's circumstances, benefits may be preserved within the Fund, transferred to another approved retirement fund or taken in cash, subject to the applicable legislation and tax consequences.

Members are encouraged to carefully consider their options before making a decision, as preserving retirement savings provides the opportunity for continued investment growth and will improve retirement outcomes.

SUMMARY OF OPTIONS ON RESIGNATION, WITHDRAWAL, RETRENCHMENT AND DISMISSAL

Vested Pot	This amount may be preserved in the Fund, transferred to another approved retirement fund or taken in cash. If taken in cash, the amount will be taxed according to SARS tax tables.
Savings Pot	Effective 1 March 2026, a member may take their full Savings Pot when they terminate membership of the Fund. This is irrespective of the amount in the Savings Pot and irrespective of a withdrawal being taken from the Savings Pot in the same tax year. This does not apply if a member remains in the Fund as a “paid-up” member. A member may elect to transfer the Savings Pot to the Retirement Pot if they do not want to take the balance in the Savings Pot as a cash lump sum. The cash withdrawal from the Savings Pot will be taxed at their higher marginal tax rate.
Retirement Pot	On resignation, withdrawal, retrenchment or dismissal, a member cannot access any money in the Retirement Pot. This is to assist a member in provision for retirement. The money in the Retirement Pot is only available when a member reaches retirement age. This value can be left in the Fund (“paid up”) or transferred to the member’s Retirement Pot in another approved retirement fund.

IMPORTANT REMINDER REGARDING THE RETIREMENT POT

Employers should note that the money in a member's Retirement Pot must be preserved for retirement and cannot be paid on resignation or withdrawal from employment.

The purpose of the Retirement Pot is to provide members with income in retirement.

Before making any decision regarding a Savings Pot withdrawal or a withdrawal benefit, members should be encouraged to obtain appropriate financial advice and carefully consider the long-term implications of their choices.

WHAT IS INVESTED TOWARDS RETIREMENT?

It is important to understand that the full monthly contribution received on behalf of a member is not invested into the member's share account.

Where the employer chose to include risk benefits for members, a portion of the contribution is first used to cover important fund management costs and the premiums for any risk benefits, including:

- Life (death) cover (where applicable)
- Disability cover (where applicable)
- Funeral cover (where applicable)
- Administration, consulting and other fund management costs

Once these deductions have been made, the remaining amount is allocated to the member's retirement savings. One-third is invested into the member's Savings Pot and two-thirds is invested into the member's Retirement Pot.

RETIREMENT BENEFITS COUNSELLING

The decisions members make and the options they exercise will have a long-term impact on their financial well-being. Please encourage members to make use of the available Retirement Benefits Counselling services and to contact the Fund for assistance.

The Retirement Benefits Counsellor cannot provide financial advice, but can advise on the available Fund options.

FINAL THOUGHT

Just as bees build their hive little by little, retirement savings are built through steady contributions over time. Every amount preserved and invested helps strengthen future financial security. Before dipping into savings, members should be encouraged to pause and consider whether today's need is worth reducing tomorrow's retirement income.

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