



the dpsa

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TO ALL HEADS OF NATIONAL/PROVINCIAL DEPARTMENTS AND PROVINCIAL ADMINISTRATIONS

DPSA CIRCULAR 1 OF 2012

IMPROVEMENT IN CONDITIONS OF SERVICE OF MEMBERS OF THE SENIOR MANAGEMENT SERVICE (SMS): 1 JANUARY AND 1 APRIL 2012

Introduction

1. This Circular deals with the Minister for the Public Service and Administration's (MPSA) determinations regarding -
 - 1.1 the 2012 SMS cost-of-living adjustment;
 - 1.2 a change to the annual SMS cost-of-living adjustment date; and
 - 1.3 the changes to the percentage that constitutes the basic salary in the SMS package for members admitted to the GEPF.

Scope of applicability

2. The determinations contained in this Circular apply only to SMS members who are appointed in terms of the following Acts:-
 - (a) Public Service Act, 1994.
 - (b) Correctional Services Act, 1998.
3. The MPSA's determination is also applicable to SMS members in SASSA in terms of the SASSA Remuneration, Grading and Performance Management Framework.
4. The Ministers of Police, Defence and Military Veterans and Justice and Constitutional Development will make similar determinations for SMS members employed in terms of the following Acts:
 - 4.1 South African Police Service Act, 1995.
 - 4.2 Defence Act, 2002.
 - 4.3 National Prosecuting Authority Act, 1998.

Staatsdiens en Administrasie . Ditirelo tsa Puso le Tsamaiso . Ditshebeliso tsa Mmuso le Tsamaiso . uMnyango wemiSebenzi kaHulumeni nokuPhata

Muhasho wa Tshumelo ya Muvuso na Vhulanguli . Kgoro ya Ditirelo tša Mmušo . Ndzawulo ya Vutirela-Mfumo na Valawuri

LiTiko le Tebasebenti baHulumende nekuPhatsa . ISebe leNkonzo kaRhulumente noLawulo . UmNyango wemiSebenzi kaRhulumente nokuPhata

Determinations by the MPSA

5. In terms of section 3(5)(a) of the Public Service Act, 1994, as amended, read with the Public Service Regulations (Chapter 4, Part 4, Section B1), the MPSA has determined the following
 - 5.1 Cost-of-living adjustment of 4.5%, effective from 1 January 2012, with an additional 0.5% adjustment, effective from 1 April 2012, to SMS members employed in terms of the **Public Service Act, 1994** and the **Correctional Services Act, 1998** respectively, delinked from performance.
 - 5.2 Remuneration scales attached as **Annexes A and B** for SMS members referred to in sub-paragraph 5.1:
 - 5.2.1 1 January 2012 - **Annexures A and B**
 - 5.2.2 1 April 2012 - **Annexures H and I**
 - 5.3 Translation of the SMS members referred to in sub-paragraph 5.1 to the remuneration scales referred to in sub-paragraph 5.2:
 - 5.3.1 1 January 2012
 - SMS members appointed in terms of the Public Service Act: **Annexures C to F.**
 - SMS members appointed in terms of the Correctional Services Act: **Annexure G.**
 - 5.3.2 1 April 2012
 - SMS members appointed in terms of the Public Service Act: **Annexures J to M**
 - SMS members appointed in terms of the Correctional Services Act: **Annexure N**
 - 5.4 1 April as annual cost-of-living adjustment date, with the next adjustment effective from 1 April 2013.
 - 5.5 Basic salary component of 70% in the SMS remuneration package, effective from 1 April 2012.
 - 5.6 Once-off (irrevocable) choice between the pre-1 April 2012 60% basic salary or the revised 70% basic salary for SMS members/employees who are remunerated in terms of the SMS remuneration Dispensation on 31 March 2012.
6. The MPSA withdraws his determination, as was conveyed to departments under cover of DPSA Circular 2 of 2008, on the implementation of the Variable Pay System for the SMS.

Revised basic salary of 70%

7. The 70% basic salary applies with effect from 1 April 2012 to all new appointments to the SMS or employees who are remunerated in terms of the SMS Remuneration Dispensation, who are admitted to the GEPF, irrespective whether they are appointed from outside the Public Service or existing staff (e.g. MMS members) who are appointed to a SMS position.
8. SMS members and other employees admitted to the GEPF who are remunerated in terms of the SMS Remuneration Dispensation on 31 March 2012, are afforded a once-off, irrevocable, choice to set their basic salary in the SMS package at 70%, effective from 1 April 2012. The choice is to be exercised, in writing, in the format to be prescribed by the respective departments.
9. If a SMS member/affected employee fails to exercise the choice by the closing date determined by his or her department, the 60% basic salary (*status quo*) will remain as default for him or her.
10. Due to the implications of the choice, which effects SMS members' future pension (retirement and resignation) benefits, and to ensure a seamless transition to the revised SMS Remuneration Dispensation, a transitional provision for a period of 6 months (window period), which runs from 1 April to 30 September 2012, is introduced to allow SMS members/employees who are in service on 31 March 2012 and have chosen the 70% basic salary option, **to undo the decision**. Exercising a choice in terms of this provision to revert to the original 60% basic salary is subject to the following:
 - 10.1 The provision only applies to SMS members/employees who are in service on 31 March 2012 and who were remunerated in terms of the SMS Remuneration Dispensation on the said date.
 - 10.2 Reverting from a basic salary of 70% to a basic salary of 60% will be effective from 1 April 2012 (therefore with retrospective effect).
 - 10.3 The GEPF will, through the employer, refund the SMS member/affected employee the difference in the employer's contribution to the GEPF (provided for in the package) as well as the difference in the member's own contribution, which accumulated since 1 April 2012.
 - 10.4 HR components must receive applications to revert in terms of this provision before the expiry of the window period (30 September 2012) – late applications will not be entertained.
 - 10.5 The transitional provision does not apply to members who wish to translate from a basic salary of 60% to a basic salary of 70%.
11. Once a SMS member/employee, who was in service on 31 March 2012, has exercised the choice, the decision cannot be undone with a further appointment (promotion) to a higher SMS post.
12. Any requests to deviate from the provisions must be submitted to the DPSA for consideration.
13. The implications of the individual choices are as follows:

	60% Basic Salary (Status quo)	70% Basic Salary
143.1	Basic (pensionable) salary remains at current level	Basic (pensionable) salary increases with 16.6%
14.2	Pension (retirement or resignation) benefits not increased	Pension (retirement or resignation) benefits increase accordingly
14.3	Non-pensionable amount (flexible portion) available to structure for benefits/allowances not reduced	Non-pensionable amount (flexible portion) available to structure for benefits/allowances reduces
14.4	Net salary not affected	Net salary reduces

14. Department will appreciate that the choice to be exercised has profound implications on SMS members/affected employee's pension (retirement or resignation) benefits. Therefore, the DPSA requests that the attached Communiqué be presented to every affected SMS member/employee, in which the amendment, the choices available and the implications are explained.

Variable Pay System

- 15.. As departments are aware, the then MPSA determined a Variable Pay System for the SMS with effect from 1 April 2009, which eventually would have substituted the payment of performance bonuses in terms of the SMS PMDS. Due to a delay in finalising the institutional, component/unit and personal performance indicators before 1 April 2009, on which application of the Variable Pay System would have rested, the then MPSA deferred implementation of the system until further notice. The deferral was communicated to departments in DPSA letter dated 23 March 2009.
- 16.. Due to a review of the SMS PMDS, which might not be compatible with the variable pay concept, the MPSA withdrew his previous determination in this regard. Payment of performance bonuses to eligible SMS members will continue in terms of the existing SMS PMDS.

Implementation of the cost-of-living adjustment

17. The DPSA advised the National Treasury (PERSAL) to implement the cost-of-living adjustment with effect from 1 January and 1 April 2012 in the following manner:

(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 added to the sub-component "*non-pensionable allowance*" as default.

(b) SMS members not admitted to the GEPF

The adjustment to the total package will be added to the sub-component "*non-pensionable allowance*" (in the component "*flexible portion*") as default.

18. In view of the amendment to the basic salary with effect from 1 April 2012, SMS members are not permitted to structure their packages with effect from 1 January 2012. However, SMS members are afforded the opportunity to re-structure their packages with effect from 1 April 2012.

19. PERSAL will inform departments once the necessary system changes have been made to implement individual choices for a 70% basic salary.

General

20. The expenditure emanating from the MPSA's determination has to be defrayed from current departmental (budget) baselines.
21. The DPSA Model to structure SMS packages with effect from 1 April 2012 will only be made available once the 2013 tax scales, which will be effective from 1 March 2012, are available.
22. SMS members must be informed in writing of their revised packages and the manner in which it will be implemented. They must also be informed that errors will be rectified, and that any amounts that may have been overpaid or underpaid will be adjusted.
23. Departments are requested to ensure that the MPSA's determinations and the measures contained in this Circular are implemented correctly. Departments are welcome to approach the DPSA for assistance.


fcd DIRECTOR-GENERAL

Date:

20/12/09