Metal Industries House, 42 Anderson Street, Johannesburg, 2001
PO Box 7507, Johannesburg, 2000
Telephone: 011 870 2000
Call Centre: 086 0102 544
www.mibfa.co.za

METAL INDUSTRIES PROVIDENT FUND

RESIGNATION, RETRENCHMENT AND DISMISSAL BENEFITS

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

It is important to know which Category of members you belong to, as the options are different for each Category:

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. The Two Pot options will not apply to Category B members.

Category A: All other members of the Fund.

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

OPTIONS

OPTION 1
Transferred to the retirement fund of your new employer

OPTION 2
Transferred to a preservation fund or a retirement annuity

OPTION 3
Left paid-up in the Fund

OPTION 4
Paid in cash
(other than your Retirement Pot)

OPTION 1: TRANSFER TO THE RETIREMENT FUND OF YOUR NEW EMPLOYER

If you are leaving the employment of one of the employers participating in the Fund to take up employment elsewhere and your new employer has a retirement fund to which you can or must belong, you can transfer your benefit in the Fund to your new fund, although if you are a Category A member you may elect to receive part or all of your Savings Pot in cash (less any tax payable).

No fees or commissions are payable in respect of the amount transferred if you select this option and the administrator of the Fund (MIBFA) will process the transfer for you. No tax is payable in respect of the amount transferred and your benefit will be consolidated into the matching pots in your new fund. The administration fee in your new fund will not be higher because of the amount transferred in. This cost saving will help to maximise your eventual retirement benefit.

You will only be able to access your transferred benefit (other than your Savings Pot which may be taken as a Savings Pot withdrawal and your Retirement Pot which must be preserved to retirement, if you are a Category A member) when you eventually leave your new retirement fund.

OPTION 2: TRANSFER TO A PRESERVATION FUND OR A RETIREMENT ANNUITY

Instead of transferring your benefit to the retirement fund of your new employer, you may elect to transfer your benefit to a preservation fund or a retirement annuity of your choice, although if you are a Category A member you may elect to receive part or all of your Savings Pot in cash (less any tax payable). The administrator of the Fund (MIBFA) will process the transfer for you.

Preservation funds and retirement annuities are both similar in that they are funds, often managed by commercial sponsors such as insurance companies, to which people may transfer their benefits when they leave a retirement fund. The main differences between them are:

- One partial or full withdrawal (less any tax payable) of your Vested Pots is allowed from a preservation fund prior to retirement whereas no amounts may be withdrawn from your Vested Pots in a retirement annuity prior to retirement.
- Ongoing contributions may be made to a retirement annuity, whereas no further contributions may be made to a preservation fund.

A commission, the amount of which may be negotiable, may be payable to your financial advisor on the transfer and an ongoing administration fee will be payable in respect of your benefit in the preservation fund or retirement annuity, as appropriate. No tax is payable on the transfer.

Instead of transferring the full benefit, you may elect to take a portion of the benefit in cash (other than your Retirement Pot if you are a Category A member and less any tax payable on the amount taken in cash) and transfer the balance of the benefit. Note that such a cash payment will count as the one withdrawal allowed from a preservation fund.

If you select to transfer your benefit to either a preservation fund or a retirement annuity, you should check any specific conditions that apply to the arrangement you have selected.

OPTION 3: PAID-UP BENEFIT IN THE FUND

You may elect to leave your benefit paid-up in the Fund or, if you do not make an election in terms of any of the options set out in this counselling document, you will be automatically defaulted to be a paid-up member. If you are a Category A member you may, however, also elect to receive part or all of your Savings Pot in cash (less any tax payable).

No commissions or initial fees are payable if you become a paid-up member but an ongoing administration fee of R10.00 per month will be deducted from your benefit. The amount of the fee will be reviewed annually at the same time as the administration fee in respect of contributing members is reviewed. For small paid-up benefit amounts, the fee may be more than the investment return added to the paid-up benefit each month, and such paid-up amounts will therefore reduce over time, possibly to a nil value.

Your paid-up benefit will be invested on the same basis as for contributing members and the investment return applied to your benefit will be net of the investment fees charged by the Fund’s asset managers.

Your paid-up benefit will be paid out as follows:

- If you are a Category A member you may elect to take withdrawals from your Savings Pot, subject to any conditions that apply to such withdrawals.
- You may elect to receive or transfer your full benefit at any time prior to the normal retirement age of the Fund in terms of any of the other options in this counselling document. Particularly, if you join another retirement fund at any time in the future, that fund is required to ask you if you would like to consolidate all your previous paid-up amounts into that fund. If you elect to receive part of your Vested Pots, the balance of your benefit must be transferred.
- If you do not elect to receive or transfer your paid-up benefit before the normal retirement age of the Fund, you may only take it as a retirement benefit after that age:
  - If you are a Category B member: Your full retirement benefit may be taken in cash.

- o If you are a Category A member: A maximum of your Savings Pot, your Vested Lump Sum Pot and up to one-third of your Vested Pension Pot may be taken in cash on retirement and the balance must be used to purchase an annuity (although if the balance of the benefit is less than R165 000 the full benefit may be taken in cash). The annuity may be an annuity paid by the Fund or you may elect to purchase an annuity in a format and from a provider of your choice. Please see the Retirement Benefits counselling documents for the conditions applicable on retirement from the Fund.

- On your death, your paid-up benefit will be paid out in accordance with the requirements of legislation applicable at the time of your death. Currently, the requirements are that the Trustees of the Fund must allocate your benefit as they deem appropriate between your various dependants.

OPTION 4: PAYMENT IN CASH

Category A members: You may elect to receive your benefit, other than your Retirement Pot, in cash. Your Savings Pot will be taxed as income and your Vested Pots will be taxed in terms of the appropriate tax scales and you will only receive the net benefit. Your Retirement Pot, and any portion of your Savings Pot and your Vested Pots not taken in cash, must be transferred to the retirement fund of your new employer or to a preservation fund or to a retirement annuity fund.

Category B members: You may elect to receive your full benefit in cash which 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:

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.

TREATMENT OF YOUR BENEFIT ON EXIT

If you elect to become a paid-up member, or if you do not make an election and therefore default to become a paid-up member, your benefit will remain invested on the same basis as when you were a contributory member of the Fund.

If you elect to receive or transfer your benefit, then once the final contributions due for you have been received and subject to an administration period to obtain the necessary tax directive, the payment to you or transfer to the new fund selected by you will be processed.

ISSUES TO CONSIDER IN MAKING YOUR BENEFIT DECISION

You should consider various issues in making your benefit decision, where the relevance and importance of each issue will depend on your personal circumstances. These issues include, but are not limited to, the following:

- **Preservation for retirement**: Preserving your benefit will ensure you have a higher eventual retirement benefit. Taking part or all of your benefit in cash may mean you will not have sufficient savings at retirement.
- **Consolidation**: Consolidating all your retirement benefits in a single vehicle may make retirement planning easier and facilitate the purchase of an annuity on your eventual retirement.
- **Tax**: Income tax and/or withdrawal benefit tax, as appropriate, is payable if you take your benefit in cash, whereas no tax is payable if you preserve your full benefit. The allowable tax-free benefit on retirement is currently much higher than the tax-free benefit on withdrawal, i.e. there may be a material tax saving if benefits are taken as retirement benefits (see the table in Option 4 above).
- **Commissions**: Any commissions payable will reduce your eventual retirement benefit. It may be possible to negotiate lower commissions.
- **Fees**: Consolidating your benefit will ensure you do not pay two sets of ongoing administration fees.
- **Access to benefits**: Any need to access your benefit prior to retirement may influence your benefit decision.
- **Financial advice**: Although you are recommended to take financial advice before making your benefit decision, and such financial advice should always be provided in your best interests, it must be remembered that under these circumstances a financial advisor will only receive a commission if you select to transfer your benefit to a preservation fund or a retirement annuity.

SUMMARY OF THE ABOVE ISSUES

	Transfer to new retirement fund	Transfer to preservation fund	Transfer to retirement annuity	Paid-up in the Fund	Cash
Preservation	Yes	Yes	Yes	Yes	No
Consolidation	Yes	No [1]	No [1]	No	No
Benefit taxed	No	No	No	No	Yes
Commission	No	Yes [2]	Yes [2]	No	No
Duplicate fees	No	Yes [3]	Yes [3]	Yes	No
Accessible prior to retirement	No	Yes	No	Yes	Yes

Notes:

1. *Your benefits won't be consolidated with the benefits in your new retirement fund, but it may be possible to consolidate your benefits on leaving various previous retirement funds into a single preservation fund or retirement annuity.*
2. *You may be able to negotiate a lower, or nil, commission with your financial advisor. Alternatively, you may be able to source a "nil commission" product without consulting a financial advisor.*
3. *This assumes you will make ongoing contributions to another retirement arrangement and thus pay two sets of administration fees.*

MEMBERS CANNOT WITHDRAW BENEFITS WITHOUT LEAVING EMPLOYMENT

In terms of the Income Tax Act members cannot access a portion of their retirement benefits in the Fund, other than their Savings Pot in respect of Category A members (see the Two Pot Counselling Document), without leaving employment.