



METAL INDUSTRIES PROVIDENT FUND

RETIREMENT BENEFITS

This counselling document sets out the benefit payable by the Metal Industries Provident Fund (the “Fund”) on your retirement. The document only provides information regarding these benefits and does not provide advice, as each member’s personal circumstances are different, and you should consider taking advice from a properly qualified and registered financial advisor before making any benefit decisions.

Your benefit may be utilised in four ways, as set out in the following section.

OPTIONS

OPTION 1

Purchase a life annuity from the Engineering Industries Pension Fund

OPTION 2

Purchase a living annuity from Sanlam based on the structure negotiated by the Fund

OPTION 3

Purchase an annuity of your choice

OPTION 4

Paid in cash
(subject to annuitisation requirements)

WHAT IS AN ANNUITY?

Although it sounds complicated, an annuity is really just the monthly income you receive after retirement (like your monthly salary you currently receive from your employer) that you can purchase with your retirement benefit. The amount of the monthly annuity is dependent on a number of issues, including any increases to the annuity over time, whether the annuity is guaranteed to be paid for a minimum period of time (even if you have died in the interim) and whether the annuity continues to someone else (such as your spouse) on your death.

Annuities come in two main formats, namely life annuities and living annuities:

- **Life annuities** are annuities which are guaranteed to be paid for as long as you live, even if this is to a very old age, such as age 100. Various conditions may apply to such annuities, such as guaranteed payment periods, spouse’s continuation annuities and any increases to the annuity over time.
- **Living annuities** (or drawdown annuities) work like a bank account where you choose how much income to draw each month within limits set by legislation. Any capital amount remaining on your death will be available to your dependants, but there is also the possibility that you may draw all your capital before you die and have no annuity to live on.

TRUSTEE RECOMMENDATION

The Fund’s annuity strategy and the recommendation of the Trustees is that you use your retirement capital to purchase an annuity in the Engineering Industries Pension Fund (EIPF), as no commissions are payable, expenses are very low and the EIPF has managed to grant very good annuity increases and bonus annuities to its pensioners.

ANNUITISATION REQUIREMENTS FROM 1 MARCH 2021

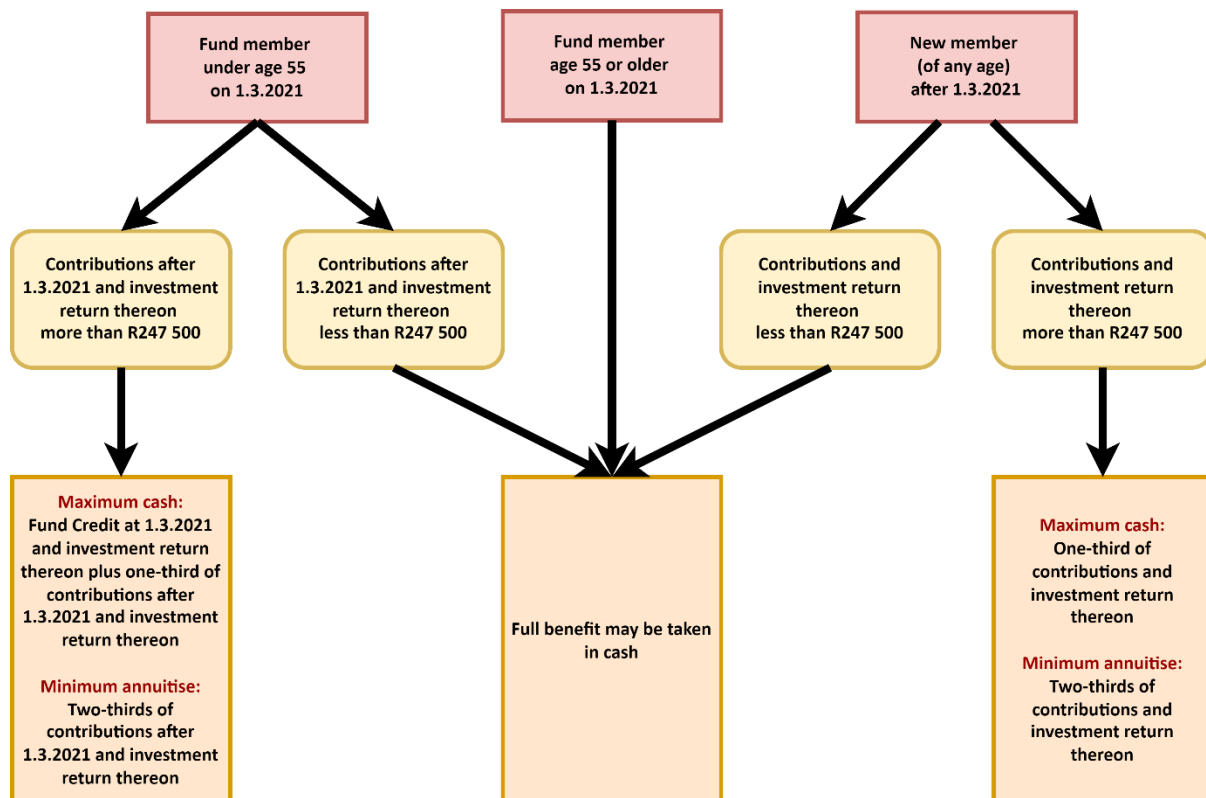
The Income Tax Act was changed such that members of all provident funds, including the Metal Industries Provident Fund, who retire after 1 March 2021 must purchase an annuity with at least two-thirds of their retirement benefit (similar to the requirement for pension fund members on retirement).

There are, however, a number of concessions which mean that it is unlikely that many members who retire from the Fund in the next few years will be required to annuitise any of their retirement benefit. Specifically:

- Members who were age 55 years or older and members of the Fund on 1 March 2021 may take their full retirement benefit in cash on retirement. Their full benefit is considered to be a **vested benefit**.
- For members who were under age 55 years and members of the Fund on 1 March 2021, their retirement savings as at 1 March 2021 and future investment return thereon (their **vested benefit**) may be taken in cash on retirement. They are only required to annuitise the portion of their retirement benefit that is built up from the contributions and investment return on those contributions after 1 March 2021 (their **non-vested benefit**). Note, however, that they may still take one-third of their non-vested benefit in cash and if their non-vested benefit is less than R247 500, they may take the full amount in cash.
- New members, of any age, who join the Fund after 1 March 2021 must annuitise their contributions and investment return thereon (their **non-vested benefit**). Note, however, that they may take one-third of their non-vested benefit in cash and if their non-vested benefit is less than R247 500, they may take the full amount in cash.

Note that the annuitisation requirements do not affect the payment of resignation benefits from the Fund, i.e. members may still take their full benefit (less tax) in cash on resignation from employment.

The annuitisation requirements on retirement for Fund members can be shown as follows:



Any amounts transferred into the Fund from another approved fund must be split into vested and non-vested portions. On retirement these vested and non-vested portions, both accumulated with investment return, will be added to and subject to the same rules as apply to the vested and non-vested portions described above.

OPTION 1: PURCHASE AN ANNUITY IN THE ENGINEERING INDUSTRIES PENSION FUND (EIPF)

The Rules of the Fund allow you to transfer your retirement capital to the EIPF immediately prior to retirement and to purchase an annuity in the EIPF. You may still elect to take your vested benefit and up to one-third of your non-vested benefit in cash, as described under Option 4. The details of the annuity are set out below.

Annuity quotes

There is no cost to get a quote of the annuity that you could purchase from the EIPF with your retirement benefit.

Should you request it, a quote will be provided to you when you complete your retirement application documents with your HR Department. You may also request further quotes with different benefits, e.g., with or without a continuation annuity to your spouse or with a different guaranteed period.

There is no requirement to accept the quote.

Annual annuity increase and discretionary bonus annuities

The EIPF declares an annuity increase on 1 July each year. The assets backing the annuities are invested on a basis which is expected, but not guaranteed, to provide an annuity increase to compensate for the effect of inflation each year.

When affordable, the Fund may declare a bonus annuity expressed as a multiple of each pensioner's monthly annuity.

Annuity increase and bonus annuity history

The annuity increases awarded by the EIPF over the last 5 years have been as follows:

Date	Annuity increase	Inflation ¹	Bonus annuity ²
1 July 2024	8.0%	5.3%	1.8 x monthly annuity
1 July 2023	7.5%	5.4%	2 x monthly annuity
1 July 2022	7.5%	7.4%	1.5 x monthly annuity
1 July 2021	5.0%	4.9%	2 x monthly annuity
1 July 2020	4.2%	2.2%	
5-year average	6.4%	5.0%	

1 for the 12 months to 31 March preceding the annuity increase date

2 payable in the last quarter of the calendar year

Continuation annuity to your spouse:

Providing you elect this option at retirement, and the spouse you were married to at retirement is still alive when you die, your spouse will receive an annuity of 75% of your annuity on your death. The spouse's annuity will continue to be paid until the death of your spouse.

If you are married at your date of retirement, you are strongly recommended to ensure that there is adequate retirement provision for your spouse in the event of your death.

Guaranteed period:

Your annuity is guaranteed to be paid for at least 20 years, even if you (or both you and your spouse if you are married) die within the 20-year period. The balance of the 20-year annuity payments will be paid out as a lump sum to your dependants.

Example: Say you are unmarried and die two years after retirement when you were receiving an annuity of R5 000 per month. Then your dependants would receive a benefit of R1 080 000.00 (calculated as 18 years x 12 months x R5 000).

Commissions

No initial or recurring commissions are payable if you select an annuity from the EIPF and there is no cost to transfer your benefit from the Fund to the EIPF.

Administration fees

An allowance for administration fees is made in the calculation of the initial monthly annuity that can be purchased with your retirement benefit. No fees or other charges will be deducted from the monthly annuity paid to you.

OPTION 2: SANLAM LIVING ANNUITY

The Fund has arranged for members on their retirement to be able to purchase a living annuity from Sanlam, where the fees and commissions may be lower than the members might pay if they approach a living annuity provider directly in the market.

The fees and commissions will also differ depending on the amount of counselling and advice the member wishes to receive from Sanlam.

If you would like more information on the Sanlam living annuity or if you would like to elect this option, please contact the Fund's administrator (MIBFA) on:

Call centre: 0860 10 25 44

Email: retirements@mibfa.co.za

OPTION 3: PURCHASE AN ANNUITY OF YOUR CHOICE

You may elect to purchase an annuity in a format and from a provider of your choice.

If you elect to purchase such an annuity, you should ensure that the format of the annuity meets your personal requirements with regards to such issues as:

- an annuity payable for the rest of your life,
- annual annuity increases,
- a guaranteed period,
- a spouse's continuation annuity, etc.

Initial and ongoing commissions may be payable to your financial advisor in respect of such annuities.

OPTION 4: PAYMENT IN CASH

You may (refer the annuitisation provisions and concessions on page 2) elect to:

- Receive a maximum of your full **vested portion** and one-third of your **non-vested portion** (or your full non-vested portion if it is less than R247 500) of your retirement benefit in cash; and
- Use the rest of your retirement benefit to purchase an annuity in the Engineering Industries Pension Fund (Option 1), a Sanlam living annuity (Option 2) or any other annuity of your choice (Option 3).

Any amount that you elect to receive in cash will be taxed in terms of the appropriate tax scales and you will only receive the net benefit. The current tax tables are as follows:

Cash portion of retirement benefit	Tax
R0 to R550 000	None
R550 001 to R770 000	18% of the amount above R550 000
R770 001 to R1 155 000	R39 600 plus 27% of the amount above R770 000
R1 155 001 and above	R143 550 plus 36% of the amount above R1 155 000

Should you already have taken benefits in cash from a previous retirement fund, the taxation of your benefit from the Fund may differ to the above.

Remember that any portion of your retirement benefit that you take in cash will result in a lower monthly annuity that you can purchase with the balance of your retirement benefit. For example, if your full retirement benefit will purchase an annuity of R6 000 per month, if you take one-third of your retirement benefit in cash, the balance will only purchase an annuity of R4 000 per month.

DEFERRED RETIREMENT AND TRANSFER OPTIONS

The Rules of the Fund allow members who retire from employment to elect to leave their retirement benefits in the Fund and to retire from the Fund at any future date. Members may also transfer their retirement benefit to a retirement annuity fund or a preservation fund on retirement.

If you would like more information on these options, please contact the Fund's administrator (MIBFA) on:

Call centre: 0860 10 25 44

Email: retirements@mibfa.co.za

STATE OLD AGE PENSION (SOAP)

The State Old Age Pension is payable to South Africans, subject to a number of conditions, including:

- Must be a South African citizen or permanent resident,
- Must be resident in South Africa,
- Must be over age 60, and
- Subject to a means test for the person and his or her spouse.

The full social grant of R2 090 per month (R2 110 in respect of people over age 75) is payable if your income and assets are below a certain level. A portion of the social grant is payable if your income and assets are within the range of the means test and no social grant is payable if your income and assets are above the upper level of the means test.

You are recommended to contact the South African Social Security Agency (SASSA) to find out more about any social grants you may be entitled to.