

## **THE ELECTRICAL CONTRACTING INDUSTRY PROVIDENT FUND**

### **Amendment No. 2 to the Revised RULES**

Signed on a round-robin basis by the authorised signatories of the ELECTRICAL CONTRACTING INDUSTRY PROVIDENT FUND, to be ratified at the FUND'S next TRUSTEE meeting.

Resolved that with effect from the TWO-COMPONENT EFFECTIVE DATE, the RULES of the ELECTRICAL CONTRACTING INDUSTRY PROVIDENT FUND shall be amended as follows:

1. The following definitions shall be added to RULE 2:

EXEMPTED MEMBER shall mean a MEMBER who was over the age of 55 years on the ANNUITISATION DATE, who remains in the FUND and who does not opt-in to the TWO-COMPONENT ARRANGEMENT within 1 year of the TWO-COMPONENT EFFECTIVE DATE.

INCOME TAX ACT shall mean the Income Tax Act, (Act No. 58 of 1962), as may be amended from time to time, as well as the schedules thereto, and shall include the provisions of the Revenue Laws Amendment Act (Act No. 12 of 2024).

RETIREMENT COMPONENT shall mean as from the TWO-COMPONENT EFFECTIVE DATE, in respect of each MEMBER, other than an EXEMPTED MEMBER, the sum of:

- (a) two-thirds of the total net retirement funding contributions made by or on behalf of a MEMBER in respect of a period commencing after the TWO-COMPONENT EFFECTIVE DATE; plus

- (b) any amount transferred into the RETIREMENT COMPONENT from the SAVINGS COMPONENT; plus
- (c) any amount transferred into the RETIREMENT COMPONENT from the VESTED COMPONENT; plus
- (d) any amounts credited to the RETIREMENT COMPONENT in terms of the INCOME TAX ACT and/or any other legislation; plus
- (e) any amount transferred into the FUND by or on behalf of a MEMBER which is attributable to the RETIREMENT COMPONENT; less
- (f) a *pro rata* portion of any deduction in respect of a payment in terms of the ACT or the INCOME TAX ACT;

adjusted by the appropriate FUND RETURN required to be allocated to the RETIREMENT COMPONENT.

SAVINGS COMPONENT shall mean, as from the TWO-COMPONENT EFFECTIVE DATE, in respect of each MEMBER; other than an EXEMPTED MEMBER; the sum of:

- (a) his SEEDING CAPITAL, if any; plus
- (b) one-third of the total net retirement funding contributions made by or on behalf of the MEMBER in respect of a period commencing after the TWO-COMPONENT EFFECTIVE DATE; plus
- (c) any amounts credited to the SAVINGS COMPONENT in terms of the INCOME TAX ACT and/or any other legislation; plus

- (d) any amount transferred into the FUND by or on behalf of a MEMBER which is attributable to the SAVINGS COMPONENT; less
- (e) a *pro rata* portion of any deduction in respect of a payment in terms of the ACT or the INCOME TAX ACT; less
- (f) any SAVINGS WITHDRAWAL BENEFIT; less
- (g) any amount transferred from the SAVINGS COMPONENT into the RETIREMENT COMPONENT;

adjusted by the appropriate FUND RETURN required to be allocated to the SAVINGS COMPONENT.

SAVINGS WITHDRAWAL BENEFIT shall mean that portion of the MEMBER'S SAVINGS COMPONENT that the MEMBER may elect to withdraw without leaving employment or terminating membership of the FUND, subject to such withdrawal being limited to:

- (a) one withdrawal during a tax year, and
- (b) the value of each withdrawal not being less than R2 000, or such minimum value prescribed by the INCOME TAX ACT from time to time, before taking into account any charges or transaction costs.

Provided that where a MEMBER terminates their membership in the FUND within any year of assessment and such MEMBER has made a withdrawal from the FUND in that tax year and the remaining value of the MEMBER'S interest in the SAVINGS COMPONENT is less than R2 000, or such minimum value prescribed by the INCOME TAX ACT from time to time, such MEMBER may be allowed a second withdrawal of the total balance in the SAVINGS COMPONENT.

SEEDING CAPITAL shall mean a once-off allocation, based on 10 (ten) per cent of the MEMBER'S VESTED COMPONENT, if any, subject to a maximum of R30 000 (thirty thousand Rand), which is transferred to the SAVINGS COMPONENT as an opening balance, as at the TWO-COMPONENT EFFECTIVE DATE.

TWO-COMPONENT ARRANGEMENT shall mean the legislated component structure provided for in terms of the ACT and the INCOME TAX ACT. This arrangement is applicable to all MEMBERS, other than an EXEMPTED MEMBER, and consists of a RETIREMENT COMPONENT, a SAVINGS COMPONENT, and, where applicable, a VESTED COMPONENT.

The arrangement prescribes how a part or the whole of an affected MEMBER'S SHARE may be accessed both during and upon cessation of his membership of the FUND in terms of the ACT and the INCOME TAX ACT.

TWO-COMPONENT EFFECTIVE DATE shall mean, 1 September 2024.

VESTED COMPONENT shall mean, as at 31 August 2024 in respect of:

- (a) each EXEMPTED MEMBER, his VESTED BENEFIT as defined in clause (b) of the definition "VESTED BENEFIT"; and
- (b) any other MEMBER, the accumulated value of his NON-VESTED BENEFIT, if any, and his VESTED BENEFIT, if any, provided that such accumulated value:
  - (i) shall include any contributions due in respect of the period ending prior to the TWO-COMPONENT EFFECTIVE DATE; and

- (ii) shall be less:
  - (aa) any amount transferred to his SAVINGS COMPONENT as a SEEDING CAPITAL as at the TWO-COMPONENT EFFECTIVE DATE; and
  - (bb) any amount transferred to his RETIREMENT COMPONENT; and
  - (cc) a *pro rata* part of any deduction in respect of a payment in terms of the ACT or the INCOME TAX ACT; and
- (iii) no further contributions by or on behalf of such MEMBER shall be credited to VESTED COMPONENT as from the TWO-COMPONENT EFFECTIVE DATE, except for amounts referred to in (b)(i) above.

Provided further that the RULES applicable to the payment of NON-VESTED BENEFITS and VESTED BENEFITS as at the ANNUITISATION DATE, shall apply to any amount in the VESTED COMPONENT.

2. The definitions "ACT" and "*DE MINIMIS*" in RULE 2 shall be replaced as follows:

"ACT" shall mean the Pension Funds Act, (Act No. 24 of 1956), as amended from time to time, as well as the regulations made in terms of that ACT, and shall include provisions pertaining to the TWO-COMPONENT ARRANGEMENT.

“*DE MINIMIS*” shall mean the maximum amount, prescribed in terms of the INCOME TAX ACT from time to time, which is applied to determine the minimum level after which a retirement benefit shall be subject to compulsory annuitisation as it applies to the sum of a NON-VESTED BENEFIT and a RETIREMENT COMPONENT.

3. The following proviso shall be added to the definition “FUND RETURN, in RULE 2:

Provided that, where applicable, the FUND RETURN shall be subject to the provisions of the TWO-COMPONENT ARRANGEMENT.

4. RULE 4.3.3 shall be added to RULE 4.3 as follows:

4.3.3 A net retirement funding contribution towards the MEMBER’S retirement made in terms of RULE 4, on behalf of:

- (a) an EXEMPTED MEMBER, shall be allocated to that MEMBER’S VESTED BENEFIT; and
- (b) any other MEMBER, shall be allocated in the following proportions:
  - (i) one-third to his SAVINGS COMPONENT; and
  - (ii) two-thirds to his RETIREMENT COMPONENT.

5. RULE 5.4 shall be replaced as follows:

#### **5.4 COMMUTATION OF PENSION**

Subject to the RULES and such limitations as may be relevant in terms of the ACT or the INCOME TAX ACT, on his retirement in terms of RULE 5, a MEMBER shall become entitled to an annuity or annuities of such amount as can be purchased by his MEMBER SHARE, provided that:

5.4.1 An EXEMPTED MEMBER may elect to commute part or the whole of his VESTED BENEFIT for a lump sum. That part of his VESTED BENEFIT which he does not commute shall be available to purchase an annuity/ies.

5.4.2 All other MEMBERS may elect to commute for a lump sum:

- (a) part or the whole of their VESTED BENEFIT, if applicable; plus
- (b) part or the whole of their SAVINGS COMPONENT, subject to the provisions of the INCOME TAX ACT;
- (c) up to one-third of their NON-VESTED BENEFIT, if applicable.

Provided that such part of the VESTED BENEFIT, the SAVINGS COMPONENT and the NON-VESTED BENEFIT, which are not commuted, may be paid in accordance with the provisions of RULE 5.6.

Provided further that where the accumulated value of a NON-VESTED BENEFIT and a RETIREMENT COMPONENT are less than the *DE MINIMIS*, the full amount may be commuted. Any amount greater than the *DE MINIMIS* may not be commuted, unless the MEMBER has failed to withdraw an amount from his SAVINGS COMPONENT, within the last tax year;

6. RULE 8.4 shall be added to RULE 8 as follows:

8.4 A benefit payable in terms of RULE 8 shall be subject to such limitations as may be relevant in terms of the ACT or the INCOME TAX ACT, including the requirements of the REVENUE AUTHORITIES as it pertains to the cash commutation provisions of NON-VESTED BENEFITS and VESTED BENEFITS, in keeping with the Taxation Laws Amendment Act 23 of 2020, as may be amended from time to time.

7. RULE 8.5 shall be added to RULE 8 as follows:

**8.5 Conditions of a non-resident MEMBER**

A MEMBER who ceases to be a tax resident of South Africa upon exit from the FUND, or a MEMBER who emigrates after expiry of his work visa and exits the FUND as result thereof, shall not be entitled to claim the balance of his RETIREMENT COMPONENT before expiry of the minimum period that the MEMBER remains a tax non-resident of South Africa, the length of which period is prescribed by the provisions of the INCOME TAX ACT from time to time.



8. RULE 11.1.5 shall be added to RULE 11 as follows:

11.1.5 Where applicable, a MEMBER'S INDIVIDUAL MEMBER ACCOUNT and a DORMANT MEMBER'S INDIVIDUAL MEMBER ACCOUNT shall be subject to the provisions of the Taxation Laws Amendment Act 23 of 2020, as these pertain to NON-VESTED BENEFITS and VESTED BENEFITS, and, after the TWO-COMPONENT EFFECTIVE DATE, shall also be subject to the TWO-COMPONENT ARRANGEMENT.

9. RULE 12.3.3 shall be replaced as follows:

12.3.3 Where applicable, any transfer of benefits into or out of the FUND shall be subject to the requirements of the REVENUE AUTHORITIES and the provisions of the Taxation Laws Amendment Act 23 of 2020, as these pertain to NON-VESTED BENEFITS and VESTED BENEFITS.

Provided that any transfer contemplated after the TWO-COMPONENT EFFECTIVE DATE shall be further subject to the TWO-COMPONENT ARRANGEMENT.

10. RULE 12.11.7 shall be added to RULE 12.11 as follows:

12.11.7 Any amount recovered from a MEMBER'S benefit after the TWO-COMPONENT EFFECTIVE DATE shall be subject to the TWO-COMPONENT ARRANGEMENT. The benefit shall be proportionally reduced from the RETIREMENT COMPONENT, the SAVINGS COMPONENT, and the VESTED COMPONENT.

11. The following provision shall be added to the opening paragraph of RULE 12.13:

Provided that the amount available for distribution as contemplated in RULE 12.13.1 and RULE 12.13.2, shall be subject to such limitations as may be relevant in terms of the ACT or the INCOME TAX ACT.

12. RULE 12.13.2(c)(ii) shall be replaced as follows:

(ii) the balance of the assets of the FUND, after payment of benefits envisaged in paragraph (c)(i), is utilised to purchase deferred retirement benefits for the remaining MEMBERS from an INSURER or another APPROVED FUND. Such deferred retirement benefits shall be purchased with the amount equal to each MEMBER'S SHARE. Provided that, at the request of such MEMBER, the liquidator may pay such portion of the MEMBER'S SHARE as is permissible in terms of the ACT and the INCOME TAX ACT, as a lump sum.

13. RULE 12.13.2(c)(iii) shall be added to RULE 12.13.2(c) as follows:

(iii) The liquidator may regard EMPLOYEES who left the EMPLOYER'S service during the immediately preceding 12 (twelve) months as MEMBERS of the FUND as at the date of dissolution; provided that any benefits already paid to them shall be taken into account in calculating the benefits to which they may become entitled.

*The reason for the amendment is to provide for the two-component legislative changes in the Rules by:*

- (i) *inserting and amending appropriate definitions;*

- (ii) *clarifying the structure of the various components to be implemented in terms of the relevant legislative changes;*
- (iii) *allowing qualifying Members to operate outside of the two-component structure;*
- (iv) *providing for the new structure across all the affected rules; and*
- (v) *making provisions for a non-tax resident of South Africa who become entitled to a withdrawal benefit prior to retirement, to not be entitled to claim their Retirement Component from their South African retirement fund prior to expiry of the minimum period prescribed in terms of the Income Tax Act from time to time.*

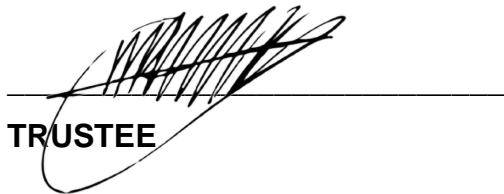
**Certified that the above resolution has been adopted in accordance with the provisions of the RULES of the FUND.**



**Chairperson of TRUSTEES**

27 August 2024

**Date**



**TRUSTEE**

27 August 2024

**Date**

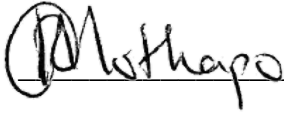


**PRINCIPAL OFFICER**

27 August 2024

**Date**

**Certified, in terms of Section 12(3) of the Pension Funds Act, 1956, that the above amendments are financially sound.**



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2024-08-27

**In my capacity as VALUATOR of the FUND**

August 2024/tb