Dear MMS member

IMPLEMENTATION OF NEW INCLUSIVE FLEXIBLE REMUNERATION PACKAGE SYSTEM FOR EMPLOYEES IN THE MIDDLE MANAGEMENT SERVICE (MMS) (SALARY LEVELS 11 AND 12), EFFECTIVE FROM 1 JULY 2005

INTRODUCTION

1. This communiqué serves to provide you with an overview of the new inclusive flexible remuneration package system (hereinafter referred to as the dispensation) that is being implemented for employees on salary levels 11 and 12 (hereinafter referred to as MMS members) and the implications thereof on your position. The new dispensation is effective from 1 July 2005, and the details are contained in DPSA Circular 2 of 2005, which can be obtained from your Department or the DPSA website (http://www.dpsa.gov.za) – follow the links to Document Archive/Circulars/Remuneration.

2. This entails a new approach to remunerate MMS members on these levels, which has the following advantages for the employer and yourself:

   (a) Enhance departments’ control of remuneration costs.
   (b) Assist departments in efficient planning and budgeting of personnel costs on these levels.
   (c) Ensure that all MMS members (including yourself) benefit equally.
   (d) Enhance departments’ external equality in relation to the labour market.
   (e) Enable you to structure your remuneration package within certain parameters, based on your specific (individual) needs.

NEW REMUNERATION (PACKAGE) SCALES FOR THE MMS

3. Two separate remuneration (package) scales are implemented for MMS Levels 11 and 12 respectively. Each remuneration scale consists of 16 packages (so-called notches) to provide for pay progression.

STRUCTURE OF THE INCLUSIVE FLEXIBLE REMUNERATION PACKAGE (HEREINAFTER REFERRED TO AS THE PACKAGE)

4. The following (macro) elements of your pre-revised remuneration and conditions of service have been converted into your revised annual package:

   (a) Annual salary notch (pensionable income).
   (b) Value of your service bonus, calculated on your salary notch.
   (c) Employer’s contribution to the Government Employees Pension Fund (GEPF), calculated on your salary notch.
   (d) Maximum employer’s contribution to a registered medical aid scheme.
   (e) Maximum homeowners allowance.
Note:

Your Department will communicate to you in writing your new package on the appropriate remuneration scale, after the DPSA has communicated the annual cost-of-living adjustment for employees on salary levels 1 to 12 to your Department. Your new package will be effective from 1 July 2005.

5. If you are admitted to the GEPF, your package will consist of three components (pillars), namely the -
   (a) basic salary (pensionable income);
   (b) employer’s contribution to the GEPF; and
   (c) flexible portion (non-pensionable income).

6. If you are not admitted to the GEPF (i.e. appointed on a fixed-term contract and your employment contract stipulates your exclusion from the GEPF), your package will not consist of any components – therefore your total package will constitute the flexible portion.

Basic salary

7. If you are admitted to the GEPF, you will be afforded a once-off choice to set your basic salary (pensionable income) in the package within certain parameters on translation to the dispensation. Therefore, you will be obliged to exercise your choice in writing in the format to be issued by your Department/Institution. Depending on your current salary level, your choice is as follows:
   (a) MMS Level 11
       Setting of your basic salary either at 75% (Set 1) or 70% (Set 2) of your package.
   (b) MMS Level 12
       Setting of your basic salary either at 76% (Set 1) or 70% (Set 2) of your package.

8. Please note the following implications when exercising your choice in this regard:
   (a) Set 1 allows you to set your basic salary, on which the employer’s and your contributions to the GEPF are calculated, at least on the level that prevailed before your translation to the dispensation – therefore your pensionable income is not reduced on translation. However, this limits the flexible portion of your package, which is to be used for structuring certain remunerative allowances/benefits such as contributions to a registered medical aid scheme, motor vehicle allowance etc. within the current provisions of the Income Tax Act, 1962.
   (b) Set 2 allows you to set your basic salary, on which the employer’s and your contributions to the GEPF are calculated, at a level lower than what have prevailed before your translation to the dispensation – therefore a reduction in your pensionable income on translation. However, this increases the flexible portion, which is to be used for structuring certain remunerative allowances/benefits such as contributions to a registered medical aid scheme, motor vehicle allowance etc. within the current provisions of the Income Tax Act, 1962.
   (c) These implications are best illustrated by means of the following exposition:

     - Deputy Director (salary level 11):
       - Notch (on 30 June 2005): R200 000
       - New package (on 1 July 2005): R267 000
Components of new package (annual amounts)

<table>
<thead>
<tr>
<th></th>
<th>Set 1 (75%)</th>
<th>Set 2 (70%)</th>
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<tbody>
<tr>
<td>Basic salary (pensionable income)</td>
<td>R200 250</td>
<td>R186 900</td>
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<tr>
<td>Employer's contribution to GEPF</td>
<td>R26 032.50</td>
<td>R24 297</td>
</tr>
<tr>
<td>Flexible portion</td>
<td>R40 717.50</td>
<td>R55 803</td>
</tr>
</tbody>
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(d) You must exercise this once-off choice before your package (with structuring thereof) will be implemented on PERSAL. This choice may not be changed in any way or at any time while you are being remunerated in terms of the new dispensation - not even with promotion/translation from MMS Level 11 to MMS Level 12 or with the awarding of a higher package within your remuneration band, except in terms of the transitional provision referred to in paragraph 9 hereunder.

(e) Set 1 will be awarded as default if you fail to exercise your choice within the time period specified by your Department/Institution.

9. You will appreciate this is an extremely important choice that would influence your pensionable position in future (effect on retirement and resignation benefits). Due to these implications and to ensure a seamless transition to the dispensation, a transitional provision (grace period) applies for 6 months, commencing on 1 July 2005, to change your decision if you have chosen Set 2 (the lower set) on implementation - therefore “undoing” your initial choice to set your basic salary at Set 2. Exercising this choice in terms of this transitional provision is, however, subject to the following:

(a) The grace period only applies if you were in service on salary levels 11 and 12 on 30 June 2005.

(b) Reverting from Set 2 to Set 1 will be effective from 1 July 2005 (therefore with retrospective effect).

(c) You will be obliged to fund the GEPF the difference in the Employer’s contribution to the GEPF (provided for in the package) and your contribution, which accumulated since 1 July 2005.

(d) You must submit your application to revert from Set 2 to Set 1 to your HR component before the expiry of the transitional provision (31 December 2005) – no late applications will be entertained.

10. The transitional provision referred to above would not apply to you if you wish to revert from Set 1 to Set 2 – therefore from the higher to the lower set - after your initial choice to set your basic salary at Set 1.

11. Please do not hesitate to request your HR Component’s guidance if you are uncertain when exercising your important choice.

Employer’s contribution to the GEPF

12. The employer’s contribution to the GEPF is calculated on your basic salary and is deducted from your package for this purpose.

Flexible portion

13. The remaining (third) component of your package is the flexible portion and you may structure it into the following remunerative allowances/benefits:

(a) **Motor vehicle allowance**

Any amount to a maximum of 25% of your package.
(b) **13th Cheque**

(i) If you are admitted to the GEPF (therefore if you have a component basic salary in your package), you may structure for a 13th Cheque.

(ii) The 13th Cheque is calculated as 1/12th of your basic salary and is payable as an annual non-pensionable payment, payable in your anniversary birthday month.

(c) **Medical assistance**

(i) If you are admitted to a registered medical aid scheme, you may structure any (annual) amount to a maximum of 2/3rd of the total annual (actual) medical aid scheme subscription fee in the form of an employer’s contribution.

(ii) Please note that the remaining (annual) amount, which may not be less than 1/3rd of the total (actual) medical aid scheme subscription fee, would be a normal employee deduction from your salary.

(iii) Your Department will pay the employer’s contribution and your contribution together on a monthly basis to the registered medical aid scheme.

(d) **Housing allowance**

You may structure any amount as a housing allowance.

(e) **Non-pensionable cash allowance**

You may structure any remaining portion of the flexible portion as a non-pensionable cash allowance.

14. You are not obliged to structure for all these allowances/benefits. You have the flexibility to decide how you would like to structure the flexible portion - you may even decide to structure the full value of the flexible portion as a non-pensionable cash allowance.

15. Before you would be allowed to structure for these remunerative allowances/benefits, your Department/Institution will inform you of the payment measures applicable to these allowances/benefits, as contained in DPSA Circular 2 of 2005.

**IMPLEMENTATION**

16. Your Department/institution will effect your translation to your package (after the DPSA has provided your Department with the new set of packages). You will be afforded the opportunity to structure the flexible component of your package, within the parameters contained in the dispensation, where after your Department/Institution will implement (capture) it on PERSAL. The DPSA has developed a Model (Excel spreadsheet) for your convenience to structure the package, which you may obtain from the DPSA website.

**CONCLUSION**

17. You will appreciate that this communiqué is not exhaustive. Please do not hesitate to contact your HR Component for full details/assistance or to obtain the new dispensation from the DPSA website.

18. Your support is appreciated to ensure that the new dispensation is implemented successfully (seamlessly).

DEPARTMENT FOR PUBLIC SERVICE AND ADMINISTRATION
Date: 8 March 2005

**BATHO PELE**

_We belong, we care, we serve_