



the dpsa

Department:  
Public Service and Administration  
REPUBLIC OF SOUTH AFRICA

# AMENDMENTS TO SMS DISPENSATION: 2012

## SMS PENSIONABLE SALARY



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### Contents

- Overview of SMS CTE remuneration
- MPSA determination
- Implications of choice
- Case studies
- Window period to change

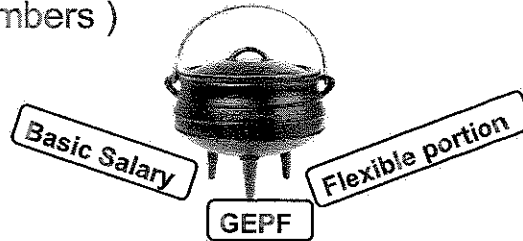


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## Overview of SMS CTE Remuneration

- CTE package consists of 3 components (legs)  
(GEPF members )



- Flexible portion - non-pensionable income - to be structured for benefits/allowances
- Non-GEPF members



## MPSA determination

- MPSA determined a revised percentage, namely 70%, as the basic salary component in the SMS CTE package
- Effective from 1 April 2012
- Apply to all new appointees to the SMS with effect from 1 April 2012
- Does not affect non-GEPF members
- Does not entail an increase to the package
- Only provides flexibility to decide on the pensionable split within members' existing CTE package - 60/40 or 70/30!

(Cont...)

## MPSA determination

- ❑ To ensure existing members' current conditions of service not affected unilaterally - once-off, irrevocable, choice
- ❑ Choice to be exercised in the format which the Department prescribes
- ❑ Not obliged to choose the 70% basic salary option
- ❑ Members' basic salary will remain at the current (60%) level if they decide not to exercise choice

## Implications of choice

60% Basic Salary	70% Basic Salary
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 not reduced	Non-pensionable amount (flexible portion) available to structure reduces substantially
Net salary not affected	Net salary reduces

## Case studies

- Director level
- No structuring for benefits

	60% option	70% option
<b>Package</b>	<b>R716 034</b>	<b>R716 034</b>
•Basic salary	R429 620	R501 224
•GEPF	R55 850	R65 159
•Flexible portion	R230 562	R149 651
<b>NET SALARY</b>	<b>R38 006</b>	<b>R37 266</b>

- Difference in net salary - **R740** per month
- Difference varies, depending on structuring

## Case studies

- Chief Director
- No structuring for benefits

	60% option	70% option
<b>Package</b>	<b>R867 876</b>	<b>R867 876</b>
•Basic salary	R520 725	R607 513
•GEPF	R67 694	R78 976
•Flexible portion	R279 456	R181 386
<b>NET SALARY</b>	<b>R44 665</b>	<b>R43 775</b>

- Difference in net salary - **R890** per month
- Difference varies, depending on structuring

## Case studies

- Deputy Director-General
- No structuring for benefits

	60% option	70% option
<b>Package</b>	<b>R1 071 264</b>	<b>R1 071 264</b>
•Basic salary	R642 758	R749 884
•GEPF	R83 558	R97 485
•Flexible portion	R344 947	R223 894
<b>NET SALARY</b>	<b>R53 583</b>	<b>R52 485</b>

- Difference in net salary - **R1 098** per month
- Difference varies, depending on structuring

(Cont...)

## Case studies

- Director-General
- No structuring for benefits

1 399 797	60% option	70% option
<b>Package</b>	<b>R1 399 797</b>	<b>R1 399 797</b>
•Basic salary	R839 878	R979 858
•GEPF	R109 184	R127 381
•Flexible portion	R450 734	R292 557
<b>NET SALARY</b>	<b>R68 603</b>	<b>R67 168</b>

- Difference in net salary - **R1 435** per month
- Difference varies, depending structuring

## Window period to change

- ❑ **Appreciate extremely important choice to be exercised**
- ❑ **Affects future pension (retirement and resignation) benefits**
- ❑ **Transitional provision for a period of 6 months (window period) introduced to allow members to “undo” decision (70%)**
- ❑ **Conditions attached to “undoing” the decision contained in DPISA Circular 1 of 2012**
- ❑ **Window period does not apply to members who have not exercised 70% option**

## Conclusion

- ❑ **Very important to consider advantages and disadvantages of the two basic salary options in order to make an informed decision**