MGF
Wealth creator of choice

MUNICIPAL GRATUITY FUND
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NEWS FLASH 22 AUGUST 2024

TWO-COMPONENT SYSTEM (TWO-POT) UPDATE

The Fund's Communication Officers have been busy with roadshows to address our members face-to-face to answer any questions/uncertainties and explain the implementation of the two-component system, which is effective from 1 September 2024. Sanlam, our administrator, has been equally busy to provide training to HR/payroll staff to empower them to assist members with their withdrawal requests and/or queries.

Throughout July and August, the Fund has communicated with members via SMS's to ensure that the latest two-pot information is shared with members. Members were also reminded to register on the Sanlam Portfolio App to ensure that all members will have access to the online withdrawal application.

If you have not yet registered, please do so at the following link, to place you in the position to make a withdrawal: https://www.sanlamonline.co.za/registration/register

The implementation date of the two-component system is Sunday, 1 September 2024, take note of the following important dates:

Monday, 2 September 2024: **freeze period** on the administrator's system with no access.

Tuesday, 3 September 2024: the two-component emergency withdrawal application will be available on the administrator's online system for members to exercise their emergency withdrawal options.

Important to note

- The MGF is a registered **pension fund NOT** a provident fund.
- Members in a **provident fund** who were 55 years and older on 1 March 2021 (thus 58 years old now) are excluded from the two-component system, thus they can take their full fund credit in cash at retirement. All MGF members are **included** in the two-component system, as MGF is a pension fund. Thus MGF members cannot take the retirement pot in cash at retirement, except if it is less than the *de minimis* amount of R165 000.
- 10% of your fund credit to a maximum of R30 000 will be transferred to the emergency savings component on 31 August 2024. This is **not** repeated annually it is a once-off transfer.

- Members need to be registered tax payers to be able to withdraw from the emergency savings component, as the member's marginal tax rate will be applicable. You will be taxed on your withdrawal amount and if you have arrear tax payable to SARS, it will also be deducted from your withdrawal amount!
- Admin fee of R330 excl VAT is applicable for each withdrawal, which will be deducted from the amount being withdrawn from the emergency savings component. The net amount payable is thus less tax and the admin fee.
- Only one withdrawal is allowed in a tax year with the minimum withdrawal amount being R2 000. If a member exercises the once off withdrawal from the emergency savings component and resigns in the same tax year, the balance in the emergency savings component, if more than R2 000 cannot be taken in cash, but will have to be transferred to a preservation fund, annuity or the next employer's savings component.
- Members can update their beneficiaries online on the website, which can be viewed by HR, but only HR/payroll may change the banking details of members. This has been put in place to prevent any fraudulent action, as there is an audit trail on who performs the changes on the administrator's system.
- Free Benefit Counselling is available for all members and it is important to take note of the effect which this early withdrawal could have on your retirement goal. Do not hesitate to contact the benefit counselling team toll free at 0800 111 956 or ims@sanlam.co.za

Refer to the 17 May 2024 News Flash on the Fund's website www.mymgf.co.za for more information on the two-component system, which was not repeated in this News Flash.

Should you require any additional information please feel free to contact the Fund.

Kind regards

CSeierlein

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CHIEF EXECUTIVE OFFICER