



METAL INDUSTRIES PROVIDENT FUND

THE “TWO POT” SYSTEM AND SAVINGS POT PAYMENTS

SUMMARY OF THE TWO POT SYSTEM

From 1 September 2024 onwards, your benefits in the Metal Industries Provident Fund (the Fund) will be split into 4 Pots, with different conditions applying to each Pot in terms of when and how they may be paid and the tax applicable on any payment.

The conditions that will apply will depend on which Category of members you belong to, so it is important for you to determine whether you are a Category A member or a Category B member:

Category B: All members who were members of the Fund and age 55 or older on 1 March 2021 and who have not elected to become Category A members.

Category A: All other members of the Fund.

CATEGORY B MEMBERS

If you are a Category B member, your Fund Credit on 31 August 2024 will be transferred to your **Vested Lump Sum Pot** and all your future member and employer contributions after 1 September 2024 will be allocated to your **Vested Lump Sum Pot**.

You will retain the right to take your full benefit in cash on resignation or retirement.

You will, however, not have a Savings Pot in the Fund and will not be permitted to take Savings Pot withdrawals (as is permitted for Category A members).

You are permitted to elect to become a Category A member, as set out below.

CATEGORY A MEMBERS

If you are a Category A member:

- Any portion of your Fund Credit on 31 August 2024 that has the right to be taken fully in cash on retirement (e.g. the amount, plus investment return thereon, accumulated in the Fund up to 1 March 2021 or qualifying amounts transferred into the Fund from a previous provident fund) will be transferred into your **Vested Lump Sum Pot** and will retain the existing rights to be paid out in cash on resignation or retirement.
- The balance of your Fund Credit on 31 August 2024 will be transferred into your **Vested Pension Pot** and will retain any existing rights to be paid out in cash on resignation.
- Therefore, if you resign from employment after 1 September 2024, you will still be able to take your full amount in your Vested Lump Sum Pot and your Vested Pension Pot in cash, if you choose to do so.
- Initial seeding capital of 10% of your Fund Credit on 31 August 2024 in each of your Vested Lump Sum Pot and your Vested Pension Pot (subject to a maximum of R30 000) will be transferred to your **Savings Pot** on 1 September 2024.
- One-third of your member and employer retirement funding contributions after 1 September 2024 will be allocated to your **Savings Pot** and two-thirds of your member and employer retirement funding contributions after 1 September 2024 will be allocated to your **Retirement Pot**.

- You may request payment of part or all of the balance in your Savings Pot at any time, i.e. without leaving employment, subject to:
 - A minimum amount of R2 000 before tax and fees.
 - Only one payment is allowed in each tax year from 1 March to the end of February the following year.
 - Tax (as determined by SARS based on your income) and an administration fee of R300 will be deducted from the Savings Pot payment.
- Any amount in your Retirement Pot must be preserved until retirement, i.e. it cannot be paid out to you if you leave employment or leave the Fund. It must either be left as a paid-up benefit in the Fund, transferred to the retirement fund of your new employer or transferred to a preservation fund or a retirement annuity fund of your choice.

All your Pots will be invested on the same basis and receive the same rate of investment return.

CATEGORY B MEMBER OPTION TO ELECT TO BECOME A CATEGORY A MEMBER

If you are a Category B member, you may elect to become Category A members at any time after 1 September 2024 (although further proposed changes to the Income Tax Act may limit this election period to end on 31 August 2025).

If you make such an election, then you will become a Category A member at the end of the month in which you make the election and the provisions that will apply will be as set out for Category A members in the section above, except that:

- Your member and employer retirement funding contributions during the period from 1 September 2024 to the end of the month in which you make the election will be allocated to your Vested Lump Sum Pot, with the allocation of one-third to your Savings Pot and two-thirds to your Retirement Pot only commencing the month following your election.
- Your Initial seeding capital of 10% of your Fund Credit in each of your Vested Lump Sum Pot and your Vested Pension Pot (subject to a maximum of R30 000) will be calculated based on your Fund Credit as at 31 August 2024, but only transferred to your Savings Pot at the end of the month in which you make the election.

SAVINGS POT PAYMENTS DURING EMPLOYMENT (CATEGORY A MEMBERS ONLY)

Savings Pot payments are only permitted if you are a Category A member.

Any amount you are paid from your Savings Pot will reduce the benefit you will receive when you retire or leave employment in the future.

Savings Pot payments will not be processed if the Fund cannot verify that your personal information or your salary bank account details are correct or if SARS is unable to issue a tax directive because your tax number is incorrect or your tax affairs are not up-to-date. Savings Pot payments may also be delayed or refused if there are divorce, maintenance or employer compensation claims against you at the time you request a Savings Pot payment.

Savings Pot payments will be subject to tax (as determined by SARS based on your income) and the deduction of an administration fee of R300 and the balance will be into the salary bank account provided on your Two Pot application form.

BENEFITS ON RESIGNATION (OR DISMISSAL OR RETRENCHMENT)

This section applies to both Category A and Category B members, but please remember that if you are a Category B member you will only have a Vested Lump Sum Pot.

On resignation after 1 September 2024, you may take the full amounts in your Vested Lump Sum Pot, your Vested Pension Pot and your Savings Pot in cash, i.e. your current rights to take the first two amounts in cash remain unchanged. Note that if you have already taken a Savings Pot payment in the same tax year as when you resign, then you will only be permitted to take your Savings Pot in cash if it is less than R2 000. If the remaining balance of the Savings Pot is over R2 000, this will be deferred to the following tax year. Any portion of your Savings Pot taken in cash will be taxed as income and the balance of any benefit taken in cash will be taxed in terms of the withdrawal benefit tax scale.

Your Retirement Pot must be preserved to retirement, i.e. it cannot be paid out to you if you leave employment or leave the Fund. It must either be left as a paid-up benefit in the Fund, transferred to the retirement fund of your new employer or transferred to a preservation fund or retirement annuity fund of your choice (see the Resignation Benefits Counselling Document for more information).

BENEFITS ON RETIREMENT

This section applies to both Category A and Category B members, but please remember that if you are a Category B member you will only have a Vested Lump Sum Pot.

On retirement after 1 September 2024, the following restrictions apply in terms of the Income Tax Act, in respect of the maximum amount that you may take in cash and the minimum amount of the retirement benefit that you must use to purchase an annuity from the Engineering Industries Pension Fund or from an insurance company of your choice. Note that this only applies if you retire from the Fund and purchase an annuity (as opposed to leaving your full benefit in the fund as a deferred retirement benefit or transferring your full benefit to a preservation fund or a retirement annuity fund).

Maximum that may be taken in cash	Minimum that must be used to purchase an annuity
Full Savings Pot	-
Full Vested Lump Sum Pot	-
⅓ Vested Pension Pot	⅔ Vested Pension Pot
-	Full Retirement Pot

However, if the minimum amount that must be used to purchase an annuity (as reflected above) is less than R165 000 you may take your full retirement benefit in cash.

The full amount taken in cash will be taxed in terms of the retirement benefit tax scale.

See the Retirement Benefits Counselling Document for more information.

IMPORTANT ISSUES REGARDING SAVINGS POT PAYMENTS (CATEGORY A MEMBERS ONLY)

A Savings Pot payment will take some time after you request it for the payment to be paid into your salary bank account, as the administrator must verify that it is in fact you making the request, process the payment, withdraw the money from the Fund's investment managers and request and receive a tax directive from SARS. Payments should be made within 15 working days from when they are requested, although please note there may be additional delays for requests shortly after 1 September 2024 due to the number of expected requests.

Tax (as determined by SARS based on your income and inclusive of any outstanding tax owed by you to SARS) and an administration fee of R300 will be deducted from the Savings Pot payment.

Savings Pot payments may be refused or delayed for various reasons, e.g. if your personal data cannot be verified, your tax affairs are not up-to-date, you request more than one Savings Pot payment in the same tax year, there is less than R2 000 in your Savings Pot or there are divorce or maintenance proceedings against you, etc.

Savings Pot payments will reduce the benefit you will receive when you retire or leave employment in the future, as they are simply an early payment of the amounts that you could have taken in cash on resignation or retirement. You are recommended to carefully consider the consequences of such payments before requesting a Savings Pot payment.

HOW TO REQUEST A SAVINGS POT PAYMENT (CATEGORY A MEMBERS ONLY)

To request a Savings Pot payment, you will need to complete and sign the appropriate form with your HR Department or Employer, who will then submit the form to the Fund's administrator (MIBFA) for processing and payment.

TAX RATES APPLICABLE TO BENEFITS

The following tax rates will apply in respect of any benefits paid in cash.

Savings Pot payments during employment:	Taxed as income
Benefits paid in cash on resignation:	Savings Pot payments taxed as income Balance of benefit taxed in terms of the withdrawal tax scale
Benefits paid in cash on retirement:	Benefit (including Savings Pot) taxed in terms of the retirement tax scale

RESIGNATION OR DISMISSAL		RETIREMENT, RETRENCHMENT OR DEATH	
Benefit value	Tax payable	Benefit value	Tax payable
R0 to R27 500	None	R0 to R550 000	None
R27 501 to R726 000	18% of the amount above R27 500	R550 001 to R770 000	18% of the amount above R550 000
R726 001 to R1 089 000	R125 730 plus 27% of the amount above R726 000	R770 001 to R1 155 000	R39 600 plus 27% of the amount above R770 000
R1 089 001 and above	R223 740 plus 36% of the amount above R1 089 000	R1 155 001 and above	R143 550 plus 36% of the amount above R1 155 000

Should you have already received a retrenchment benefit or taken benefits in cash from a previous retirement fund, these amounts will be taken into account in determining the tax payable on the portion of your Fund benefit paid in cash.