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## PREMIER'S NOTICE

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No. 1, 2008

**DETERMINATION OF UPPER LIMIT OF SALARIES, ALLOWANCES AND THE CONTRIBUTION TO BE MADE TO THE PENSION FUND OF WHICH MEMBERS OF THE EXECUTIVE COUNCIL AND MEMEBERS OF THE PROVINCIAL LEGISLATURE ARE MEMBERS**

1. In terms of section 6(3) of the Remuneration of Public Office Bearers Act, 1998 (Act No 20 of 1998) (hereafter referred to as "the Act"), I hereby determine that the total remuneration packages of the positions of the office bearers in Column 3 of Schedule 1 shall be as set out in Column 4 of Schedule 1 with effect from 1 April 2008, subject to the provisions of section 6(2)-(7) of the Act, and terms and conditions set out herein.
  
2. The total remuneration packages should include the following elements:
  - 2.1. Basic salary component equal to 60% of total package, which is pensionable;
  
  - 2.2. An amount of R120 000 per annum, which is an amount which section 8(1)(d) of the Income Tax Act, 1962, applies. This amount is included in the basic salary component,
  
  - 2.3. An employer's pension benefit contribution equal to 22.5% of the pensionable salary; and
  
  - 2.4. Flexible portion.

3. I further determined that, as recommended by the Independent Commission for the Remuneration of Public Office Bearers, subject to terms and conditions set out herein, Members of the Executive Council and members of Provincial Legislature shall be entitled to the following benefits:

### 3.1 RETIREMENT BENEFITS

- The current State contribution, including that of the ASB (Addition Service Benefit), amounts to appropriate 34.5% of salaries. The increase is 20% for all current members on monthly basis. The Member contribution for all should furthermore cease after 15 years of contribution. These increases should be applied retrospectively for existing members.
- The benefit design should have a maximum benefit equal to 92.5% of pensionable salary as a pension, and this will be reached at different ages for the members. All members will cease to contribute after 15 years. For the younger members, the contributions must be maintained by the State until the benefits reaches the 92.5%. This benefit is the replacement of the full after tax income of the member. On promotion of a member, the maximum benefit will again build up as the contributions accrue in the fund.
- If major salary increases are granted, the State would have to contribute again to build the reserves after the contributions have lapsed for those members.
- The contribution is fixed for the State until the benefits reach the maximum scale, and thereafter the liability will again be capped at the contribution level for all active members until the benefit reaches the cap again.

- The Normal Retirement age should remain at age 50.
- The design retirement benefit is extended to all members who exited the Fund since April 1994.
- Cessation of pensions on re-election should form part of the pension benefit.
- On demotions or promotions of members, a formula whereby the service at various levels is averaged at the highest revalued fifteen years' salaries could be considered, to reduce cost on promotion or to protect the member on demotion.

### **3.2 ONCE-OFF TERMINAL PAYMENT**

- Member of the Executive Council or member of the Provincial Legislature who has served a period of 5 years or less should not be entitled to a pension but rather to a once –off terminal payment equal to 45% of pensionable salary for every year of service.

### **3.3 ONCE-OFF GRATUITY**

- Member of the Executive Council or member of the Provincial Legislature who has served more than 5 years and whose term of office has ended should be entitled to a once-off gratuity equal to 4 months pensionable salary for every 5 years of service or pro-rata part of the 5 year period.

### **3.4 DEATH BEBEFITS**

- A maximum death benefit that can be purchased within the applicable risk contributions should apply.

### 3.5 DISABILITY BENEFITS

- A maximum disability benefit that can be purchased within the applicable risk contributions should apply.

### 3.6 FUNERAL BENEFITS

- A maximum benefit that can be purchased within the applicable risk contributions should apply.

### 3.7 SPOUSES' COVER BENEFIT

- A maximum benefit that can be purchased within the applicable risk contributions should apply.

### 3.8 CONTRIBUTION DESIGN

- In terms of sections 8(3)(a) of the Act, I further determine, subject to terms and conditions set out hereunder, that the upper limit of the contribution to be made to the pension fund of which Members of the Executive Council or members of the Provincial Legislature are members are set out hereunder:

3.8.1 The pension benefit contribution design should be as follows:

▪ Member Contribution	:	7.5%
▪ Employer for retirement	:	37.0%
▪ Employer for ASB	:	12.0%
▪ Employer for Risk and Admin	:	5.5%
▪ <b>Total Employer Contribution</b>	:	<b>54.5%</b>

- ❖ *22.5% of the total employer's contribution will form part of the total remuneration package.*
- ❖ *The remaining 32% of the recommended employer pension benefit contribution will not form part of the total remuneration package. The state will be liable to inject the cash on annual basis into the fund.*


3.8.2 The risk costs would then be as follows:

• Death Benefits	:	3.6%
• Disability Benefits	:	0.8%
• Funeral Benefits	:	0.1%
• Spouses' Cover	:	0.3%
• Total Risk	:	4.8%

2 Proclamation No.01, published in the Provincial Gazette No.1422 of 30 November 2007 is hereby repealed.

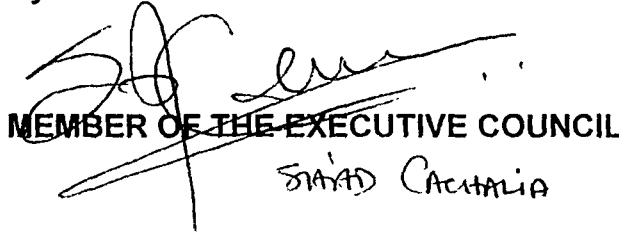
Given under my Hand at Polokwane on this 13<sup>TH</sup> day of November, Two thousand and eight

**P.C. MOLOTO**



**PREMIER**

**By order of the Premier-in-Executive-Council**



**MEMBER OF THE EXECUTIVE COUNCIL**  
SINAO CACHALIA

<b>Schedule 1</b>			
<b>PROVINCIAL EXECUTIVE AND LEGISLATURE</b>			
<b>Column 1</b>	<b>Column 2</b>	<b>Column 3</b>	<b>Column 4</b>
<b>GRADE</b>	<b>PAY LEVEL</b>	<b>POSITION</b>	<b>TOTAL REMUNERATION AS FROM 1 APRIL 2008</b>
LB	1	Member of the Executive Council	1,327,560
		Speaker	1,327,560
LC	1	Deputy Speaker	1,043,067
	2	Chairperson of Committees	853,479
		Chief Whip :Majority Party	853,479
		Leader of Opposition	853,479
	3	Deputy Chairperson of Committees	802,974
		Chairperson of a Committee	802,974
		Deputy Chief Whip: Majority Party	802,974
		Chief Whip: Largest Minority Party	802,974
LD	1	Leader of a Minority Party	802,974
		Whip	714,618
	2	Member of Provincial Legislature	691,641