



the premier

Department of
the Premier
FREE STATE PROVINCE

HUMAN RESOURCE CIRCULAR 09/2008

TO ALL HEADS OF PROVINCIAL DEPARTMENTS

INCLUSIVE FLEXIBLE REMUNERATION PACKAGE SYSTEM (DISPENSATION) FOR MEMBERS OF THE MIDDLE MANAGEMENT SERVICE (MMS) ON LEVELS 11 & 12

The above-mentioned circular from the Department of Public Service and Administration is attached for your information. The content thereof should be brought to the attention of all relevant staff.



DEPARTMENT OF THE PREMIER

DATE: 2008/03/11

Human Resource Advice, Co-ordination and Management Directorate

P.O. Box 517, Bloemfotein, 9301

Lebohang Building, Ground Floor, Cnr St Andrews and Markgraaf Streets, Bloemfotein

Tel: (051) 405 4370 Fax: (051) 405 4707

www.fs.gov.za

**INCLUSIVE FLEXIBLE REMUNERATION PACKAGE
SYSTEM (DISPENSATION) FOR MEMBERS OF THE
MIDDLE MANAGEMENT SERVICE (MMS) ON LEVELS
11 AND 12: MEMBERS EMPLOYED IN TERMS OF THE
FOLLOWING ACTS:**

- **PUBLIC SERVICE ACT, 1994**
- **CORRECTIONAL SERVICES ACT, 1998**

EFFECTIVE FROM 1 JULY 2005



A determination by:

The Minister for Public Service and Administration

Attached as Annexure A to DPSA Circular 2 of 2005

TABLE OF CONTENTS

1.	Remuneration scales	3
2.	Composition of the Inclusive Remuneration Package	4
2.1	Part A: MMS members <u>admitted</u> to the GEPF	4
2.2	Part B: MMS members <u>not admitted</u> to the GEPF	6
3.	Flexible portion	7
4.	Measures: Structuring of the flexible portion	8
4.1	Motor vehicle allowance	8
4.2	13 th Cheque	9
4.3	Medical assistance	12
5.	Amendments to the structuring of the flexible portion	12
6.	Allowances	13
7.	Part-time members and employees on salary levels 10 and lower who are awarded a package within the scales of MMS Grades A and B	14
8.	Incentive Policy Framework linked to departmental performance management systems	14
9.	MMS members appointed on a fixed-term contract or on a casual basis	14
10.	State guarantee scheme for housing	15

1. REMUNERATION SCALES

1.1 The dispensation consists of the following two remuneration (package) scales/grades for MMS members on MMS Levels 11 and 12:

(a) MMS Level 11

- Remuneration level 11
- Equate job weight of 589 points to 684 points.

(b) MMS Level 12

- Remuneration level 12
- Equate job weight of 642 points to 737 points.

1.2 Only remuneration packages contained in the remuneration scale may be utilised.

1.3 The remuneration scale (grade) for all new appointees with effect from date of implementation of the dispensation must be determined subject to the job weight. It is therefore imperative that any new position (post), or any existing position (post) that is filled by means of a new appointee or transfer of existing personnel, must be evaluated before such position (post) is filled. Such MMS members should be appointed/transferred, on the minimum package of the relevant remuneration scale, unless dictated by factors such as recruitment/retention of members with peculiar and specific skills, in which case the reasons must be recorded and filed in the individual member's file (PSR Chapter 1, Part V/C.3).

1.4 Departments may utilise appropriate and descriptive post designations for MMS members. In correspondence with the DPSA the grade and remuneration scale must be quoted. Data captured on PERSAL should also be according to the grade, remuneration scale and appropriate code.

2. COMPOSITION OF THE INCLUSIVE FLEXIBLE REMUNERATION PACKAGE

PART A: MEMBERS WHO ARE APPOINTED PERMANENTLY OR ON A FIXED-TERM CONTRACT AND WHO, IN BOTH CASES, ARE ADMITTED TO THE GEPF

2.1 The inclusive remuneration package consists of the **basic salary**, the **Employer's contribution to the GEPF** and a **flexible portion**.

Basic salary

2.2 The **basic salary** is determined as follows for Public Service Act and Correctional Services Act members:

The following two sets of basic salary apply:

(a) Set 1

□ **MMS Level 11**

75% of the MMS member's total package

□ **MMS Level 12**

76% of the MMS members total package

(b) Set 2

MMS Levels 11 and 12

70% of the MMS member's total package

2.3 **Set 1** allows the MMS member to set his or her basic salary, on which the employer's and your contributions to the GEPF are calculated, at least on the level that prevailed before implementation of this dispensation (1 July 2005) – **therefore the MMS member's pensionable income is not reduced on translation**. However, this limits the flexible portion of the package which is to be utilised for structuring certain remunerative allowances/benefits such as a contribution to a registered medical aid scheme, motor vehicle allowance etc. within the current provisions of the Income Tax Act, 1962.

- 2.4 **Set 2** allows the MMS member to set his or her basic salary, on which the employer's and your contributions to the GEPF are calculated, at a level lower than that prevailed before implementation of this dispensation (1 July 2005) – **therefore a reduction in the MMS member's pensionable income on translation**. However, this increases the flexible portion which is to be utilised for structuring certain remunerative allowances/benefits such as a contribution to a registered medical aid scheme, motor vehicle allowance etc. within the current provisions of the Income Tax Act, 1962.
- 2.5 If an MMS member fails to exercise his or her choice on translation to the dispensation or on appointment within the time period specified by his or her employer (department), Set 1 will be awarded as default.
- 2.6 The choice between Set 1 and Set 2 referred to in sub-paragraph 2.2 above means that-
- (a) MMS members who are translated to this dispensation on the date of implementation; or
 - (b) new appointees (including promotions to these levels); or
 - (c) personnel on salary level 10 and lower who are awarded a higher package in terms of PSR (2001) (Chapter I, Part V/C3),
- must exercise their choice to either be awarded Set 1 or Set 2. **MMS members may exercise this choice only once**. This choice may not be changed in any way or at any time while the MMS member is being remunerated in terms of this dispensation (not even with promotion from MMS level 11 to MMS Level 12) or with the awarding of a higher package within a remuneration band.
- 2.7As a transitional provision for a period of 6 months, commencing on 1 July 2005, a grace period apply during which members who have exercised the choice to set their basic salary at 70% (Set 2) of the total package on implementation of the dispensation, may revert to Set 1 (therefore "undoing" their original choice). Exercising this choice in terms of the transitional provision is subject to the following:
- (a) The transitional provision only applies to members who were in service on salary levels 11 and 12 on 31 July 2005.
 - (b) Reverting from Set 2 to Set 1 will be effective from 1 July 2005 (therefore with retrospective effect).

- (c) The MMS member is obliged to fund the GEPF the difference in the Employer's contribution to the GEPF (provided for in the package) and the member's contribution that accumulated since 1 July 2005.
 - (d) Applications to revert from Set 2 to Set 1 that are received by HR components in departments after the expiry of the transitional provision (31 December 2005) will not be entertained.
- 2.8 The transitional provision referred to in paragraph 2.6 does not apply to MMS members who wish to revert from Set 1 to Set 2 after they have exercised the choice to set their basic salaries at Set 1 on translation to the dispensation.
- 2.9 The implications of the setting of the basic salary in the package **must** be conveyed in writing to each MMS members before he or she is translated/appointed to the dispensation.

Employer's contribution to the GEPF

- 2.10 The employer's contribution to the GEPF is calculated on the basic salary.

Flexible portion

- 2.11 The remaining part of the remuneration package is the flexible portion and the MMS member may structure it in terms of the provisions for the structuring of the flexible portion, as set out in paragraph 3 below.

PART B: MEMBERS WHO ARE APPOINTED ON A FIXED-CONTRACT AND WHO ARE NOT ADMITTED TO THE GEPF

- 2.12 The inclusive flexible remuneration package does not consist of components – the total package constitutes the flexible portion.
- 2.13 The MMS member may structure the total inclusive flexible remuneration package in terms of the provisions for structuring of the flexible portion, as set out in paragraph 3 below.

3. FLEXIBLE PORTION

3.1 MMS members may structure the flexible portion into the following items:

(a) Motor vehicle allowance

A maximum amount of 25% of the total package per annum.

(b) 13th Cheque

(i) MMS members who are appointed permanently or on a fixed-term contract and who, in both cases, are admitted to the GEPF

A 13th Cheque equal to one-twelfth of the basic salary, to be structured as an annual non-pensionable payment, payable in the anniversary month of birth.

(ii) MMS members who are appointed on contract and who are not admitted to the GEPF

A member may not structure for a 13th Cheque.

(c) Medical Assistance

Employer's contribution to a medical aid scheme.

(d) Housing Allowance

An amount as decided by the MMS member.

(e) Non-pensionable cash allowance

Any remaining amount of the flexible portion.

3.2 MMS members are not obliged to structure for all these allowances/benefits, but the total amount of the flexible portion must be structured.

4 MEASURES: STRUCTURING OF THE FLEXIBLE PORTION

4.1 Motor vehicle allowance

- (a) If an MMS member structures for a motor vehicle allowance, he or she is **obliged** to maintain a reliable (private) vehicle to be utilised for official journeys. No time frames exist when a vehicle should be replaced. (If an MMS member so wishes, he or she may purchase/lease a new or reliable pre-owned vehicle.) However, the MMS member must at all times have his or her vehicle (or a substitute) available for official journeys.
- (b) If an MMS member does not structure for a motor vehicle allowance, there is no obligation on him or her to utilise his or her own (private) vehicle for official purposes.
- (c) MMS members may continue to participate in the Subsidised Motor Transport Scheme (SMTS) (A- and B-Schemes), as maintained by the national Department of Transport, provided that they comply with the criteria set by the said Department. MMS members-
 - currently participating in the A-Scheme or who enter the Scheme **is** not allowed to structure for a motor vehicle allowance as of the date of admittance to the Scheme; and
 - participating in the B-Scheme is allowed to structure for a motor vehicle allowance.
- (d) Heads of Department (or his or her delegate) must decide whether an MMS member, who has structured for a motor vehicle allowance, must utilise his or her own vehicle or make use of the provisions for official journeys when transport is used for official purposes, taking into account practical implications, cost effectiveness, road conditions etc.
- (e) An MMS member who structures a motor vehicle allowance must secure his or her own financing or loans, unless he or she qualifies for the financing arrangements provided for in the SMTS (B-Scheme).

- (f) An MMS member must obtain and maintain comprehensive insurance on the vehicle, and is fully responsible for all running and maintenance costs and registration and licensing.
- (g) The MMS member is responsible for parking fees (if it is levied) at the place of work. There is no obligation on the employer to provide parking at the MMS member's usual place of work if he or she structures for a motor vehicle allowance.
- (h) Any journey between an MMS member's home and usual place of work constitutes a private journey.
- (i) As far as practically possible, an MMS member is obliged to provide free transport to official passengers to the same destination on an official journey.
- (j) If an MMS member, who structures a motor vehicle allowance, utilises her/his private vehicle to carry out official duties, the Executing Authority shall compensate the member for kilometres travelled according to the tariffs payable for privately owned vehicles, as prescribed by the Department of Transport and shall reimburse toll fees.

4.2 13th Cheque

- (a) The 13th Cheque is an annual payment in the anniversary month of birth.
- (b) The 13th Cheque is payable on the day the MMS member is normally paid his or her salary and allowances.
- (c) If an MMS member is appointed (from outside the Public Service) on or after 1 July 2005 and structures a 13th Cheque, he or she will receive a pro rata 13th Cheque for the period from date of appointment until the end of the month preceding the anniversary month of birth.

- (d) If an MMS member, who was in service on 30 June 2005, **structures** a 13th Cheque with effect from 1 July 2005 (date of implementation of the dispensation) the following apply:
- The full 13th Cheque will be payable in the next anniversary month of birth. The 13th Cheque is calculated from the month in which the last service bonus was paid to the last day of the month preceding the anniversary month of birth.
 - In the event of the MMS member's services being terminated before the next anniversary month of birth, a pro rata 13th Cheque will be payable. The pro rata 13th Cheque is calculated from the month in which the last service bonus was paid to the last day of service.
- (e) If an MMS member, who was in service on 30 June 2005, **does not structure** a 13th Cheque with effect from 1 July 2005 (date of implementation of this dispensation) the following apply:
- A pro rata service bonus will be paid in terms of the provisions of PSCBC Resolution 3 of 1999, calculated from the month that the last service bonus was paid until 30 June 2005. This pro rata service bonus will be payable in the next anniversary month of birth and based on the MMS member's salary notch as at 30 June 2005.
 - In the event of the MMS member's services being terminated before the next anniversary month of birth referred to above, **except in the case of resignation or discharge owing to misconduct**, a pro rata service bonus is paid to the member in terms of the provisions of PSCBC Resolution 3 of 1999. The pro rata service bonus is calculated from the month that the last service bonus was paid until 30 June 2005. This pro rata service bonus will be payable at the last day of service and based on the MMS member's salary notch as at 30 June 2005.

- (f) If an MMS member **restructure** his/her package ***from a position where a 13th Cheque has been structured to a position where a 13th Cheque is not being structured***, effective from a date after 1 July 2005, the following apply:
- A pro rata 13th Cheque will be paid, calculated from the month that the MMS member's last 13th Cheque has been paid until the month prior to the effective date of the revised restructuring. This pro rata 13th Cheque will be payable in the next anniversary month of birth, based on the basic salary in the month prior to the effective date of the revised restructuring.
 - In the event of an MMS member's services being terminated before his/her next anniversary month of birth referred to above, a pro rata 13th Cheque is payable on the last day of service. This pro rata 13th Cheque is calculated from the last month in which the MMS member received his/her last 13th Cheque until the month prior to the effective date of the revised structuring, based on the basic salary in the month prior to the effective date of the revised restructuring.
- (g) If an MMS member **restructures** his/her package ***from a position where a 13th Cheque has not been structured to a position where the MMS member structures a 13th Cheque***, effective from a date after 1 July 2005, the following apply:
- A pro rata 13th Cheque will be payable in the MMS member's next anniversary month of birth, calculated from the effective date of the revised structuring to the last day of the month preceding the anniversary month of birth.
 - In the event of a MMS member's services being terminated **before or in** his/her next anniversary month of birth, a pro rata 13th Cheque is payable on the last day of service. The pro rata 13th Cheque is calculated from the effective date of the revised restructuring to the last day of service.
 - In the event of a MMS member's services being terminated **after** his/her next anniversary month of birth, a pro rata 13th

Cheque is payable on the last day of service. The pro rata 13th Cheque is calculated from the month in which the member received his/her last 13th Cheque to the last day of service.

4.3 Medical assistance (amended with effect from 1 March 2008)

- 4.3.1 MMS members who are members of registered medical aid schemes **are not obliged** to structure for an employer contribution towards the scheme.
- 4.3.2 The Executing Authority shall pay the total medical aid scheme subscription fee directly (per the pay system) on a monthly basis to a registered medical scheme.
- 4.3.3 In respect of those MMS members who are members of registered medical aid schemes and **who elect not to structure** for an employer contribution, the total medical aid scheme subscription fee will be a normal (monthly) salary deduction.
- 4.3.4 In respect of those MMS members who are members of registered medical aid schemes and **who elect to structure** for an employer contribution, the subscription fee shall be composed as follows:-

▪ **Employer contribution**

- Any amount, to a maximum of the following caps - depending on their membership profile - in the form of an employer contribution.

Membership profile	<u>Maximum</u> amount that member may structure as an employer contribution
Member	R6 840 pa (R570 pm)
Member plus 1 dependant	R13 680 pa (R1 140 pm)
Member plus 2 dependants	R17 820 pa (R1 485 pm)
Member plus 3 dependants	R21 960 pa (R1 830 pm)

Member plus 4 dependants	R26 100 pa (R2 175 pm)
Member plus 5 dependants	R30 240 pa (R2 520 pm)
Member plus 6 dependants	R34 380 pa (R2 865 pm)
Member plus 7 dependants	R38 520 pa (R3 210 pm)
Member plus 8 dependants	R42 660 pa (R3 555 pm)
Member plus 9 dependants	R46 800 pa (R3 900 pm)
Member plus 10 dependants	R50 940 pa (R4 245 pm)
Member with more than 10 dependants	An additional R4 140 pa (R345 pm) per each additional dependant

- **Member contribution**

- The difference between the total registered medical aid scheme fee and the amount structured as employer contribution.
- The member's own contribution is a normal (monthly) salary deduction.

5 AMENDMENTS TO THE STRUCTURING OF THE FLEXIBLE PORTION

5.1 The structuring of the flexible portion of the package may only be amended in the following circumstances:

- (a) One year after the date of implementation of the dispensation.

- (b) Adjustment of the remuneration scale (i.e. annual cost-of-living adjustment).
- (c) On transfer to another post.
- (d) Substantial changes to tax legislation – departments will be informed accordingly.
- (e) Any changes to the total contribution to a registered medical aid scheme.

5.2 An MMS member is not allowed to restructure the package (flexible portion) with the awarding of pay progression, unless the structuring can be done simultaneously with the restructuring of the package due to an annual cost-of-living adjustment. The awarding of pay progression at a later stage, but with retrospective effect to 1 July, will be dealt with as follows:

(a) MMS members admitted to the GEPF

PERSAL will increase the components basic salary and the employer's contribution to the GEPF of the member's package accordingly and add the increase in the flexible portion to the non-pensionable cash allowance as default.

(b) MMS members not admitted to the GEPF

As a member's package does not consist of any components, PERSAL will add the increase in the package to the non-pensionable cash allowance as default.

6 ALLOWANCES

6.1 Certain allowances are still payable in addition to the dispensation, provided MMS members meet the qualifying (payment) criteria. (Such allowances are based on the provisions of relevant collective agreements and prescripts such as the Danger and Special Danger allowances, allowances payable to employees working in the offices of Executing Authorities, Acting allowance, employees working night shifts etc).

6.2 Those allowances that were calculated as a percentage of the MMS member's actual salary notch or a notch on a particular salary level in terms of the pre-revised dispensation, are calculated as a percentage, based on **SET 1** of the component basic salary of the appropriate package, irrespective whether the member's basic salary is set at Set 1 or 2. (This means that all members on the same package who meet the qualifying criteria for a particular allowance will be remunerated/compensated equally).

6.3 The acting allowance payable to-

6.3.1 members on MMS Level 11 who act in a higher (vacant and funded) MMS Level 12 position; or

6.3.2 MMS members (MMS Levels 11 and 12) who act in a higher (vacant and funded) SMS position,

is calculated as the difference in the acting MMS member's total package and the minimum package attached to the relevant MMS/SMS post.

6.4 The acting allowance payable to employees on salary levels 1 to 10 who act in a higher (vacant and funded) MMS Level 11 or 12 position, is calculated as the difference between the employee's salary notch and the basic salary in terms of **SET 1** of the minimum package attached to the relevant higher MMS post.

7 PART-TIME MMS MEMBERS AND EMPLOYEES ON SALARY LEVELS 10 AND LOWER WHO ARE AWARDED A PACKAGE WITHIN THE SCALES OF MMS LEVELS 11 AND 12

7.1 An MMS member employed in a part-time capacity (5/8th or 6/8th basis) or an employee on salary level 10 or lower who is awarded a package that fall within the scales of MMS Levels 11 and 12, may structure his or her package – the normal provisions contained in the dispensation apply.

8 INCENTIVE POLICY FRAMEWORK LINKED TO DEPARTMENTAL PERFORMANCE MANAGEMENT SYSTEMS

8.1 MMS members qualify for pay progression in terms of the Incentive Policy Framework, as contained in DPSA letter 1/7/1/4/1 dated 27 January 2003.

8.2 Performance awards/bonuses (merit awards) payable in terms of departmental performance schemes, as provided for in DPSA letter 1/7/1/4/1 dated 27 January 2003, are limited to 14% of MMS members' total package. (Departments should align their departmental policies accordingly.)

9 MMS MEMBERS APPOINTED ON FIXED-TERM CONTRACTS OR ON A CASUAL BASIS

9.1 The remuneration of an MMS member employed on a fixed-term contract will be equal to the remuneration package of an equivalent permanent worker, which is derived from -

(a) evaluation of the job in line with the Public Service Regulations;
or

(b) the remuneration package of a similar existing position.

9.2 Clause 36 of PSCBC Resolution 3 of 1999, which provides that the employer may pay an employee with a fixed-term contract for more than three months and who earns the same salary as an equivalent permanent worker, (an allowances of) 30% of his or her basic salary in lieu of benefits, **is not applicable to MMS members**. As contained in paragraph 9.1 above, the remuneration of a fixed-term MMS member is derived from the total package of a similar existing position.

9.3 The remuneration of MMS members remunerated on an hourly, weekly or monthly basis (casual basis) is set proportional to the total package of an equally graded full-time member.

10. STATE GUARANTEE SCHEME FOR HOUSING

10.1 The State Guarantee Scheme for housing, as maintained by the national Department of Public Works, applies to MMS members.

