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TO ALL PARTICIPANTS IN THE MOTOR INDUSTRY

Clarification on payment of withdrawal benefits from the Auto Workers' Provident Fund (AWPF) and Motor Industry Provident Fund (MIPF)

This communique' provides valuable information for members with regards to fund withdrawals on the termination of employment. Please refer to the information below to understand when funds can or cannot be withdrawn:

1. Retirement savings are vital in ensuring that when an employee reaches retirement age and is no longer able to work, there is sufficient money saved in his or her retirement fund to enable the employee to live a decent life in retirement. It is unfortunate though that in South Africa less than 10 percent of those employees who reach retirement age have sufficient saved to allow them to independently sustain themselves in retirement.

2. It is therefore important to ensure that employees contribute and build their retirement savings so that this goal, of retiring with enough savings, is achieved. Retirement funds play a crucial role in satisfying this need and it is to the credit of employers and employees in South Africa that they agree to belong to retirement funds and to save for retirement.

3. The employees in the Motor Industry are even more fortunate in that they are governed by a collective agreement and the parties to the collective agreement, both employer associations and unions, have agreed in the best interests of their members to make it compulsory that all who work in the motor industry must contribute to the Auto Workers' Provident Fund or Motor Industry Provident Fund ('the Funds').

4. The Funds, like all other retirement funds in South Africa, must operate in terms of their registered rules (see for example *TEK Corporation Provident Fund and Others v Lorentz 1999(4) SA 884 (SCA) at 894 B – C*). It follows that the benefits payable by the Funds are only payable to the extent permitted by the rules.

5. In the case of withdrawal benefits, the applicable rule is rule 6(9), which prescribes the benefit payable when a member leaves the Motor Industry. It reads as follows –

   "(9) Leaving MOTOR INDUSTRY

   > In the event of a MEMBER leaving the MOTOR INDUSTRY for reasons other than those referred to in sub-Rule 6 and 7, and thereby ceasing to be a MEMBER, he shall receive a lump sum equal to his FUND CREDIT."

6. It is important to note from the above rule that fund membership is aligned to employment in the motor industry and not to a particular employer in the motor industry. Thus, an employee may move from one employer to another in the motor industry and that member will continue to be a member of the Funds and contribute to them. In such cases no withdrawal benefit is payable in terms of the

Funds' rules as that member has not left the motor industry. This would also apply in cases involving temporary employment services employees. A withdrawal benefit is only payable if a member leaves the motor industry.

7. A member who leaves the motor industry is not automatically paid a withdrawal benefit. In terms of regulation 38 of the Pension Funds Act, 1956 a member's benefit is made paid-up in the Fund and that member may elect to leave his or her benefit in the Fund, or transfer it to another fund, or elect to have it paid out. The Funds will act on the member's decision in this regard once they receive such a decision from the member.

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END

AUTO WORKERS' PROVIDENT FUND and MOTOR INDUSTRY PROVIDENT FUND

15 July 2019

MOTOR INDUSTRY RETIREMENT FUND

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