



# 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) have been 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 apply 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 did not elect 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 was transferred to your **Vested Lump Sum Pot** and all your member and employer retirement funding contributions after 1 September 2024 have also been allocated to your **Vested Lump Sum Pot**.

You have retained the right to take your full benefit in cash on resignation or retirement.

However, you do not have a Savings Pot in the Fund and are not permitted to take Savings Pot withdrawals (as is permitted for Category A members).

Category B members had the option to elect to become Category A members during the 12-month period from 1 September 2024 to 31 August 2025. This option is no longer open to any remaining Category B members.

### CATEGORY A MEMBERS

If you are a Category A member:

- Any portion of your Fund Credit on 31 August 2024 that had 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) was transferred into your **Vested Lump Sum Pot** and retained the existing rights to be paid out in cash on resignation or retirement.
- The balance of your Fund Credit on 31 August 2024 was transferred into your **Vested Pension Pot** and retained 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 total of R30 000) was transferred to your **Savings Pot** on 1 September 2024.
- One-third of your member and employer retirement funding contributions after 1 September 2024 is allocated to your **Savings Pot** and two-thirds of your member and employer retirement funding contributions after 1 September 2024 is allocated to your **Retirement Pot**.

- You may request payment of part or all of the balance in your Savings Pot at any time, as set out in the next section.
- 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 are invested on the same basis and receive the same rate of investment return.

## SAVINGS POT PAYMENTS DURING EMPLOYMENT (CATEGORY A MEMBERS ONLY)

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

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 R400 will be deducted from the Savings Pot payment.

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.

The balance (after the deduction of tax and an administration fee of R400) of your Savings Pot payment will be paid into the salary bank account provided on your Two Pot application form.

Please remember that 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.

## 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, payment may only be requested in 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          | -                                                |
| ½ 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.

Tax (as determined by SARS based on your income together with any outstanding tax owed by you to SARS) and an administration fee of R400 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.

|                                                |                                                                                                               |
|------------------------------------------------|---------------------------------------------------------------------------------------------------------------|
| <b>Savings Pot payments during employment:</b> | Taxed as income                                                                                               |
| <b>Benefits paid in cash on resignation:</b>   | Savings Pot payments taxed as income<br>Balance of benefit taxed in terms of the withdrawal benefit tax scale |
| <b>Benefits paid in cash on retirement:</b>    | Benefit payments (including Savings Pot payments) taxed in terms of the retirement benefit tax scale          |
| <b>Benefits paid in cash on death:</b>         | Benefit payments (including Savings Pot payments) taxed in terms of the retirement benefit tax scale          |

The withdrawal benefit tax scale and the retirement benefit tax scale are currently as follows:

| WITHDRAWAL BENEFIT TAX SCALE<br>Applicable on resignation or dismissal |                                                     | RETIREMENT BENEFIT TAX SCALE<br>Applicable on 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<br>27% of the amount above R726 000   | R770 001 to R1 155 000                                                          | R39 600 plus<br>27% of the amount above R770 000    |
| R1 089 001 and above                                                   | R223 740 plus<br>36% of the amount above R1 089 000 | R1 155 001 and above                                                            | R143 550 plus<br>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.