



MGF
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MUNICIPAL GRATUITY FUND

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NEWS FLASH 25 FEBRUARY 2022

1. Increase in contribution towards the Risk Account

At the Board meeting on 2 February 2022 the Board, in consultation with the Actuary, resolved that the contribution towards the Risk Account be increased from 2.95% to 3.6% of pensionable salary, with effect from 1 March 2022. Together with the increase in the Risk Account contribution the Board resolved to decrease the contribution towards the Operational Account from 0.55% to 0.40%. Although the increase in the contribution towards the Risk Account is 0.65% the reduction in the contribution towards the Operational Account assisted in only increasing the total contribution towards the Risk Account and Operational Account by 0.50% from 3.5% to 4%. This 4% is funded from the employer contribution, which still compares favourable with the risk and administration cost in other funds.

Sadly, due to the Covid-19 pandemic the Fund, like other funds, experienced a significant increase in the number of death cases of our members in the Fund, which necessitated the increase in the contribution towards the Risk Account. This pandemic left nobody untouched and the Fund expresses its heartfelt condolences with all who lost a family member or loved one during this pandemic.

The Board, in consultation with the Actuary, is keeping a watchful eye on the balance in the Risk Account and if the claims experience improves the contribution will be reconsidered.

2. Restructuring of Municipal Retirement Funds

In previous news flashes updates were provided on the Funds position. As previously mentioned the Fund joined forces with a number of other retirement funds, which share the sentiment of the Fund, and engaged into legal action and obtained a court order to protect the rights and interests of our members. The attorney of the Fund received the notice to oppose from SALGBC's attorneys. The members will be kept updated as developments unfold.

3. Two-pot system (early withdrawals)

National Treasury had released a paper *Encouraging South African Households to Save More for Retirement*, which is referred to as the two-pot system, for commentary by the retirement industry stakeholders by 31 January 2022. The legislation to allow for the two-pot system will be released for comment in the middle of 2022. Part of the proposal includes the possibility of allowing short-term access to pension fund money, which would be dependent on the approval by Board of each fund.

The Fund has received numerous queries in this regard, but we are unable to assist until the legislation had been enacted and the Board approves such early access to retirement funds. It is still early days and for now the status quo remains and no partial withdrawals are allowed prior to exiting the Fund.

The Fund would caution members to opt for this early access to retirement option, as it would reduce your retirement savings and members could land up in a situation whereby they do not have sufficient funds available at retirement.

4. Funeral benefit nomination form

In the August 2021 news flash (which is available on the Funds website), the importance of the completion of the funeral benefit nomination form by each member was discussed in detail. It is a legislative requirement in accordance with the Insurance Act 18 of 2017 that a funeral nomination form must be completed to enable the Insurer to pay the funeral benefit to the nominated beneficiary. If there is no funeral benefit nomination form the Insurer has no other option, but to pay the funeral benefit to the estate late bank account of the deceased member. The purpose of a funeral benefit is that payment should be made to the beneficiary within 48 hours of receipt of the completed funeral claim form, but due to the funeral benefit nomination form not completed it unfortunately delays the process.

This is thus just a further reminder that it is of the utmost importance for every member who belongs to a funeral plan to complete the funeral benefit nomination form. This funeral benefit nomination form must NOT be sent to the Fund or the Insurer, but kept on the personal file of each member at their employer. Only in the event of the death of a member should the funeral benefit nomination form accompany the funeral claim form, which must both be sent to the Insurer. All these forms are available on the Fund's website www.mymgf.co.za

Kind regards



Christine Seierlein
CHIEF EXECUTIVE OFFICER