DETERMINATION AND DIRECTIVE ON INCENTIVISED EARLY RETIREMENT PROGRAMME (WITHOUT PENSION PENALTIES) AND VOLUNTARY EXIT PROGRAMME FOR EMPLOYEES IN THE PUBLIC SERVICE

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**MADE BY THE
MINISTER FOR THE PUBLIC SERVICE AND ADMINISTRATION**

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1. INTRODUCTION

1.1 Section 16(6) (a) of the Public Service Act, 1994 (Proclamation 103 of 1994) ("the PSA"), provides that an executive authority may at the request of an employee allows him or her to retire from the public service before reaching the age of 60 years, notwithstanding the absence of any reason for dismissal in terms of section 17(2), if sufficient reasons exists for the retirement.

1.2 Section 16(6) (b) of the PSA provides that 'if an employee is allowed to so retire, he or she shall, notwithstanding anything to the contrary contained is subsection (4) be deemed to have retired in terms of that subsection, and he or she shall be entitled to such pension as he or she would have been entitled to if he or she would have retired from the public service in terms of that subsection.

1.3 This Determination and Directive on incentivised Early Retirement Programme (ERP) and Voluntary Exit Programme (VEP)in the Public Service, hereinafter, referred to as the Determination and Directive, apply to early retirement (ER) approval in terms of section 16(6) of the PSA, without penalisation of pension benefits (i.e. ERP) and employees who want to retire at ages 60 to 63 years (i.e. VEP). In such instances, central funding will be approved by the National Treasury in terms of this Determination and Directive based on certain criteria being met.

1.4 Following a Cabinet decision on 10 April 2024 and subsequent negotiations in the Public Service Coordinating Bargaining Council, a special dispensation was approved in terms of section 5(5)(b) of the PSA for the implementation of early retirement without pension penalties in terms of section 16(6) of PSA for employees aged 55 to 59 and normal retirement with added financial incentives for employees aged 60 to 63.

1.5 The approved special dispensation provides for-

1.5.1 a financial incentive for employees retiring early at aged 55 to 59 years calculated at two (2) weeks' of basic salary per year for the first twenty (20) years of pensionable service and one (1) week's financial incentive for each completed year of pensionable service thereafter; and

1.5.2 financial incentive for employees retiring at ages 60 to 63 years calculated at two (2) weeks' of basic salary per year for the first ten (10) years of pensionable service and one (1) week's financial incentive for each completed year of pensionable service thereafter.

1.6 In terms of section 16(6)(a) of the PSA, "An executive authority may, at the request of an employee, allow him or her to retire from the public service before reaching the age of 60 years, notwithstanding the absence of any reason for dismissal in terms of section 17(2), if sufficient reason exists for the retirement".

1.7 It must be noted that the authority to grant early retirement (ER) without pension penalties vests in the relevant Executive Authority (EA) in terms of section 16(6)(a) of the PSA or other sector legislation. This means that every EA has the discretion to approve ER requests for employees from the age of 55 to 59 years without pension penalties, if sufficient reason exists for the retirement.

1.8 Employees from the age of 55 to 59 years, employed in terms of the PSA, members of Correctional Services, South African National Defence Force (SANDF), South African Police Service (SAPS), Educators and members of the Intelligence Services shall, subject to other contextual conditions set by the Ministers responsible for the Services, Educators and the Intelligence Services, be eligible to apply for the ERP. These ERP provisions apply to members of the Services (Police, Correctional Services and SANDF) Educators, or members of the Intelligence Services in so far as they are not contrary to the laws governing their employment.

1.9 When an employee retires, his or her pension benefits are among others determined by the number of years of pensionable service and salary related factors.

1.10 National Treasury (NT) will approve the allocation of funding from the budgeted provisional allocations to qualifying departments, both nationally and provincially, who wish to utilise section 16(6) of the PSA, or applicable sector legislation.

2 PURPOSE

2.1 This Determination and Directive is issued to support the ERP without penalisation of pension benefits and the VEP with added financial incentive to eligible employees.

2.2 The ERP allows employees **aged 55 to 59 years** who wish to exit the public service to apply for early retirement without penalisation of pension benefits in terms of section 16(6) of the PSA.

2.3 The ERP provides for an additional financial incentive calculated at two (2) weeks' of basic salary per year for the first twenty (20) years of pensionable service; and one (1) week's financial incentive for each completed year of pensionable service thereafter.

2.4 The VEP allows employees **aged 60 to 63 years** who wish to exit the public service through normal retirement to receive a financial incentive calculated two (2) weeks' of basic salary per year for the first ten (10) years of pensionable service; and one (1) week's financial incentive for each completed year of pensionable service thereafter.

3 LEGAL PROVISIONS

3.1 In terms of section 16(6) of the PSA, provision is made for employees to retire before the age of 60 years, subject to the approval of the EA.

3.2 The PSA defines the word “employees” as persons as contemplated in section 8 of the PSA, but excludes a person appointed in terms of section 12A”. However. section 2(2) of the PSA provides for its provisions to only apply to members of the Services (Police, Correctional Services and SANDF), Educators or members of the Intelligence Services in so far as they are not excluded from the provisions of the PSA or the provisions of the PSA are not contrary to the laws governing their employment. For purposes of section 2(2) of the PSA -

3.2.1 Members of the Services are -

3.2.1.1 The Regular Force of the SANDF Force appointed, or deemed to have been appointed, in terms of the Defence Act, 2002 (Act No. 42 of 2002); The SANDF has its own exit mechanism called the “Mobility Exit Mechanism” for the 2023/2024 financial year.

3.2.1.2 The South African Police Service (SAPS) appointed, or deemed to have been appointed, in terms of the South African Police Service Act, 1995 (Act No. 68 of 1995).

3.2.1.3 In the Department of Correctional Services (DCS) appointed, or deemed to have been appointed, in terms of the Correctional Services Act, 1998 (Act No. 111 of 1998).

3.2.2 Educator means any person who teaches educate or trains other persons or who provides professional educational services, including professional 10 therapy and education psychological services at any public school, further education and training institution, departmental office or adult basic education centre and who is appointed in a post on any educator establishment under this Act’ as defined in section 1(v) of the Employment of Educators Act, 1998 (Act No. 76 of 1998); and

3.3 Section 17(4) of the Government Employees Pension Law, 1996 (Proclamation 21 of 1996) provides that:

"If any action taken by the employer or if any legislation adopted by Parliament places any additional financial obligation on the Fund, the employer or the Government or the employer and the Government, as the case may be, shall pay to the Fund an amount which is required to meet such obligation."

3.4 Section 17(4) of the Government Employees Pension Law must be read together with the Rules of the Government Employees Pension Fund (GEPF).

3.5 Regulation 25 of the Public Service Regulations, 2016 (PSR) provides as follows:

(1) An Executive Authority shall prepare a strategic plan for his or her department that –

(a) states the department's core objectives based on constitutional and other legislative or functional mandates;
(b) describes the core and support activities necessary to achieve the core objectives, avoiding duplication of functions;
(c) describes the targets to be attained in the medium term.
(d) sets out a programme for attaining those targets;
(e) specifies information systems that—
(i) enable the executive authority to monitor the progress made towards achieving those targets and core objectives;
(ii) support compliance with the reporting requirements in regulation 31 and the information requirements, referred to in regulation 70; and
(iii) enable service delivery through the use of information and communication technology; and
(f) complies with the requirements in regulations 5.1 and 5.2 of the Treasury Regulations.

(2) Based on the strategic plan of the department, an executive authority shall:
(a) determine the department's organisational structure in terms of its core mandate and support functions—
(i) in the case of a national department or national government component, after consultation with the Minister and National Treasury; and
(ii) in the case of a provincial department or provincial government component, after consultation with the relevant Premier, the Minister and the relevant provincial treasury.
(b) define and create the posts necessary to perform the relevant functions of the department while remaining within —
(i) the current budget;
(ii) the Medium-Term Expenditure Determination and Directive of the department; and
(iii) the norms and standards determined by the Minister for post provisioning for occupants or categories of employees;
and the posts so defined and created shall constitute the department's approved establishment.
(c) grade proposed new jobs according to the job evaluation and job grading systems referred to in regulation 41(1), except where the grade of a job has been determined in terms of an OSD or directed by the Minister in terms of regulation 41(2)(d); and
(d) engage in human resource planning in accordance with regulation 26 to meet the resulting human resource needs.

(3) In implementing the strategic plan, a head of department shall:

(a) promote the efficient, economic and effective use of resources so as to improve the functioning of the department; and

(b) to that end, apply working methods such as the re-allocation, simplification and co-ordination of work, and eliminate unnecessary functions and systems.

3.6 Regulation 26 of the PSR provides as follows:

(1) An executive authority shall prepare and implement a human resource plan for his or her department.

(2) When preparing a human resource plan for his or her department an executive authority shall—

(a) assess the human resources necessary to perform his or her department's functions;

(b) assess existing human resources by race, gender, disability, age and any other relevant criteria;

(c) identify gaps between what is required under sub regulation (2)(a) and what exists under sub regulation (2)(b) and prioritise interventions to address the identified gaps.

(d) consider the employment equity plan as contemplated in regulation 27; and

(e) consider the available budgeted funds, including funds for the remaining period of the relevant medium-term expenditure framework, for the recruitment, retention, utilisation and development of human resources according to the department's requirements; and

(f) take into account any other requirements as may be directed by the Minister.

4 SCOPE AND APPLICATION

4.1 This Determination and Directive applies to:

4.1.1 employees from the age of 55 to 59 years, employed in terms of the PSA, educators, members of the services (Police, Correctional Services and SANDF) or members of the Intelligence Services, shall, subject to the other contextual conditions set by the Ministers responsible for Educators, Services, and the Intelligence Services, be eligible to apply for the Early Retirement Programme (ERP) of which identified costs will be covered in terms of the funding model set by National Treasury.; and

4.1.2 Employees aged 60 to 63 do not qualify for the ER in terms of section 16(6) of the PSA but are invited to apply for a 'voluntary earlier exit', i.e. VEP in return for a financial incentive calculated at two (2) weeks' of basic salary per year for the first ten (10) years of pensionable service; and one (1) week's financial incentive for each completed year of pensionable service thereafter, which

National Treasury will approve from centrally budgeted funding.

4.2 Employees who are appointed on a contract basis and those appointed on a temporary basis are **excluded** from applying for the ERP and VEP, as well as those who have or will have less than ten years' pensionable service at the time of exit.

5 AUTHORISATION

5.1 This Determination and Directive is made by the Minister for the Public Service and Administration in terms of section 3(5)(a) of the Public Service Act, 1994, with the concurrence of the Minister of Finance and in terms of section 5(5) of the said act.

6 IMPLEMENTATION PERIOD

6.1 The implementation period of the incentivised ERP and VEP will be e effective from 1 October 2025 to 31 March 2027.

7 ELIGIBILITY CRITERIA AND FUNDING OF OTHER BENEFITS

7.1. The following items relevant to early retirement of employees aged 55 to 59 and employees aged 60 to 63 are to be funded by departments from within their baseline budgets:

7.1.1 Pro-rata service bonus pay;

7.1.2 Balance of the capped leave;

7.1.3 Unused current annual leave; and

7.1.4 Resettlement costs, where applicable, in line with the applicable departmental policy.

7.2. The following items relevant to early retirement of employees aged 55 to 59 and employees aged 60 to 63 are to be funded centrally from the budgeted provisional allocations upon approval by the NT:

7.2.1 Cost of the pension penalty waiver (no scaling down); and

7.2.2 Cost associated with additional financial incentive for employees aged 55 to 59 years calculated at two (2) weeks' of basic salary per year for the first twenty (20) years of pensionable service; and one (1) week's financial incentive for each completed year of pensionable service thereafter.

7.2.3 Cost associated with additional financial incentive calculated for employees aged 60 to 63 years calculated at two (2) weeks' of basic salary per year for the first ten (10) years of pensionable service; and one (1) week's financial incentive for each completed year of pensionable service thereafter.

7.3. Compensation for medical assistance, as per the Determination and Directive on Medical Assistance in the Public Service, available on the DPSA website (www.dpsa.gov.za), stipulates that: - Compensation for post-retirement medical assistance and once-off payments for employees not eligible for post-retirement medical subsidy would be paid by the National Treasury through the Government Pensions Administration Agency (GPAA).

8 PERIOD OF APPLICABILITY OF FINANCIAL SUPPORT

8.1. The provision for applications for the ERP and VEP, where National Treasury approves central funding support to qualifying departments, is applicable for the financial years 2025/2026 and 2026/2027. Thereafter an evaluation will be done to determine whether a further need exists for the extension of this programme in its current form beyond 2026/27. However, where departments have available funding within their baseline budgets, they have the discretion on an ongoing basis to approve incentivised ER in terms of section 16(6) of the PSA in line with their HR Plans in terms of regulation 26 of the PSR. The same applies for VEP with the added financial incentives.

8.2. The first phase of the ERP and VEP will target exits over the period from October 2025 to 31 March 2026. Priority will be given to applications from departments that are experiencing significant compensation spending pressures and thus struggling to realign their human resource plans with their allocated budgets.

8.3 The second phase (1 April 2026 to 31 March 2027) will aim to facilitate further exits, building on the outcomes of the first phase to further support departments in managing their workforce and addressing compensation budgetary constraints effectively.

NOTE: The employer may decline ERP or VEP application if approval of such applications may adversely affect service delivery. The State may terminate the ERP and VEP if it has been oversubscribed.

9 PROCEDURE AND CONDITIONS

9.1. The financial incentive will be calculated using the date and age when the employee exits the Public Service.

9.2. In terms of section 16(6) of the PSA, the relevant EA or his/her delegated authority, is empowered to, upon receipt of a request from such employees, approve ER applications without pension penalties, if sufficient reason exists for the retirement based on the applicable criteria.

9.3. The approval of any ERP application without pension penalties, in respect of employees from the ages of 55 to 59 years, shall be subject to the pension laws, applicable criteria and conditions determined by the employer and the availability of funding. Similarly, the approval of any VEP application, in respect of employees from the ages of 60 to 63, shall be subject to applicable criteria and conditions determined by the employer and the availability of funding.

9.4. For approved applications by National Treasury for the ERP, the costs incurred by waiving pension penalties for eligible employees will be centrally funded. The National Treasury will pay such amounts directly to the GEPF on behalf of departments. Similarly, for approved applications by National Treasury for both the ERP and VEP, the costs associated with the financial incentives will be allocated as additional funding to qualifying departments.

9.5. Where accrued capped leave and pro rata service bonus payments are applicable, the costs thereof will be paid by the respective departments.

9.6. Employees from the age of 55 to 59 years, who wish to apply for the ERP without the pension penalties, within the financial years specified by this Determination and Directive, are requested to submit their applications to their respective Human Resources (HR) offices, which shall be considered based on criteria set by relevant national and provincial departments and aligned with the funding conditions as determined by National Treasury. The management plans may differ logistically between departments due to differing contextual factors.

9.7. Employees from the age of 60 to 63 years, who wish to apply for retirement with the financial incentives, within the financial years specified by this Determination and Directive, are requested to submit their applications to their respective HR offices, which shall be considered based on criteria set by relevant national and provincial departments and aligned with the funding conditions as determined by National Treasury. The management plans may differ logistically between departments due to differing contextual factors.

9.8. Employees are advised to approach their internal HR Sections for assistance with the calculation of their estimated pension benefits.

9.9 The applications for ERP without penalisation of pension benefits and the financial incentive calculated at two (2) weeks' of basic salary per year for the first twenty (20) years of pensionable service; and one (1) week's financial incentive for each completed year of pensionable service, thereafter, are subject to the approval by the EA or delegated authority terms of Section 16(6) of the PSA.

10 PROHIBITION

10.1 Employees with less than 10 years pensionable service are not eligible to apply for the ERP or VEP.

10.2 Employees who are appointed on a contract or temporary basis are not eligible to apply for ERP or VEP.

10.3 Acceptance by an employee of the financial incentives offered under this ERP or the incentivised VEP, shall preclude him or her from any subsequent re-employment into the public service.

11 PROFESSIONALISATION OF THE PUBLIC SERVICE

11.1. Departments are encouraged to plan and implement youth employment interventions within the ensuing HR Plans and any other organisational developmental plans, and policies as maybe envisaged within this Determination and Directive.

11.2. As part of the initiatives to support the ideals of the National Development Plan (NDP) as well as the larger goal of professionalising the Public Service to be a career of choice for young people, departments are urged to utilise the ER mechanism in line with their HR plans and the criteria set out by the EA.

12 PRODUCTIVITY AND STABILITY

12.1 Implementation of these measures must not be detrimental to service delivery access and improvement that meets the needs and expectations of citizens.

12.2 It is pivotal to utilise these measures to maintain stability and to bring about future efficiency and productivity gains in all areas within the Public Service, through amongst other areas, training and developing employees for a skilled workforce, facilitating staff mobility for capacity building and skill deployment.

13 APPLICATION PROCESS AND APPROVAL OF THE EARLY RETIREMENT PROGRAMME (ERP)

13.1 Approval of Early Retirement (ER) applications are **not automatic**, as each application must be considered on its own merit as well as contextual factors considered by each EA and availability of funding.

13.2 It is imperative that departments adhere to specified timeframes as failing to do so, will result in forfeiture of central funding.

13.3 **Applications for financial year 2025/2026: -** A qualifying employee, who wishes to participate in the ERP or VEP, must apply in writing to the relevant EA or delegated authority. Employees between the age of 55 to 59 and 60 to 63 from 1 April 2025 - 31 March 2026 can apply as follows: -

13.3.1 Employees to submit applications to their HR from a date to be communicated to departments through a circular by the DPSA Director-General for processing using the attached application form (Annexure A) and processes as determined by the respective department's management plan.

13.3.2 Departments submit names of approved cases by the executive authority to the NT from 1 December 2025 via the attached spreadsheet (Annexure B)

13.4 **<u>Applications for financial year 2026/2027: -</u>** A qualifying employee, who wishes to participate in the ERP and VEP, must apply in writing to the relevant EA or delegated authority. Employees between the age of 55 to 59 and 60 to 63 from 1 April 2026 - 31 March 2027 can apply as follows: -

13.4.1 Employees submit their application to HR from 1 April 2026 – 31 September 2026 to process using the attached application form (Annexure A) and processes as determined by the respective department's management plan.

13.4.2 Department submit names of approved cases by the executing authority to the NT after the closure of the application process 01 October 2026 via the attached spreadsheet (Annexure B).

13.5 Each application must be fully motivated in terms of the criteria in this Determination and Directive and the supplementary criteria set by the relevant EA. It must be noted that each department or provincial administration's management plan and processes may contextually differ due to differing reporting and HR approval arrangements. However, the National Treasury funding criteria, for the financial year window period, remain standard and consistent for all departments seeking central funding support for ERP and VEP applications.

13.6 The following forms are compulsory and must be completed by applicants: South African Revenue Service **(**SARS). All tax related matters of the employee must be in order with SARS, if not, it may delay the processing of pension pay-outs.

13.6.1 The **Z102** (through PCM or manually) and related forms, must be completed by the employer for the withdrawal of an employee from the GEPF.

13.6.2 The **Z894** and all other related documents, which must be completed by the employee.

13.7 These forms will be discussed during consultations. Departments are encouraged to ensure that they have sufficient application forms available or ensure that employees can access such forms from the DPSA website.

14 CRITERIA TO BE CONSIDERED

14.1 In determining the criteria for the ERP and VEP applications within their respective departments, an EA must ensure that-

14.1.1 The applicant is aged from **55 to 59 years** for ERP.

14.1.2 The applicant is aged from **60 to 63** for VEP;

14.1.3 There shall be no **negative impact on the delivery of services** by the department;

14.1.4 There shall be **no skills deficit created** within the department;

14.1.5 The **HR Planning needs** were considered;

14.2 In determining the criteria for the ERP applications within the respective departments, an EA may also consider: -

14.2.1 The personal circumstances and future life career choices of an employee; and

14.2.2 The years of pensionable service of an employee.