



**DEPARTMENT OF PUBLIC SERVICE AND ADMINISTRATION
REPUBLIC OF SOUTH AFRICA**

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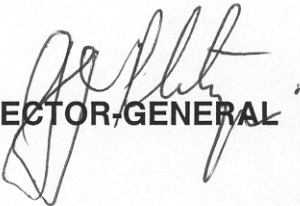
TO ALL NATIONAL AND PROVINCIAL DEPARTMENTS

**PAYMENT OF SEVERANCE PACKAGES AND RESETTLEMENT EXPENDITURE
UNDER FRAMEWORK AGREEMENT ON THE TRANSFORMATION AND
RESTRUCTURING OF THE PUBLIC SERVICE**

1. To supplement the Public Service Regulations, Chapter I, Part XI, (copy attached) the Minister for the Public Service and Administration has issued the attached Directive, "*Payment of severance packages and resettlement expenditure under Framework Agreement on the Transformation and Restructuring of the Public Service*". The Directive authorises departments to calculate and pay severance packages and resettlement expenditure when employees leave the Public Service under the Framework Agreement on the Transformation and Restructuring of the Public Service (PSCBC Resolution 7 of 2002).
2. To facilitate transition from restructuring and transformation processes that commenced prior to the signing of PSCBC Resolution 7 of 2002 and the effective date of Public Service Regulations, Chapter I, Part XI, the Minister made the following determinations:
 - 2.1 All applications for severance packages under previous measures and determinations received but **not** approved before 17 June 2002 must be dealt with in terms of PSCBC Resolution 7 of 2002 and this Directive. Since the severance packages payable under this Directive differ from former exit packages, employees must be given the option to withdraw applications in this regard and reapply in terms of the new measures. The full reasons for not considering these applications must be provided to employees should they request this information.

NB: All exit packages initiated prior to PSCBC Resolution 7 of 2002, terminated on 13 June 2002 (the date that majority signature of the agreement was achieved).

- 2.2 To cover outgoing processes related to exit packages payable in terms of the measures applicable before 17 June 2002, the Minister further determined that departments may pay such packages according to the provisions that applied before 17 June 2002. In this regard, the relevant Rules of the Government Employees Pension Fund will only remain in place as an interim measure.
3. Departments are reminded that the conditions under which former employees left the Public Service in terms of the Voluntary Severance Package are unchanged. In this regard, the Public Service Regulations, Chapter I, Part VII/B.3.1 stipulates as follows: "An executing authority may not re-appoint a former employee where the former employee left the public service earlier on condition that she or he would not accept or seek re-appointment."
4. Finally, the above prohibition on re-appointment in respect of the former VSP does not apply to employees who will leave the Public Service under PSCBC Resolution 7 of 2002.


FOR
DIRECTOR GENERAL

PAYMENT OF SEVERANCE PACKAGES AND RESETTLEMENT EXPENDITURE UNDER FRAMEWORK AGREEMENT ON THE TRANSFORMATION AND RESTRUCTURING OF THE PUBLIC SERVICE

1. SCOPE

This Directive applies to all employees who-

- (a) are employed in terms of the Public Service Act, 1994, as amended; and/or
- (b) fall within the registered scope of the Public Service Co-ordinating Bargaining Council.

2. AUTHORISATION

This Directive is issued in terms of the provisions of section 3(3)(e) of the Public Service Act, 1994, as amended, by the Minister for the Public Service and Administration.

3. SEVERANCE PACKAGE PAYABLE ON APPLICATION AND AFTER APPROVAL BY THE HEAD OF DEPARTMENT FOR EMPLOYEES BELOW SALARY LEVEL 13

If a department grants a severance package on application to an excess employee, the following measures shall apply:

3.1 Once-off cash payment

A once-off payment of R 5 000 will apply.

3.2 Pension benefits

The following pension benefits are payable:

- (a) Members of the Government Employees Pension Fund who have attained the age of 55 years and who have completed at least 10 years' pensionable service, on written choice of the member:
 - (i) A gratuity equal to his or her actuarial interest payable to the member in own right or into an approved retirement fund of the member's choice; OR
 - (ii) A gratuity and annuity determined in terms of the formula that applies at the member's pension age without scaling down of pension benefits and without an addition to pensionable service.
- (b) Members of the Government Employees Pension Fund who have not yet attained the age of 55 years, as well as those who have attained age 55 but have less than 10 years pensionable service:

- (i) A gratuity equal to his or her actuarial interest payable to the member in own right or into an approved retirement fund of the member's choice.

3.3 Severance pay

Two weeks basic salary for every full year of the qualifying period of service will be paid with a minimum payment of R 15 000. The following formula will be used:

Step 1:

Calculate the following:

Basic annual salary x qualifying period.

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Step 2:

If the result of the calculation is less than R 15 000, an amount of R 15 000 must be paid. If the result of the above calculation exceeds R 15 000, the calculated amount must be paid.

Service that may be recognised for severance pay purposes include the following service periods:

- (a) Service in statutory bodies provided the affected employees were transferred to the Public Service in terms of section 15 of the Public Service Act, 1994 or a similar legislative provision.
- (b) Service in former Development Boards provided the affected employees were transferred to the Public Service in terms of the Abolition of Development Bodies Act, 1986, or similar legislation.
- (c) Service under a former provincial ordinance provided that the affected employees were transferred to the Public Service in terms of the Provincial Government Act, 1986, as amended.
- (d) Finally, by virtue of section 2(5)(b) of the Public Service Act, 1994, as amended, service in institutions referred to in section 236(1) of the Interim Constitution must be recognised for severance pay purposes.

In determining the qualifying period of service, the provisions of section 84 of the Basic Conditions of Employment Act, 1998, apply. For this purpose, previous employment with the State as employer must be taken into account if the break between the periods of employment is less than one year **and occurred after 1 December 1998**, i.e. the date of implementation of the Basic Conditions of Employment Act, 1998.

Example:

Mr A was in service from 1 January 1997 until 31 December 1999 (a full three years) when he resigned. He was re-appointed on 1 July 2000 (a break in service of 6 months) and will leave the service with a severance package on 30 September 2002. Since the break in service was less than 12 months, the three year period until 31 December 1999 must be added to the period of service that commenced on 1 July 2000 to calculate his severance pay. Note that only full years may be used and the severance pay due to Mr A will be calculated on five years.

3.4 Leave pay

All unused days accumulated until 30 June 2000 (capped leave) as well as all unused days in respect of leave due to employees under the leave dispensation that became effective on 1 July 2000 must be paid according to the formulas contained in paragraphs 5.5 and 6.4 of the Directive on Leave of Absence in the Public Service issued by the Minister for the Public Service and Administration.

Leave must be audited before any leave payments may be made to an employee. In respect of capped leave, the Head of Department shall determine whether there are periods that cannot be audited due to a lack of records. In such instances, an affected employee's leave payout shall be on the basis of 6 working days per completed year of service up to a maximum of 100 days in respect of unaudited periods.

3.5 Compensation for medical and housing benefits

- (a) Employees aged 55 and older on the date of service termination who have been members of registered medical schemes for the year ending with service termination, will qualify for post retirement medical assistance as follows:
 - (i) Employees with less than 10 years of actual service: An amount equal to 12 times the employer contribution as at the date of service termination will be paid to the employee directly by Pensions Administration.
 - (ii) Employees with at least 10 but less than 15 years of actual service: An amount equal to 36 times the employer contribution as at the date of service termination will be paid to the employee directly by Pensions Administration.
 - (iii) Employees with at least 15 years of service: Employees who continue to be members of registered medical scheme will qualify for a continued employer contribution. The employer contribution will be two-thirds of membership fees limited to a maximum employer contribution of R 1 014 per month. The employer contribution will be paid directly to the medical scheme by Pensions Administration.

(b) All other employees, namely-

- all employees who are younger than 55 at the date of service termination; and
- employees who are 55 and older who do not qualify for the above post retirement medical assistance benefits, e.g. they are not members of registered medical schemes,

must be paid a once-off all-inclusive amount of R 9 000 by departments directly. This amount is in lieu of medical and housing benefits regardless of an employee's participation in the benefits before service termination. These employees do not qualify for post retirement medical assistance in future.

3.6 Service bonus

A pro rata service bonus calculated according to the formula in paragraph 1.2 of the Financial Manual for Purposes of the Calculation and Application of Remunerative Allowances and Benefits will be paid.

3.7 Contractual obligations

Employees are to be released from contractual obligations that require from them to remain in service.

Payments to third parties under the State Guarantee Scheme as well as other departmental debt will be recovered from pension benefits in terms of section 21(3) of the Government Employees Pension Law, 1996, if employees do not make suitable arrangements to settle their debt.

3.8 Official housing

Employees must be given one month's notification to vacate official housing, unless a different period is specified in an individual contract of employment.

3.9 Notice of termination of service

Employees will be given one month's notice to terminate service, unless a different period is specified in an individual contract of employment.

3.10 Payment in lieu of notice

Instead of keeping a person in service for the notice period, an employee's service may be terminated with her or his consent at the beginning of, or during the notice period. In such cases, employees must be compensated for the unexpired period of notice by means of an all-inclusive amount for the following:

(a) Basic salary.

- (b) Fixed remunerative allowances based on individual conditions of service, which relate to specific functions, excluding medical assistance and the home owner's allowance.
- (c) Pro rata service bonus.
- (d) The monthly employer contribution to the Government Employees Pension Fund.
- (e) Cash value of the pro rata leave entitlement.

3.11 Subsidised car scheme

Subsidised motor vehicles must be dealt with in terms of the policy of the Department of Transport on subsidised motor vehicles.

3.12 Resettlement benefits

Employees who are 55 years and older on the date of service termination will be compensated up to an overall limit of R 25 000 for actual expenditure in respect of the following items:

- (a) Transport, travel and subsistence.
- (b) Interim accommodation.
- (c) Transfer of property fees.
- (d) In respect of each dependant child who must change school as a direct result of the service termination and consequential relocation, a once off amount according to the tariffs published quarterly by the Minister for the Public Service and Administration is payable.
- (e) In respect of incidental expenditure, an amount equal to the employee's monthly basic salary as on the date of service termination, but limited to R 5 000 must be paid.

3.13 Assistance under social plan

Redeemable training vouchers to the value of R 5 000 per employee will be provided as part of departments' social plan.

4. SEVERANCE PACKAGE PAYABLE ON APPLICATION AND AFTER APPROVAL BY THE HEAD OF DEPARTMENT FOR EMPLOYEES IN THE SENIOR MANAGEMENT SERVICE

If a department grants a severance package on application to an excess employee remunerated according to the provisions for the Senior Management Service, the following measures shall apply:

4.1 Once-off cash payment

A once-off payment of R 5 000 will be made.

4.2 Pension benefits

The following pension benefits are payable to employees who are members of the Government Employees Pension Fund:

- (a) Members who have attained the age of 55 years and who have completed at least 10 years' pensionable service, on written choice of the member:
 - (i) A gratuity equal to his or her actuarial interest payable to the member in own right or into an approved retirement fund of the member's choice; OR
 - (ii) A gratuity and annuity determined in terms of the formula that applies at the member's pension age without scaling down of pension benefits and without an addition to pensionable service.
- (b) Members of the Government Employees Pension Fund who have not yet attained the age of 55 years, as well as those who have attained age 55 but have less than 10 years pensionable service:
 - (i) A gratuity equal to his or her actuarial interest payable to the member in own right or into an approved retirement fund of the member's choice.

4.3 Severance pay

The salary to be used for purposes of calculating severance pay is 100% of the inclusive remuneration package. Two week's salary for every full year of the qualifying period of service will be paid according to the following formula:

Inclusive package x qualifying period

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Service that may be recognised for severance pay purposes include the following service periods:

- (a) Service in statutory bodies provided the affected employees were transferred to the Public Service in terms of section 15 of the Public Service Act, 1994 or a similar legislative provision.
- (b) Service in former Development Boards provided the affected employees were transferred to the Public Service in terms of the Abolition of Development Bodies Act, 1986, or similar legislation.

- (c) Service under a former provincial ordinance provided that the affected employees were transferred to the Public Service in terms of the Provincial Government Act, 1986, as amended.
- (d) Finally, by virtue of section 2(5)(b) of the Public Service Act, 1994, as amended, service in institutions referred to in section 236(1) of the Interim Constitution must be recognised for severance pay purposes.

In determining the qualifying period of service, the provisions of section 84 of the Basic Conditions of Employment Act, 1998, apply. For this purpose, previous employment with the State as employer must be taken into account if the break between the periods of employment is less than one year **and occurred after 1 December 1998**, i.e. the date of implementation of the Basic Conditions of Employment Act, 1998. (Note the example in paragraph 3.3).

4.4 Leave pay

All unused days accumulated until 30 June 2000 (capped leave) as well as all unused days in respect of leave due to employees under the leave dispensation that became effective on 1 July 2000 must be paid according to the formulas contained in paragraphs 5.5 and 6.4 of the Directive on Leave of Absence in the Public Service issued by the Minister for the Public Service and Administration.

Leave must be audited before any leave payments may be made to an employee. In respect of capped leave, the Head of Department shall determine whether there are periods that cannot be audited due to a lack of records. In such instances, an affected employee's leave payout shall be on the basis of 6 working days per completed year of service up to a maximum of 100 days in respect of unaudited periods.

4.5 Compensation for medical benefits

Employees aged 55 and older on the date of service termination who have been members of registered medical schemes for the year ending with service termination, will qualify for post retirement medical assistance as follows:

- (a) Employees with less than 10 years of actual service: An amount equal to 12 times the employer contribution as at the date of service termination will be paid to the employee directly by Pensions Administration.
- (b) Employees with at least 10 but less than 15 years of actual service: An amount equal to 36 times the employer contribution as at the date of service termination will be paid to the employee directly by Pensions Administration.
- (c) Employees with at least 15 years of actual service: Employees who continue to be members of registered medical scheme will qualify for a continued employer contribution. The employer contribution will be two-thirds of membership fees limited to a maximum employer contribution of R 1 014 per month. The employer contribution will be paid directly to the medical scheme by Pensions Administration.

4.6 Service bonus

- (a) Employees who have structured a service bonus: A pro rata service bonus calculated according to the formula in paragraph 1.2 of the Financial Manual for Purposes of the Calculation and Application of Remunerative Allowances and Benefits will be paid.
- (b) Employees who have not structured a service bonus: No payment will be made.

4.7 Contractual obligations

Employees are to be released from contractual obligations that require from them to remain in service.

Payments to third parties under the State Guarantee Scheme as well as other departmental debt will be recovered from pension benefits in terms of section 21(3) of the Government Employees Pension Law, 1996, if employees do not make suitable arrangements to settle their debt.

4.8 Official housing

Employees must be given one month's notification to vacate official housing, unless a different period is specified in an individual contract of employment.

4.9 Notice of termination of service

Employees will be given one month's notice to terminate service, unless a different period is specified in an individual contract of employment.

4.10 Payment in lieu of notice

Instead of keeping a person in service for the notice period, an employee's service may be terminated with her or his consent at the beginning of, or during the notice period. In such cases, employees must be compensated for the unexpired period of notice by means of an all-inclusive amount for the following:

- (a) Inclusive remuneration package.
- (b) Pro rata service bonus, if the employee structured a service bonus.
- (c) Cash value of the pro rata leave entitlement.

4.11 Resettlement benefits

Employees who are 55 years and older on the date of service termination will be compensated up to an overall limit of R 25 000 for actual expenditure in respect of the following items:

- (a) Transport, travel and subsistence.
- (b) Interim accommodation.
- (c) Transfer of property fees.
- (d) In respect of each dependant child who must change school as a direct result of the service termination and consequential relocation, a once off amount according to the tariffs published quarterly by the Minister for the Public Service and Administration is payable.

- (e) In respect of incidental expenditure, an amount equal to the employee's monthly basic salary as on the date of service termination, but limited to R 5 000 must be paid.

4.12 Assistance under social plan

Redeemable training vouchers to the value of R 5 000 per employee will be provided as part of departments' social plan.

5. **SEVERANCE PACKAGE FOR EMPLOYEES BELOW SALARY LEVEL 13**

If a department grants a severance package to an excess employee below salary level 13, who cannot be accommodated during redeployment, the package as specified in paragraph 3 above will apply, **with the exclusion of the once-off cash payment contemplated in paragraph 3.1.**

6. **SEVERANCE PACKAGE FOR EMPLOYEES IN THE SENIOR MANAGEMENT SERVICE WHO CANNOT BE REDEPLOYED**

If a department grants a severance package to an excess employee in the Senior Management Service, who cannot be accommodated during redeployment, the package as specified in paragraph 4 above will apply, **with the exclusion of the once-off cash payment contemplated in paragraph 4.1.**

7. **COMPENSATION FOR REDEPLOYMENT COSTS**

Excess employees who must relocate as a result of redeployment will be compensated up to an overall limit of R 25 000 for actual expenditure in respect of the following items:

- (a) Transport, travel and subsistence.
- (b) Interim accommodation.
- (c) Transfer of property fees.
- (d) In respect of each dependant child who must change school as a direct result of the service termination and consequential relocation, a once off amount according to the tariffs published quarterly by the Minister for the Public Service and Administration is payable.
- (e) In respect of incidental expenditure, an amount equal to the employee's monthly basic salary as on the date of service termination, but limited to R 5 000 must be paid.

