



Metal Industries Benefits Funds Administrators
Association Incorporated Under Section 21: Reg. No 94 01481/08
ENGINEERING INDUSTRIES PENSION FUND /
METAL INDUSTRIES PROVIDENT FUND

TWO POT SYSTEM

STATUS ON ENACTING THE REQUIRED LEGISLATION

Parliament is currently considering the draft legislation for the so-called “Two Pot” system that will allow members to have emergency access to part of their retirement benefits before retirement.

Most of the details have been agreed but there is still uncertainty as to the implementation date, with National Treasury proposing 1 March 2025 and the Parliamentary Standing Committee on Finance suggesting 1 September 2024.

SUMMARY OF THE TWO POT SYSTEM

The main features of the Two Pot system are:

- Access to part of each member’s benefit will be allowed from the effective date. As noted above, this date is still to be finalised, but for the purposes of this note we have assumed it to be 1 September 2024.
- Each member’s benefit in the Fund will be split into three components from 1 September 2024, namely a **Savings Component**, a **Retirement Component** and a **Vested Component**.

Savings Component

- 10% of each member’s Fund Credit as at 31 August 2024, subject to a maximum amount of R30 000 (the previous proposals considered by parliament limited this amount to R25 000), will be transferred as “seeding capital” to their **Savings Component** (or Pot) on that date.
- One-third of the total of each member’s contributions and the employer retirement funding contributions each month after 1 September 2024 will be allocated to their **Savings Component**.
- Members will be allowed to withdraw part or the full amount of their **Savings Component** in the Fund while they are still employed.
- Any amount withdrawn from a member’s **Savings Component** will be subject to the following conditions:
 - The Savings Component balance must be at least R2 000.
 - The member may take only one withdrawal in any tax year (running from 1 March to the following 28 February).
 - The amount withdrawn will be taxed as income in the hands of the member (tax will be deducted by the Fund’s Administrator and the net amount paid to the member).
 - An administration fee will also be deducted from the amount withdrawn.

Examples – Initial transfers and withdrawals

- a) *If a member’s Fund Credit is less than R20 000 as at 31 August 2024, 10% will be transferred to the Savings Component, but the member cannot withdraw anything (as it will be less than R2 000) until further contributions take it up to at least R2 000.*
- b) *If a member’s Fund Credit is between R20 000 and R300 000 as at 31 August 2024, 10% will be transferred to the Savings Component and the member can withdraw part or all of the amount transferred at any time.*

- c) If a member's Fund Credit is more than R300 000 as at 31 August 2024, then R30 000 will be transferred to the Savings Component and the member can withdraw part or all of the amount transferred at any time.

Cautions:

Cash withdrawals from the Savings Component prior to retirement should be limited to emergencies as the amount paid is reduced by the tax payable to SARS and an administration fee to make the payment.

Any amounts withdrawn prior to retirement reduce the member's eventual benefits on retirement and will mean less money is available for the member to retire with enough monthly retirement pension. Essentially, any amount withdrawn is taken from the one-third of the member's retirement benefit that may be taken in cash on retirement, thereby reducing the remaining amount that may be taken in cash on retirement.

Retirement Component

- Two-thirds of the total of each member's contributions and the employer retirement funding contributions each month after 1 September 2024 will be allocated to their **Retirement Component**.
- The member's full **Retirement Component** must be preserved until retirement, i.e. the member cannot take this amount in cash on resignation prior to retirement. If the member resigns, the Retirement Component must either be left paid-up in the MIPF or EIPF or transferred to another retirement fund or preservation fund that the member belongs to.

Vested Component

- The balance of the member's Fund Credit as at 31 August 2024, after the transfer to the Savings Component discussed above, will be the member's **Vested Component**. The Vested Component will retain all the "rights" that applied as at 31 August 2024, i.e. the member may still take this portion of the benefit in cash on resignation prior to retirement.

Summary	Savings Component	Retirement Component	Vested Component
Inflows	Seeding capital plus 1/3 rd retirement contributions after 1.9.2024 plus investment return	2/3 rd s retirement contributions after 1.9.2024 plus investment return	Fund Credit at 31.8.2024 less seeding capital plus investment return
Cash payments during employment	May be taken in cash (minimum R2 000)	Cannot be paid out	Cannot be paid out
Resignation	May be taken in cash	Must be preserved to retirement	May be taken in cash
Retirement	May be taken in cash	Must be used to purchase an annuity	Any vested amount* plus up to 1/3 rd of the balance may be taken in cash, but the balance over these amounts must be used to purchase an annuity

* EIPF members do not have a vested amount.

MIPF members who were older than age 55 on 1.3.2021, their full Vested Component is considered to be a vested amount.

MIPF members who were younger than age 55 on 1.3.2021, their Fund Credit as at 1.3.2021, plus investment return thereon, is considered to be a vested amount.