MGF
Wealth creator of choice

MUNICIPAL GRATUITY FUND
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NEWS FLASH 25 FEBRUARY 2025

1. REDUCTION IN CONTRIBUTION TOWARDS THE RISK ACCOUNT

It is with great pleasure that I can inform you that the Board, at its Board meeting on 12 February 2025, in conjunction with the Actuary of the Fund, approved the reduction in the contribution towards the Risk Account from 2.60% to 2.25% of salary, which will be effective from 1 March 2025. The administration expenses increased from 0.40% to 0.50% of salary. The total contribution towards risk benefits and administration expenses thus reduce from 3% of salary to 2.75% of salary.

How does this reduction benefit our members? Members who have been in service prior to August 2012 receive an employer contribution of 22%, whilst members who started their service with the municipality from August 2012 onwards receive an 18% employer contribution. The 2.75% of salary is funded from the employer contribution, thus if your employer contributes 22% on your behalf, 19.25% of salary will be invested in your fund credit and if your employer contributes 18% on your behalf, 15.25% of salary will be invested in your fund credit.

2. “TWO-POT” SYSTEM: UPDATE

The implementation of the two-pot system was a huge success and members were able to withdraw from their savings component with effect from 3 September 2024. More than half of the members of the Fund made use of this offer to withdraw from their savings component.

The new tax year will open on 1 March 2025 and the administrator has closed its system until 3 March 2025 to allow for all the current two-pot withdrawals tax directives to be paid by 28 February 2024, being the end of the 2025 tax year. Members will be able to make withdrawals in the new tax year with effect from 3 March 2025, but only if their savings component’s value is at least R2 000.

It remains important to take note of the following:

- Only one withdrawal may be granted from the savings component within a tax year at a minimum amount of 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 must be preserved.

- The savings component is taxed at the individual’s marginal tax rate and NOT the retirement fund tax tables.
- In the event of resignation, a member may not withdraw the retirement component. The retirement component must be preserved until retirement.
- In the event of retirement, only if the retirement component is less than the *de minimis* amount of R165 000 may it be taken in cash, if more it will have to be transferred to an annuity or preserved.
- If contributions are in arrears members will not have access to their savings component, as the administrator’s system will view such member as a possible exit.

Refer to the May 2024 News Flash published on the Fund’s website www.mymgf.co.za for more information.

Kind regards

Christine Seierlein
CHIEF EXECUTIVE OFFICER