

METAL INDUSTRIES PROVIDENT FUND

RETIREMENT BENEFITS

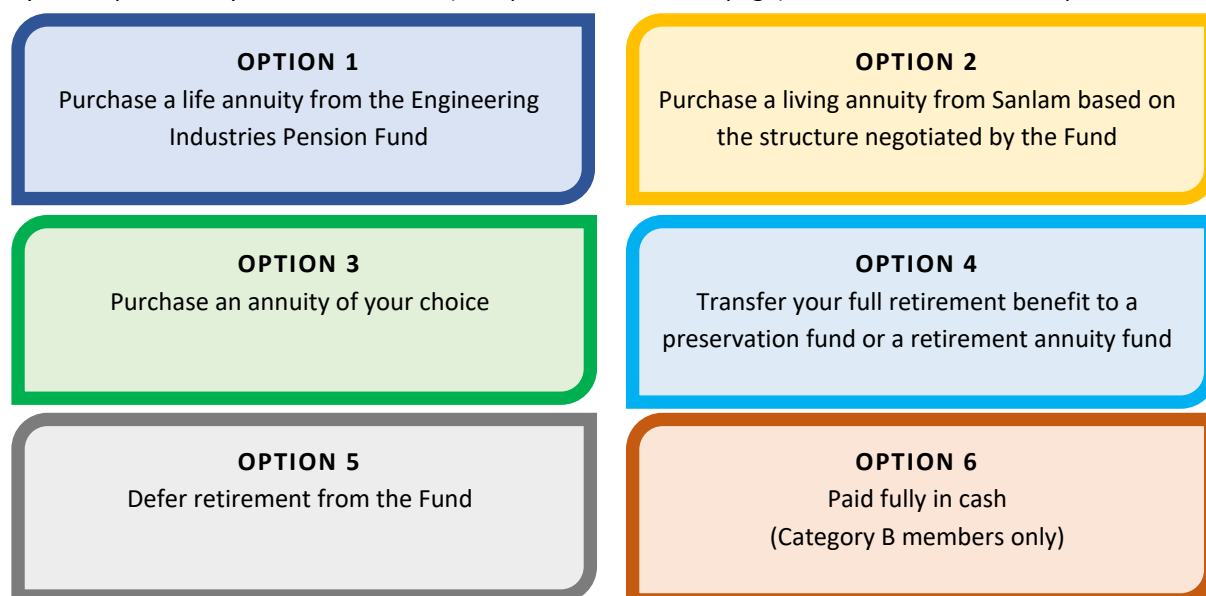
This counselling document sets out the benefit payable by the Metal Industries Provident Fund (the “Fund”) on your retirement. The document only provides information regarding these benefits and does not provide advice, as each member’s personal circumstances are different and you should consider taking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

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 and requirements will not apply to Category B members.

Category A: All other members of the Fund.

You may utilise your retirement benefit in one of six ways as set out below, provided that for Option 1, Option 2 or Option 3 you may take a portion of your benefit in cash (as explained on the next page) with the balance used to purchase an annuity:



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 the amount of your retirement benefit, how much of your retirement benefit you take in cash (the maximum that may be taken in cash is explained on the next page), 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 payments to its pensioners.

LEGISLATIVE CHANGES IN 2021 AND IN 2024

The Income Tax Act was changed effective 1 March 2021 to introduce annuitisation requirements and again on 1 September 2024 to introduce the Two Pot system. These two changes affect members differently, depending on their age and when they joined the Fund.

Annuitisation requirements from 1 March 2021

From 1 March 2021, all members who retire from a provident fund, including the Metal Industries Provident Fund, must purchase an annuity with at least two-thirds of their retirement benefit (similar to the requirement for pension fund members on retirement), subject to the following:

- 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. These members will all be Category B members on 1 September 2024 and their full benefit will be allocated to their Vested Lump Sum Pot in the Fund on that date.
- 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 may be taken in cash on retirement. This amount will be allocated to their Vested Lump Sum Pot in the Fund on 1 September 2024. The annuitisation requirements (namely a maximum of one-third in cash with the balance used to purchase an annuity) only apply to the portion of their retirement benefit that is built up from the contributions and investment return on those contributions after 1 March 2021. This amount will be allocated to their Vested Pension Pot in the Fund on 1 September 2024. These members are Category A members.
- The annuitisation requirements apply to all new members, of any age, who join the Fund after 1 March 2021. Their contributions and investment return on those contributions will be allocated to their Vested Pension Pot in the Fund on 1 September 2024. These members are also Category A members.

Two Pot system from 1 September 2024

The Two Pot system, allowing amongst other issues withdrawals from a member's Savings Pot and the compulsory preservation of the member's Retirement Pot to retirement (see the Fund's Two Pot Counselling Document for more information), will only apply to Category A members and not to Category B members. Member and employer retirement funding contributions for Category A members after 1 September 2024 will be allocated one-third to their Savings Pot and two-thirds to their Retirement Pot.

Category B members will retain all their existing rights, with their member and employer retirement funding contributions after 1 September 2024 allocated to their Vested Lump Sum Pot, unless they elect to become Category A members. If they elect to become Category A members, the Two Pot system will apply to them from the end of the month in which they make such an election (although further changes to the Income Tax Act may limit this election period to end on 31 August 2025).

YOU CAN TAKE A PORTION OF YOUR RETIREMENT BENEFIT IN CASH

In terms of the Income Tax Act, restrictions apply in respect of the maximum amount that may be taken in cash on retirement and the minimum amount of the retirement benefit that must be used to purchase an annuity, as follows. Note that this only applies when you retire from the Fund and purchase an annuity.

Maximum that may be taken in cash	Minimum that must be used to purchase an annuity
Full Savings Pot	-
Full Vested Lump Sum Pot	-
$\frac{1}{3}$ Vested Pension Pot	$\frac{2}{3}$ 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.

Note that Category B members will only have a Vested Lump Sum Pot, which can be taken fully in cash.

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, then if you take, say, one-third of your retirement benefit in cash, the balance will only purchase an annuity of R4 000 per month.

Any portion of your retirement benefit taken in cash is subject to taxation, with the current rates set out in the table below.

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 cash benefits from a previous retirement fund, the taxation of your retirement benefit from the Fund may differ to the above.

OPTIONS

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 will still be permitted to take a maximum of your Savings Pot, your Vested Lump Sum Pot and one-third of your Vested Pension Pot in cash, as described above.

The details of the annuity provided in the EIPF 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 – there is no requirement to accept the quote. 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.

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).

Annual annuity increase and discretionary bonus payments

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 payment expressed as a multiple of each pensioner's monthly annuity.

Annuity increase and bonus payment history

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

Date	Annuity increase	Inflation ¹	Bonus payment ²
1 July 2024	8.0%	5.1%	1.8 x monthly annuity
1 July 2023	7.5%	5.4%	2.0 x monthly annuity
1 July 2022	7.5%	7.4%	1.5 x monthly annuity
1 July 2021	5.0%	4.9%	2.0 x monthly annuity
1 July 2020	4.2%	2.2%	-
5-year average	6.4%	5.0%	

¹ for the 12 months to 30 June preceding the annuity increase date

² payable in the last quarter of the calendar year

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 a life annuity or a living 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: TRANSFER TO A PRESERVATION FUND OR A RETIREMENT ANNUITY FUND

You may elect to transfer your full retirement benefit to a preservation fund or a retirement annuity fund of your choice. Initial and ongoing commissions may be payable to your financial advisor in respect of the transfer.

You will not be permitted to take a Savings Pot withdrawal as part of the transfer, but you will be permitted to take withdrawals from your Savings Pot in the preservation fund or retirement annuity fund, as applicable.

OPTION 5: DEFER RETIREMENT FROM THE FUND

When you retire from employment, the Rules of the Fund allow you to elect to leave your retirement benefits in the Fund and to retire from the Fund at any future date, in which event:

- Your Fund Credit shall remain invested on the same basis as when you were a contributory member of the Fund.
- Your Fund Credit will remain allocated in the same Pots as prior to your retirement from employment. Category A members will not be permitted to take a Savings Pot withdrawal as part of the deferment election, but will be permitted to take withdrawals from their Savings Pot once they become a deferred retiree.

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

Call centre: 0860 10 25 44

Email: retirements@mibfa.co.za

OPTION 6: PAYMENT IN CASH

Category B members may elect to receive their full retirement benefit in cash.

The benefit will be taxed as set out on page 3 of this Counselling Document.

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 180 per month or R2 200 in respect of people over age 75 (both increasing by R10 per month effective 1 October 2024) 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.