PSA
The Union Of Choice

MEDIA RELEASE	PSA warns regarding Two-Pot Retirement System withdrawals
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The Public Servants Association (PSA) acknowledges the severe financial pressure facing public servants and South African households. The rising cost of living, increasing household expenses, high fuel prices, and the prospect of further electricity tariff increases are placing significant pressure on workers who are already struggling to make ends meet.

The PSA therefore has understanding for why employees may view the Two-Pot Retirement System as an immediate source of financial relief when faced with mounting debt and financial obligations. The PSA, however, urges public servants to exercise extreme caution before accessing their retirement savings. Whilst a withdrawal from the accessible savings component may provide short-term relief, it can have a significant and lasting impact on an employee's financial position at retirement.

The PSA is alarmed by reports indicating that debt is driving repeat withdrawals from retirement savings amongst middle-income South Africans. This demonstrates the danger of employees becoming dependent on retirement savings to address recurring financial difficulties. The Two-Pot System was introduced to provide fund members limited access to a portion of their retirement savings whilst preserving the majority of the retirement benefit. Repeated withdrawals reduce the amount available for retirement and deprive such savings of the investment growth that could have generated. An employee may therefore receive much-needed immediate financial relief but could retire with a substantially smaller pension.

The reality confronting public servants cannot be underestimated. Employees are faced with increases in food, transport, housing, education, healthcare, and other essential household costs. These pressures are compounded by rising fuel prices and looming increases in electricity tariffs. At the same time, salary increases have not kept pace with cumulative increases in the cost of living. Public servants are thus forced to stretch their salaries further to meet basic monthly commitments.

The PSA recognises that, in some circumstances, an employee may have no alternative but to consider accessing the savings component of the retirement benefit. It should, however, be carefully considered whether the immediate financial relief justifies the potential reduction in retirement income.

The PSA encourages employees who are experiencing financial difficulties to first consider alternatives to withdrawing retirement savings. Employees should seek financial advice, review their monthly expenditure, negotiate debt repayments with creditors, and investigate available debt-management interventions before accessing retirement savings. A withdrawal should only be considered after these alternatives have been exhausted and where there is genuine, pressing financial need.

The PSA is particularly concerned about repeat withdrawals. Using retirement savings to pay off debt, only to accumulate further debt and then make another withdrawal, create a damaging cycle that progressively erodes an employee's retirement security. Retirement savings are not simply money sitting in an account and are intended to provide an income when an employee can no longer rely on a salary.

The PSA believes that South Africa must have a retirement system that protects workers from poverty in old age. Public servants dedicate their working lives to serving the Country and deserve to retire with dignity and financial security. The Two-Pot System can provide an important safety valve during periods of genuine financial distress. It should, however, not be allowed to undermine the retirement security it is intended to protect.

The PSA calls on public servants to carefully consider long-term consequences before making a withdrawal. The PSA further calls on government, employers, and other stakeholders to recognise the financial pressures facing public servants and to address the underlying causes of household financial distress rather than allowing workers to increasingly rely on their retirement savings to survive. The PSA is committed to advocating for decent salaries, affordable living costs, and policies that protect the financial wellbeing of public servants throughout their working lives and into retirement.

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