



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

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PROVINCIAL ADMINISTRATIONS**

## **CIRCULAR 1 OF 2006**

### **ADJUSTMENT OF THE INCLUSIVE FLEXIBLE REMUNERATION PACKAGES OF MEMBERS OF THE SMS: 1 JANUARY 2006**

#### **Introduction**

1. This Circular deals with the Minister for the Public Service and Administration's (MPSA) determination for-
  - a 4.6% cost-of-living adjustment of the remuneration scale and remuneration bands for members of the SMS (not based on the outcome of their performance), effective from 1 January 2006; and
  - the translation of members of the SMS to the revised inclusive flexible remuneration packages, effective from 1 January 2006.

#### **Scope of applicability**

2. The determinations contained in this Circular apply only to SMS members who are appointed in terms of the following Acts:-

Public Service Act, 1994.

Correctional Services Act, 1998.

3. The determination of the revised inclusive flexible remuneration packages for SMS members employed in terms of the following Acts will be dealt with by the Ministers of Education, Safety and Security, Defence and Justice and Constitutional Development respectively:
  - (a) Members employed in terms of the Employment of Educators Act, 1998.
  - (b) Members employed in terms of the South African Police Service Act, 1995.
  - (c) Members employed in terms of the Defence Act, 2002.
  - (c) Members employed in terms of the National Prosecuting Authority Act, 1998.

#### **Implementation**

4. The MPSA has determined the following in terms of section 3(3)(c) of the Public Service Act, 1994, read with the Public Service Regulations (Chapter 4, Part 4, Section B1), effective from 1 January 2006:
  - (a) The remuneration scale and remuneration bands attached as Annexure A for members of the SMS who are appointed in terms of the **Public Service Act, 1994 and the Correctional Services Act, 1998.**
  - (b) The translation of the members referred to in (a) above to the revised remuneration scale and bands in terms of the translation key attached as Annexure B.

#### **Implementation of the cost-of-living adjustment**

5. The MPSA has also determined that SMS members are not permitted to restructure the flexible portion of their revised packages (or the total revised packages in respect of those SMS members who are not admitted to the GEPF), effective from 1 January 2006. The reason for this decision is that the Minister of Finance has indicated in his 2005 Budget Speech and in his 2005 Interim Budget Speech that he is considering further amendments to the tax provisions on motor vehicle allowances (so-called travel allowances) as well as the basis on which an employee would qualify for a tax benefit on the employer's contribution to a registered medical aid scheme, effective from 1 March 2006 (new tax year).
6. These amendments will have implications for those SMS members who have structured for a motor vehicle allowance and/or an amount as the employers

contribution towards their medical schemes, which is the majority of members, with the result that these members **will in all probability have to restructure with effect from 1 March 2006.**

7. This Department is concerned by the effect of the number of structurings within a short period of time on the PERSAL system and the administrative burden it would place on departments, as departments process these restructurings manually. This Department has therefore arranged with National Treasury (PERSAL) to implement the annual cost-of-living adjustment, effective from 1 January 2006, programmatically for the SMS members. In practice it would mean the following for members:

- (a) **SMS 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 allowance provided for in the flexible portion.

- (b) **SMS members not admitted to the GEPF**

The adjustment to the total package will be channelled as default to the non-pensionable allowance provided for in the flexible portion.

8. SMS members would be allowed to restructure the flexible portion in totality, effective from 1 March 2006, once the tax implications on the motor vehicle allowance and the medical aid scheme have been fully assessed and the MPSA has taken a decision to the effect. Departments will be informed accordingly.

### **Implementation of the SMS Scarce Skills Framework**

9. The MPSA has decided not to implement the Scarce Skills Framework for the SMS at this stage. As departments are aware, the Scarce Skills Framework for employees on salary levels 1 to 12 is currently being implemented in the Public Service. **The MPSA indicated that she would consider the implementation of the Scarce Skills Framework for the SMS after the Scarce Skills Framework for salary levels 1 to 12 has been implemented and the effect thereof on recruitment and retention in identified scarce skills occupations has been assessed.**

**General**

10. The expenditure emanating from the Minister's determination must be defrayed from the funds included in departmental budgets for the improvement in conditions of service in the 2005/06 financial year.
11. The SMS remuneration package dispensation is attached as Annexure C for Departments' convenience.
12. Members must be informed in writing that errors will be rectified. Furthermore, any amounts that may have been overpaid or underpaid due to errors will be adjusted.
13. As departments are aware, the Performance Management and Development System (PMDS) was implemented for the SMS with effect from 1 April 2002. Departments are again reminded that **all senior managers and professionals in the SMS shall enter into performance agreements, as stipulated in paragraph 12 of the PMDS.**
14. Departments are requested to ensure that the measures that are contained in this Circular are implemented correctly. Departments are welcome to approach this Department for assistance.



for **DIRECTOR-GENERAL**  
Date: 7/2/06.