



Metal Industries Benefits Funds Administrators

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 29 February 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 March 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- Any amount withdrawn from a member's **Savings Component** will be subject to the following conditions: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 - The amount withdrawn will be taxed as income in the hands of the member (tax will be deducted by the Fund's Administrator and the net amount paid to the member).
 - An administration fee will also be deducted from the amount withdrawn.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 29 February 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 29 February 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 29 February 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.*

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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 March 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 Tongaat Hulett Pension Fund 2010 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 29 February 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 29 February 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 1.3.2024 plus investment return	2/3 rd s retirement contributions after 1.3.2024 plus investment return	Fund Credit at 28.2.2024 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.

ENGINEERING INDUSTRIES PENSION FUND

TAKING CASH OUT OF YOUR FUND BENEFIT AFTER 1 SEPTEMBER 2024




Government is in the final stages of changing the law to allow members who are in financial trouble to take part of their Fund Credit in cash while they are still employed. This is a very big change from the current system where members are only allowed to take their benefit in cash on resignation and all or part of their benefit in cash on retirement.

We have explained the changes in this notice but before that, it is important to note that:

- **The proposed implementation date of the new system is 1 September 2024.**
- **You will not be able to access your full current Fund Credit:** The initial amount you will be allowed to access is limited to 10% of your Fund Credit as at 31 August 2024, subject to a maximum Rand amount of R30 000 – this amount is called your **seeding capital**. As an example, if you have a Fund Credit of R150 000 on 31 August 2024, your seeding capital will be R15 000 (10%) and this is the amount you will be able to access in cash on 1 September 2024.
- **One-third of your member and employer retirement funding contributions after 1 September 2024 may be withdrawn.**
- **You are not allowed to withdraw amounts less than R2 000.** Restrictions also apply if you are getting divorced or have a housing loan backed by the assets of the Fund.
- **Tax and fees will be deducted from any amount you withdraw:** Any amount you withdraw will be taxed as income and an administration fee to process the withdrawal will be deducted from the payment.
- **You can only withdraw money once in each tax year.**
- **Payments may not happen immediately if a request is made in September 2024:** Before making a payment, the rules will have to be approved, SARS will have to confirm the amount of tax to pay and the administrator will have to process the payment. Because we expect a lot of requests in September, there may be delays in payment.

THE TWO POT SYSTEM

Although you will see it called the “two pot” system, the new system will split your Fund Credit into 3 separate pots:

Vested Pot	Savings Pot	Retirement Pot
		
<i>Benefit accrued up to 31 August 2024, less seeding capital, plus investment returns</i>	<i>Seeding capital plus 1/3rd of retirement contributions after 1 September 2024, plus investment returns</i>	<i>2/3rd of retirement contributions after 1 September 2024, plus investment returns</i>

Retirement contributions, for the purposes of the Savings Pot and the Retirement Pot, are defined as:

Member contributions + Employer contributions – Risk benefit premiums – Administration expenses



Members are permitted to transfer their Vested Pot and their Savings Pot into their Retirement Pot at any time. They cannot transfer any amount out of their Retirement Pot.

When a benefit is paid to a member, each pot needs to be considered separately in terms of the conditions that apply to that pot and the taxation basis if the pot can be paid out. In this notice:

- A **Green pot** means the benefit can be taken in cash;
- A **Blue pot** means the benefit cannot be taken in cash at that time and must be preserved until a later date, i.e. to resignation or retirement, as appropriate; and
- A **Red pot** means the benefit must be used to buy a pension at retirement. If, however, the amount that must be used to buy a pension in either the Vested Pension Pot or the Retirement Pot is less than R165 000, then the full amount in that Pot may be taken in cash.






CASH PAYMENT WHILST IN EMPLOYMENT: From 1 September 2024 you may, subject to various conditions, request payment of part of, or all of, the balance in your Savings Pot without leaving employment.

Vested Pot	Savings Pot	Retirement Pot
		
<i>Cannot be accessed</i>	<i>May be taken in cash</i>	<i>Cannot be accessed</i>

For the Savings Pot, a **minimum of R2 000** may be taken in cash at a time, only one such payment may be made in any tax year (e.g. if you request and receive a payment on, say, 15 April 2025, you will not be able to receive another payment until at least 1 March 2026), the amount is **taxed as income** (see below) and a **fee** will be charged by the administrator for making the payment.

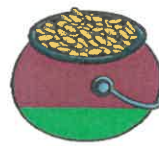
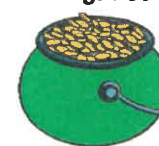

Remember, any amount taken in cash whilst in employment reduces your benefit in the Fund. If you take your full Savings Pot in cash before you exit employment, you will have less in cash available when you leave employment (when you may need this cash the most).

WITHDRAWAL FROM EMPLOYMENT (RESIGNATION / RETRENCHMENT / DISMISSAL)

Vested Pot	Savings Pot	Retirement Pot
		
<i>May be taken in cash</i>	<i>May be taken in cash</i>	<i>Cannot be accessed</i>

Your Retirement Pot must be preserved to retirement, either by leaving it paid-up in the Fund or by transferring it to another retirement fund or preservation fund.

RETIREMENT FROM EMPLOYMENT (INCLUDING ILL-HEALTH / DISABILITY RETIREMENT)

Vested Pot	Savings Pot	Retirement Pot
		
<i>Maximum 1/3rd in cash Minimum 2/3rds must be used to buy a pension</i>	<i>May be taken in cash</i>	<i>Must be used to buy a pension</i>

DEATH: There are no changes to the way that the benefit is paid to your beneficiaries on your death.

TRANSFER TO OTHER FUNDS: Where any amount is transferred to another fund, the amount in each Pot must be transferred to a matching Pot in the new fund.

TAX

The tax treatment of the various payments will differ depending on how they are taken, as follows:

- Any **cash withdrawal whilst in employment** will be taxed as income.
- Any **cash payment on exit from the Fund** will be taxed as income if taken from the Savings Pot or based on the existing withdrawal tax scale if taken from the Vested Pot.
- Any **cash payment on retirement** will be taxed on the existing retirement tax scale.
- The **pension purchased on retirement** using any part of your benefit will be taxed as income.
- No tax is paid on **any amount transferred or preserved**.

This is a summary of the main provisions of the Two Pot system and please note that all issues, and especially the taxation of benefits, are subject to the final legislation when it is signed into law.

If you have any questions regarding the above, please contact the MIBFA call centre on 086 0102 544

METAL INDUSTRIES PROVIDENT FUND

TAKING CASH OUT OF YOUR FUND BENEFIT AFTER 1 SEPTEMBER 2024





Government is in the final stages of changing the law to allow members who are in financial trouble to take part of their Fund Credit in cash while they are still employed. This is a very big change from the current system where members are only allowed to take their benefit in cash on resignation and all or part of their benefit in cash on retirement.

We have explained the changes in this notice but before that, it is important to note that:

- **The proposed implementation date of the new system is 1 September 2024.**
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- **One-third of your member and employer retirement funding contributions after 1 September 2024 may be withdrawn.**
- **You are not allowed to withdraw amounts less than R2 000.** Restrictions also apply if you are getting divorced or have a housing loan backed by the assets of the Fund.
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THE TWO POT SYSTEM

Although you will see it called the “two pot” system, the new system will split your Fund Credit into 4 separate pots:

Vested Lump Sum Pot	Vested Pension Pot	Savings Pot	Retirement Pot
			
<i>Benefit accrued prior to 1 March 2021, less a portion of seeding capital, plus investment returns which may be taken in cash at retirement</i>	<i>Benefit accrued between 1 March 2021 and 31 August 2024, less a portion of seeding capital, plus investment returns of which at least 2/3^{ds} must be used to buy a pension at retirement</i>	<i>Seeding capital plus 1/3rd of retirement contributions after 1 September 2024, plus investment returns</i>	<i>2/3^{ds} of retirement contributions after 1 September 2024, plus investment returns</i>

The Vested Lump Sum and Vested Pension Pots are your benefits that have built up before 31 August 2024 (less the seeding capital transferred to your Savings Pot), split to take account of your vested rights (to take cash on retirement) if you were a member of the Fund before 1 March 2021.

Retirement contributions, for the purposes of the Savings Pot and the Retirement Pot, are defined as:

Member contributions + Employer contributions – Risk benefit premiums – Administration expenses





Members are permitted to transfer their Vested Pot (both the Lump Sum and Pension portions) and their Savings Pot into their Retirement Pot at any time. They cannot transfer any amount out of their Retirement Pot.

When a benefit is paid to a member, each pot needs to be considered separately in terms of the conditions that apply to that pot and the taxation basis if the pot can be paid out. In this notice:

- A **Green pot** means the benefit can be taken in cash;
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CASH PAYMENT WHILST IN EMPLOYMENT: From 1 September 2024 you may, subject to various conditions, request payment of part of, or all of, the balance in your Savings Pot without leaving employment.

Vested Lump Sum Pot	Vested Pension Pot	Savings Pot	Retirement Pot
			
<i>Cannot be accessed</i>	<i>Cannot be accessed</i>	<i>May be taken in cash</i>	<i>Cannot be accessed</i>

For the Savings Pot, a **minimum of R2 000** may be taken in cash at a time, only one such payment may be made in any tax year (e.g. if you request and receive a payment on, say, 15 April 2025, you will not be able to receive another payment until at least 1 March 2026), the amount is **taxed as income** (see below) and a **fee** will be charged by the administrator for making the payment.




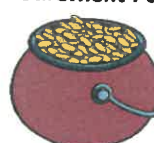
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Vested Lump Sum Pot	Vested Pension Pot	Savings Pot	Retirement Pot
			
<i>May be taken in cash</i>	<i>Maximum 1/3rd in cash</i> <i>Minimum 2/3rds must be used to buy a pension</i>	<i>May be taken in cash</i>	<i>Must be used to buy a pension</i>

DEATH: There are no changes to the way that the benefit is paid to your beneficiaries on your death.

TRANSFER TO OTHER FUNDS: Where any amount is transferred to another fund, the amount in each Pot must be transferred to a matching Pot in the new fund.

TAX

The tax treatment of the various payments will differ depending on how they are taken, as follows:

- Any **cash withdrawal whilst in employment** will be taxed as income.
- Any **cash payment on exit from the Fund** will be taxed as income if taken from the Savings Pot or based on the existing withdrawal tax scale if taken from the Vested Lump Sum or Pension Pots.
- Any **cash payment on retirement** will be taxed on the existing retirement tax scale.
- The **pension purchased on retirement** using any part of your benefit will be taxed as income.
- No tax is paid on **any amount transferred or preserved**.

This is a summary of the main provisions of the Two Pot system and please note that all issues, and especially the taxation of benefits, are subject to the final legislation when it is signed into law.

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