



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

Private Bag X916, Pretoria, 0001. Tel: (012) 314 7911, Fax: (012) 323 2386 or (012) 324 5616
Private Bag X9148, Cape Town, 8000. Tel: (021) 467 5140, Fax: (021) 462 2299

Inquiry: D J Bosman
Telephone No: (012) 314 7255
File No: 1/7/1/5/1

TO ALL HEADS OF NATIONAL/PROVINCIAL DEPARTMENTS AND PROVINCIAL ADMINISTRATIONS

STRUCTURING/RESTRUCTURING OF THE FLEXIBLE COMPONENTS OF SMS PACKAGES WITH RETROSPECTIVE EFFECT: NATIONAL TREASURY (PERSAL)

1. This Department's Circular 2 of 2002 dated 23 December 2002 refers.

Introduction

2. The inclusive remuneration packages of SMS members admitted to the Government Employees Pension Fund (GEPF) consist of three components, namely the basic salary (pensionable), the employer's (State) contribution to the GEPF and the flexible component. Members are allowed to structure/restructure the flexible component into various remunerative allowances (i.e. motor vehicle allowance) or benefits within certain parameters. Members not admitted to the GEPF are allowed to structure/restructure the total package into various remunerative allowances within certain parameters.
3. A member entering the SMS for the first time must structure the flexible component of his or her inclusive remuneration package. Each change to the package following the original structuring, would entail a restructuring (change) to the flexible component.
4. In terms of the Dispensation for SMS (Annexure E to this departments Circular 2 of 2002 (paragraph 10)) members may only restructure (change) the flexible component of their packages in the following circumstances:
 - (a) One year after the date of implementation of the inclusive flexible remuneration package system.

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- (b) On promotion to a higher grade (position).
- (c) Adjustment of the remuneration scale.
- (d) On transfer to another post.
- (e) Substantial changes to tax legislation.
- (f) Any changes to the total contribution to a registered medical aid scheme.
- (g) On decision by the Minister for the Public Service and Administration.

Problems being experienced with the restructuring (change) of the flexible components of the packages

4. PERSAL indicates that problems are being experienced on the PERSAL-system with the reconciliation of allowances when a member has to restructure the flexible component with retrospective effect to a date **earlier** than a previous structuring. When a member wishes to effect changes to one of the remunerative allowances or benefits provided for in the flexible component, effective from a date **earlier** to the last effective date of changes to the flexible component, the PERSAL-system cannot reconcile any changes for the "overlap period" in dates. For example, a member has changed the flexible component of his or her existing package on 1 July 2003, and he or she is now awarded a higher package backdated to 1 April 2003.
5. This problem surfaced now due to the late awarding of pay progression to members on 1 April 2003 by certain departments, with the result that members have to structure/restructure the flexible portion of the revised package with retrospective effect. However, certain members have changed (restructured) the flexible portion of their pre-revised packages with effect from a date **after** 1 April 2003. Certain of these changes were due to valid reasons (i.e. due to changes to medical aid contributions, transfer to another post on the same remuneration package), whilst other changes were due to invalid reasons (i.e. members' preference to change the value of motor vehicle and housing allowances, the 13th Cheque and so-called "mistakes").
6. It should be noted that changes due to the latter reasons referred to in paragraph 5 above are not permissible in terms of the SMS Dispensation. Departments are requested to bring it to the attention of all the members of the SMS (in writing) under which circumstances they will be allowed to restructure (change) the flexible portion. Furthermore, National Treasury (PERSAL) has been requested to align the PERSAL-system to allow only for those changes to the flexible component that are permissible in terms of the SMS. PERSAL will not entertain any deviations in this regard.

Arrangement to deal with the structuring/restructuring of the flexible component of the package with retrospective effect

7. In cases where it is necessary that members must restructure the flexible component of their packages with retrospective effect, it must be done within the following framework provided by PERSAL:

(a) **Where a member's package is adjusted with effect from a retrospective date (i.e. 1 April 2003 due to pay progression) and he/she did not restructure (change) the flexible portion of the pre-revised package since the effective date of the revised package**

❖ The flexible portion of the revised package may be restructured (changed) on the PERSAL-system (PERSAL function # 4.6.36), with retrospective effect to date of the revised package.


(b) **Where a member's package is adjusted with effect from a retrospective date (i.e. 1 April 2003 due to pay progression) and he/she restructured (changed) the flexible portion of the pre-revised package with effect from a date (i. e. on 1 May 2003 due to changes to the medical aid contribution) after the effective date of the revised package**

❖ PERSAL will create a new function that would enable departments to implement a revised package from a date prior to effective date of the latest restructuring of the flexible component of the pre-revised package. (PERSAL will provide departments with details once the function has been created.)

❖ PERSAL will programmatically increase the basic salary and employer's contribution to the GEPF. The increase to the flexible component will be channelled automatically into the non-pensionable allowance. The increases to the components will be backdated to the effective date of the revised package and the back payments for the three components will be made programmatically.

❖ Members will only be allowed to restructure (change) the flexible portion of the revised package as of effective date of latest restructuring of the pre-revised package. (The PERSAL function # 4.6.36 should be used for this purpose.)

❖ If there are any implications to the members' IRP5 for the period prior to the latest effective date that cannot be structured on PERSAL, IRP5 accumulation amendments must be done by Departments by using PERSAL function # 5.5.2.


ACTING DIRECTOR-GENERAL
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