



the dpsa

Department:  
Public Service and Administration  
REPUBLIC OF SOUTH AFRICA

Dear SMS member

## IMPLEMENTATION OF REVISED BASIC SALARY COMPONENT IN THE SMS REMUNERATION PACKAGE: 1 APRIL 2012

### ...WHY THE NEED FOR THIS COMMUNIQUÉ?

1. This communiqué serves to provide you with an overview of the revised percentage that constitutes the basic (pensionable) salary in the SMS Cost-to-Employer (CTE) package and the **implications thereof on you**. The amendment is effective from 1 April 2012, and the details are contained in DPSA Circular 1 of 2012, which you may obtain from your Department or the DPSA website (<http://www.dpsa.gov.za>).

### ... WHAT DOES THE CHANGE (AMENDMENT) ENTAIL?

2. Your current CTE package – if you are admitted to the GEPF – is made up by three components, namely-
  - Basic salary** (60%)
  - Employer contribution towards GEPF** (ranges between 13% and 16%, depending on your employment Act)
  - Flexible portion** (remaining amount in the CTE package)
3. The amendment relates to the **basic salary** on which your pension benefits are calculated, and therefore does not affect you if you are not a GEPF member.
4. The Minister for the Public Service & Administration determined a revised percentage, namely **70%**, as the **basic salary** component in the SMS remuneration package, effective from **1 April 2012**. The revised percentage will apply to all new appointees to the SMS with effect from 1 April 2012.

### ...BUT, HOW DOES THE DETERMINATION AFFECT ME AS SERVING GEPF SMS MEMBER?

5. In order not to affect your current conditions of service unilaterally, you are afforded a **once-off, irrevocable**, choice to set the basic salary in your SMS CTE package at 70%, effective from 1 April 2012. The choice is to be exercised, in writing, in the format which your Department prescribes.
6. Please note that the Minister's determination does not entail an increase to your package. It only provides you with flexibility to decide on the pensionable split within your existing CTE package - 60/40 or 70/30!
7. You are not obliged to choose the 70% basic salary option. Your basic salary, on which your pension benefits are calculated, will remain at the current (60%) level if you decide not to exercise the choice.

**...I AM INTERESTED, BUT WHAT ARE THE IMPLICATIONS OF THE DIFFERENT PERCENTAGES OF BASIC SALARY?**

<b>60% Basic Salary</b>	<b>70% Basic Salary</b>
Basic (pensionable) salary remains at current level	Basic (pensionable) salary increases with 16.6%
Pension (retirement or resignation) benefits not increased	Pension (retirement or resignation) benefits increase accordingly
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 substantially
Net salary not affected	Net salary reduces

**...I DID EXERCISE THE CHOICE TO SET MY BASIC SALARY AT 70%, BUT REALISES NOW THAT I HAVE MADE A MISTAKE. WHAT IS MY RECOURSE?**

8. You will appreciate this is an **extremely important choice** that you have to make because it affects your future pension (retirement and resignation) benefits. Therefore, to assist you, a transitional provision for a period of 6 months (window period), which runs from 1 April to 30 September 2012, is introduced to allow you to “undo” your decision. The conditions attached to “undoing” your decision are contained in DPSA Circular 2 of 2012.

**...I DID NOT EXERCISE THE INITIAL CHOICE. MAY I CHANGE MY BASIC SALARY FROM 60% TO 70% AFTER MY DEPARTMENTAL CUT-OFF DATE?**

9. Unfortunately not. It is therefore very important that you consider all the advantages and disadvantages of the two basic salary options in order to make an informed decision before the stipulated cut-off dates.

**...ANYTHING ELSE?**

10. You will appreciate that this communiqué is not exhaustive. Please do not hesitate to contact your HR Component for details/assistance or to obtain the revised SMS Remuneration Dispensation or DPSA Circular 1 of 2012 from the DPSA website.

11. The DPSA appreciates your support to ensure that the revised dispensation is implemented successfully (seamlessly).

**DEPARTMENT FOR PUBLIC SERVICE AND ADMINISTRATION**

**Date:**

**BATHO PELE**

**We belong, we care, we serve**