TO ALL HEADS OF NATIONAL/PROVINCIAL DEPARTMENTS AND PROVINCIAL ADMINISTRATIONS

CIRCULAR NO. 3 OF 2006

ANNUAL COST-OF-LIVING ADJUSTMENT FOR EMPLOYEES ON SALARY LEVELS 1 TO 12: 1 JULY 2006

INTRODUCTION

1. DPSA Circular 2 of 2006 is hereby repealed.

2. This Circular therefore replaces the Minister for Public Service and Administration’s determination on a cost-of-living adjustment of 4.6% for employees on salary levels 1 to 12, effective from 1 July 2006, as well as the implementation instructions in respect thereof, as contained in the repealed DPSA Circular 2 of 2006.

PSCBC RESOLUTION 2 OF 2004

3. A multi-term agreement (Resolution 2 of 2004) was concluded in the Public Service Co-ordinating Bargaining Council (PSCBC) on the improvement of conditions of service for personnel who fall within the registered scope of the PSCBC, and is effective for the 2004/05, 2005/06 and 2006/07 financial years.

4. The Resolution, inter alia, provides for the following:

Circular 3 of 2006 (Jun 2006)
Statedien en Administrasi e Ditlomo sa Puso le Tsamaсло e Ditlhubaitsie sa Mmuso le Tsamaсло e uNyangwe wemisilebeni khalulumeni nokuPhata
Muhueto wa Tshumelo ya Muvhuso na Vhluanguli e Kgomo ya Ditlomo le Mmulo le Tsako e Ndzwulo ya Vubhelo-le-Mmuno na Vutswiri
Lutlako le Tsebisebeni lafulumene nakuPhata e Siba laNkonzo khalulumene ndzwulo e UmNyangwe wemisilebeni khalhumene nokuPhata
(a) **Cost-of-living adjustments for the 2004/05, 2005/06 and 2006/07 financial years:**

(i) **2004/05 financial year (effective from 1 July 2004)**

Projected CPI-X for the period 1 April 2004 to 31 March 2005, determined as 5% for the 2004/05 financial year, plus an additional 1.2% - therefore totalling a cost-of-living adjustment of 6.2% with effect from 1 July 2004.

(ii) **2005/06 financial year (effective from 1 July 2005)**

Projected CPI-X for the period 1 April 2005 to 31 March 2006 for the 2005/06 financial year, plus an additional 0.4%. Based on the projected CPI-X of 4.2% for the said period, the Minister therefore determined a cost-of-living adjustment of 4.6%, effective from 1 July 2005, as part of the middle year of the multi-term agreement.

(iii) **2006/07 financial year (effective from 1 July 2006)**

Projected CPI-X for the period 1 April 2006 to 31 March 2007 for the 2006/07 financial year, plus an additional 0.4%.

(iv) If there is a difference between the actual CPI-X and the average projected CPI-X for the periods referred to in (i), (ii) and (iii) above, the difference shall be dealt with in the adjustment for the subsequent year in the following manner:

- If the actual CPI-X is higher than the projected CPI-X paid, the full difference shall be added to the adjustment for the following year, namely 1 July 2005 and 1 July 2006.

- If the actual CPI-X is higher than the projected CPI-X paid for the period 1 April 2006 to 31 March 2007, the full difference shall be added to the outcome of the next round of the salary negotiations.

(v) The forecasts of National Treasury shall be used to determine the projected CPI-X in this regard.

(vi) The salary adjustments provided for in the multi-term agreement for the 2004/05, 2005/06 and 2006/07 financial years exclude employees who are on a (personal) salary scale or notch that applied before 1 July 1996 or who are awarded a (personal) salary scale or notch since 1 July 1996 that is not contained/ reflected on
the salary grading system key scale until their salary scales/notches are on par with the standard salary ranges attached to their positions.

(vii) Employees covered in terms of Ministerial Directive issued by DPSA dated 26 June 2003 (1/8/P) qualify for the annual salary adjustments referred to in the agreement. This Directive covers employees who in terms of PSCBC Resolution No. 7 of 2002 were matched and placed in lower graded posts or who applied successfully for lower graded posts and who were placed on personal notches.

3. It was therefore necessary for the Minister for the Public Service and Administration to determine whether or not the average CPI-X for the period 1 April 2005 to 31 March 2006 is higher than National Treasury’s projected CPI-X figure of 4.2%, which was used as basis for the cost-of-living adjustment for the 2005/06 financial year (1 July 2005). If higher, the difference must be added to the baseline adjustment for the 2006/07 financial year, effective from 1 July 2006.

4. The average CPI-X for the period 1 April 2005 to 31 March 2006 is 4.13%, based on data provided by StatsSA. The actual average is therefore lower than National Treasury’s projected figure of 4.2% for the said period, with the result that Clause 3.4 of PSCBC Resolution 2 of 2004 is not invoked for the 2006/07 financial year.

5. Since the Minister for Public Service and Administration has made her initial determination, as contained in the repealed DPSA Circular 2 of 2006, which was based on National Treasury’s projected CPI-X of 4.2% for the 2006/07 financial year, as contained in the 2006 Budget Review, National Treasury has revisited the projected figure for the 2006/07 financial year. This necessitates the Minister for the Public Service and Administration to revisit her determination in this regard.

6. The (revisited) projected CPI-X for the 2006/07 financial year, on which the adjustment for the 2006/07 financial year (effective from 1 July 2006) is to be based, has been revisited from 4.2% to 4.9%. The Minister for the Public Service and Administration has therefore revisited her determination accordingly, taking into account that PSCBC Resolution 2 of 2004 provides for an additional adjustment of 0.4 percent in addition to National Treasury’s projected CPI-X for the said period.
SCOPE OF APPLICABILITY OF THIS CIRCULAR

7. The salary adjustment contained in this Circular applies to personnel on salary levels 1 to 12 who are appointed in terms of the Public Service Act, 1994 and the Correctional Services Act, 1998 and who are in service on the date of implementation of the adjustment.

8. The measures contained in this Circular do not apply to the personnel groups listed below. The (possible) adjustment of salaries of these personnel groups, or the implementation/adjustment of the formulae to accommodate such improvements, is being dealt with separately and, where applicable, particulars thereof will be announced as soon as possible by the Executing Authorities concerned:

(a) Senior Managers/Professionals on SMS Grades A to D (former salary levels 13 to 16) appointed in terms of the Public Service Act, 1994, the Correctional Services Act, 1998, the Defence Act, 2002, South African Police Service Act, 1995 and the Employment of Educators Act, 1998.

(b) Personnel on salary levels 1 to 12 employed in terms of the Employment of Educators Act, 1998, the South African Police Service Act, 1995 and the Defence Act, 2002.

(c) Personnel employed in terms of the National Prosecuting Authority Act, 1998.

DETERMINATION BY THE MINISTER FOR THE PUBLIC SERVICE AND ADMINISTRATION

General

9. The Minister for the Public Service and Administration has determined the following:

(a) A cost-of-living salary adjustment of 5.3% for employees on salary levels 1 to 12, effective from 1 July 2006.
(b) Implementation of the revised salary scales contained in the (attached) Annexes referred to hereunder, effective from 1 July 2006:

Public Service Act appointees

(i) Annexure A - Full-time employees
(ii) Annexure B - Part-time employees (5/8th capacity)
(iii) Annexure C - Part-time employees (6/8th capacity)

Correctional Services Act appointees

(iv) Annexure D - Full-time employees

(c) The adjustment of the salary notches of employees on salary levels 1 to 10 and of the inclusive packages of employees on salary levels 11 to 12 (MMS members) in accordance with the translation keys contained in the (attached) Annexes referred to hereunder:

Public Service Act appointees

(i) Annexure E - Full-time employees
(ii) Annexure F - Part-time employees (5/8th capacity)
(iii) Annexure G - Part-time employees (6/8th capacity)

Correctional Services Act appointees

(iv) Annexure H - Full-time employees

(d) The translation of personnel currently on personal salary scales (on the salary key scale which applied on 30 June 1996 or who were awarded a (personal) salary scale or notch since 1 July 1996) that is not contained in the salary grading system key scale, to the salary grading system in terms of this Department’s circular minute 1/2/1/P dated 11 January 1999. Such employees must again exercise the choice as per the form attached as Annexure I.

Measures that must be complied with when translating personnel

10. The employees referred to sub-paragraph 9(d) above who qualify for an annual notch increment on 1 July 2006 on their personal scales, but who will be translated to one of the standard salary levels of the salary grading system, will not receive the increment on the personal salary scales on the said date on translation to the salary grading system.
Effect of the cost-of-living adjustment on general conditions of service

11. For the purpose of classifying officers and employees according to their salaries, when applying the directives with regard to official journeys, means of transport, subsistence allowance etc., employees who receive personal salaries higher than the maximum of the standard salary levels attached to their ranks are deemed to be in receipt of salaries equivalent to the maximum notches of the standard salary levels attached to their ranks.

12. Departments should submit proposals to this Department on any remuneration, rates, allowances, etc. which are not covered in this Circular or the Annexes thereto, and which have to be adjusted.

GENERAL MATTERS

13. The translation of personnel on salary levels 1 to 10 and salary levels 11 and 12 (MMS members) to the revised salary notches and inclusive packages respectively, will be dealt with as follows:

(a) Employees on salary levels 1 to 10

PERSAL/PERSOL will effect the translation programmatically.

(b) Employees on salary levels 11 and 12 (MMS members)

PERSAL/PERSOL will effect the translation programmatically in the following manner:

(i) MMS members admitted to the GEPF

The components “basic salary” and the “employer’s contribution to the GEPF” will be adjusted programmatically, whilst the adjustment to the component “flexible portion” will be channelled as default to the non-pensionable cash allowance provided for in the flexible portion.

(ii) MMS members not admitted to the GEPF

The adjustment to the total package will be channelled as default to the non-pensionable cash allowance provided for in the flexible portion.
If departments wish to implement the adjustment for employees on these levels departmentally, arrangements to this effect must be made with PERSAL.

14. MMS members may re-structure their packages, effective from 1 July 2006, if they wish to do so.

15. This Department’s Financial Manual will be updated and made available in due course.

16. It is possible that the measures contained in this Circular (or Annexes thereto) may be erroneous or that errors may be made in the implementation of the measures. All affected employees must be informed in writing that errors will be rectified and that any amounts that have been overpaid or underpaid because of errors will be rectified (either paid or recovered).

17. Departments are requested to ensure that these measures are implemented correctly. Should any problems arise with the implementation of these measures, departments should approach this Department for assistance.

[Signature]

For: DIRECTOR-GENERAL

Date: 28/06/06.