MGF
Wealth creator of choice

MUNICIPAL GRATUITY FUND
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NEWS FLASH 21 OCTOBER 2024

1. TWO-COMPONENT SYSTEM (TWO-POT)

The implementation of the two-component system was a huge success, with thanks to our administrator, Sanlam. As from 3 September 2024 the members and HR staff were able to apply for the emergency savings withdrawal on the administrator's online digital platform, but only if the employer uploaded the banking details of its members. There were a few teething problems with employers not uploading the banking details of members who were eager to make use of the emergency savings withdrawal option. The situation was speedily solved with the assistance of the HR/Payroll staff of the employers – a big thanks to the employers who assisted with the uploading of the banking details. The Fund also wishes to thank the employers who were willing to assist the members with the withdrawal as not all members have smart phones. There was a partnership amongst the employers, administrator and the Fund's staff who took ownership to ensure that members were assisted to register on the online portal, to enable the members to have access to the emergency savings withdrawal option. The decision remains that no manual forms will be made available or accepted, this is to protect our members as this is the easiest way for the fraudsters to lay their hands on our members' money. By 16 October 2024 we had 13 154 members applying for the emergency savings withdrawal to the amount of R364.9 million.

A few members had challenges and their emergency savings withdrawal was not paid as quickly as they expected, due to tax numbers not matching their ID number or surname. It is of the utmost importance that each member should ensure that the ID number and surname on the administration system is the same as their personal details at SARS, otherwise the tax directive will reject. If you have changed your banking details within the last three months the system will not allow the member to process the emergency savings withdrawal, but it will have to be done by the employer on behalf of the member.

Important to note:

- The R30 000 seed capital transferred to the emergency savings component on 1 September 2024 was a **once off** amount and will not be repeated annually.
- The emergency savings pot grows with one-third of member contributions on a monthly basis and the full amount in the emergency savings pot may be withdrawn once in a tax year, with the minimum amount being R2 000.

- If the amount in the emergency savings pot is less than R2 000 no withdrawal will be allowed.
- The amount available for withdrawal in the emergency savings pot is reduced if you have a pension backed home loan with Standard Bank or FNB, legislation is clear the loan amount must be deducted from all the pots proportionally.
- You are taxed at your marginal tax rate and the emergency savings withdrawal amount will be added to your annual income at the end of the tax year for the annual SARS assessment, you could be found to have moved into a higher tax bracket and thus owing SARS money at the end of the tax year.
- The retirement pot may **not** be taken in cash at resignation, even if it is a very small amount, but must be preserved until retirement.
- 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

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

2. RULE AMENDMENT REGARDING RESIGNATION AND JOINING ANOTHER MUNICIPALITY

The Board amended the Rules of the Fund, whereby a member may not withdraw his/her benefit when moving from one municipality to another. This rule amendment was applicable from 1 January 2024. While a member remains employed by a municipality the membership of the Fund may not be discontinued, neither may the member take the benefit in cash. For members who move to a section 157 contract, the member remains in the employment of the municipality and remains a member of the Fund, therefore his/her benefit may not be taken in cash, but he/she remains a contributing member.

Rule 38 was amended to read as follows:

If a MEMBER leaves the service of a LOCAL AUTHORITY and is thereafter re-employed by the same or another LOCAL AUTHORITY, he will not be entitled to a withdrawal or any other benefit. Instead, his membership record will be moved to his new LOCAL AUTHORITY employer, his FUND CREDIT will stay invested in the same investment portfolio applying to him immediately before his re-employment, unless he elects another investment portfolio as referred to in Rule 16A(1), and he will remain a MEMBER.

3. EXIT PAYMENTS

Due to the two-pot system, applicable from 1 September 2024, there could be a delay in the payment of exit benefits. From 1 September 2024 all members will have three pots being the vested pot, emergency savings pot and the retirement pot. The Fund's administrator needs to receive payment instructions for each pot, as per the personalised member exit form, which is available on the online portal. The member needs to sign off this personalised member exit form with the instructions per pot clearly indicated on the form.

In the event of resignation, the retirement pot may not be taken in cash and needs to be transferred to either an annuity, preservation fund or the new employer's pension/provident fund's retirement pot. It is reasonable to assume that each member exiting the Fund would require the assistance of a financial advisor to assist with the investment of the retirement pot.

Do not hesitate to contact the benefit counselling team toll free at 0800 111 956 or ims@sanlam.co.za

Kind regards

CSeierlein
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CHIEF EXECUTIVE OFFICER