



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

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**TO ALL HEADS OF NATIONAL/PROVINCIAL DEPARTMENTS AND
PROVINCIAL ADMINISTRATIONS**

CIRCULAR NO. 3 OF 2005

IMPROVEMENT IN CONDITIONS OF SERVICE: ANNUAL COST-OF-LIVING ADJUSTMENT FOR EMPLOYEES ON SALARY LEVELS 1 TO 12: 1 JULY 2005

INTRODUCTION

1. 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.

PSCBC RESOLUTION 2 OF 2004

2. The Resolution, inter alia, provides for the following:
 - (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%.

(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 to determine whether or not the actual CPI-X for the period 1 April 2004 to 31 March 2005 is higher than National Treasury's projected CPI-X figure of 5%, which was used as a basis for the cost-of-living adjustment for the 2004/05 financial year, effective from 1 July 2004. If higher, the difference must be added to the baseline adjustment for the 2005/06 financial year, effective from 1 July 2005.
4. The average CPI-X for the period 1 April 2004 to 31 March 2005 is 4.07%, based on data provided by StatsSA. The actual average is therefore lower than National Treasury's projected figure for the said period, with the result that Clause 3.4 of PSCBC Resolution 2 of 2004 is not invoked for the 2005/06 financial year.
5. National Treasury has confirmed that the projected CPI-X for the 2005/06 financial year, as adjusted in the Minister of Finance's budget review for the said financial year, on which the adjustment for the 2005/06 financial year (effective from 1 July 2005) is to be based, is 4.2%. The Minister for the Public Service and Administration has therefore based her determination regarding the cost-of-living adjustment for the 2005/06 financial year for employees on salary levels 1 to 12 on National Treasury's projected CPI-X for the 2005/06 financial year (period 1 April 2005 to 31 March 2006), and 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

6. 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.
7. 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

8. The Minister for the Public Service and Administration has determined the following:
- (a) A cost-of-living salary adjustment of **4.6%** for employees on salary levels 1 to 12, effective from 1 July 2005.
 - (b) Implementation of the revised salary levels contained in the following (attached) Annexes, effective from 1 July 2005:

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 salaries of employees on **salary levels 1 to 10** (who are on salary notches on the salary key scale implemented with effect from 1 July 2004), in accordance with the translation keys contained in the following (attached) Annexes:

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 employees on **salary levels 11 and 12** (who are on salary notches on the salary key scale implemented with effect from 1 July 2004) to the new inclusive flexible remuneration packages, in accordance with the translation keys referred to in sub-paragraph (c) above - please refer to DPSA Circular 2 of 2005 for details on the new Middle Management Service (MMS) dispensation.
- (e) 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 reflected on 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

- 9. The employees referred to sub-paragraph 8(e) above who would have qualified for an annual notch increment on 1 July 2005 on their personal scales, but who will be translated to one of the 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


- 10. 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., officers and 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.
- 11. 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.

IMPLEMENTATION OF THE INCLUSIVE FLEXIBLE REMUNERATION PACKAGE DISPENSATION FOR THE MMS (EMPLOYEES ON SALARY LEVELS 11 AND 12)

12. The translation of MMS members to the remuneration scales and packages, as well as MMS members' structuring of the flexible portion (non-pensionable component) of their packages, is to be effected at departmental level - it will not be effected programmatically (automatically) by PERSAL. Each member must be informed in writing of his or her revised remuneration scale and package, where after he or she must be afforded the opportunity to structure the package and to exercise the once-off choice in respect of which percentage of their total packages should form their basic salary (pensionable income) in their packages. MMS members must confirm the structuring in writing before departments may implement it on PERSAL or PERSOL - signing of a printout of the main page of the MMS Model (spreadsheet) will be sufficient and should be filed accordingly. **Departments' attention is invited to DPSA Circular 2 of 2005 for details on the new MMS dispensation.**
13. If an MMS member's translation cannot be dealt with in terms of the standard translation keys, departments must submit a motivated request to this Department (for attention: Remuneration Policy Unit) for an appropriate (individual) translation key.
14. This Department has developed a MMS Model (Excel spreadsheet) to assist MMS members (as well as HR practitioners) to structure the package – the MMS Model is similar to the Model that is currently being utilised by SMS members. The MMS Model can be obtained from this Department's website (<http://www.dpsa.gov.za>) (follow the links to Document archive/Circulars/Remuneration) or from the following e-mail addresses:
 - Estelle@dpsa.gov.za
 - esther@dpsa.gov.za
 - braam@dpsa.gov.za
15. PERSAL and PERSOL will continue with MMS members' deductions in respect of contributions to registered medical aid schemes and bond repayments.

GENERAL MATTERS

16. The translation of personnel on salary levels 1 to 10 to the revised salary notches will be effected programmatically by PERSAL and PERSOL.
17. This Department's Financial Manual will be updated and made available in due course.
18. 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 would be rectified when they come to light and that any amounts that have been overpaid or underpaid because of errors will be rectified (paid or recovered).
19. Departments are requested to ensure that the measures contained in this Circular (and Annexes thereto) are implemented correctly. Should any difficulties arise with the implementation of the measures, departments are welcome to approach this Department for assistance.


DIRECTOR-GENERAL
Date: 17/06/05