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GOVERNMENT NOTICE GOEWERMENTSKENNISGEWING

OFFICE OF THE PRESIDENT KANTOOR VAN DIE PRESIDENT

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29 November 1996

RECOMMENDATIONS ON THE REMUNERATION AND A RETIREMENT AND SOCIAL BENEFIT STRUCTURE FOR MEMBERS OF PARLIAMENT, THE SENATE AND PROVINCIAL LEGISLATURES

1. The Commission on Remuneration of Representatives was constituted in terms of section 207 of the Constitution of the Republic of South Africa, 1993. It was duly appointed in terms of the Commission on the Remuneration of Representatives Act, 1994, with the object to make recommendations regarding the remuneration, allowances and other benefits, including pension and medical aid benefits of representatives.

2. In terms of section 5.2 (a) of the Commission on the Remuneration of Representatives Act, 1994, the Commission announces its recommendations on the remuneration and retirement dispensation (pension and social benefits) for members of Parliament, the Senate and Provincial Legislatures as set out below.

3. The Commission advises that the following recommendations be considered:

- (a) The grading and remuneration structure as set out in Annexure A hereto.
- (b) The implementation of a three notch salary structure as reflected in Schedule B hereto. The first notch only applies to Grades A1 and A2. After one year those affected are advanced to notch 2. The first notch does not apply to members of provincial legislatures with more than one year service and who become members of Parliament or the Senate or *vice versa*. Notch 3 is reserved for those who are elected for a second term of office.

- (c) The amendment of section 3 of the Payment of Members of Parliament Act, 1944, and similar provisions in the relevant provincial legislation in this regard, to provide for a fine calculated at 2,5% of the monthly remuneration of a representative or alternatively a fine calculated at 3% of monthly remuneration.
- (d) The number of air-tickets for present purposes allocated to members of Parliament and the Senate be maintained at the present level. No air-tickets for private use at State expense are to be allocated to members of provincial legislatures.
- (e) Approval in principle for the appointment of a protector (ombudsperson) in the Office of the Speaker(s) of legislatures by the speaker(s) *via* a transparent process *inter alia* to—
 - (i) receive and evaluate reports concerning the attendance of representatives at all gatherings at which they are obliged to be present as well as their compliance with the Code of Conduct in regard to Financial Interests;
 - (ii) receive and, where appropriate, to adjudicate upon complaints concerning the manner in which a representative is performing his/her legislative and/or constituency responsibilities;
 - (iii) refer serious cases of misconduct or continuous non-performance to the Speaker for reference to a properly constituted disciplinary body;
 - (iv) adjudicate upon disputes that may arise from the administration of the pension fund, such as e.g. the entitlement to disability benefits, the nature and permanence of disability for purposes of determining benefits due;
 - (v) give advisory and support services to legislators; and
 - (vi) execute his/her functions in respect of paragraph (e) (i) to (e) (iv) after consultation with the relevant political party of the member concerned.
- (f) The concept of a protector be developed in more detail by the Commission after consultation with the speakers of legislatures.
- (g) A retirement dispensation (pension and social benefits) to be structured as set out in Annexure C.
- (h) The implementation of the retirement dispensation referred to in paragraph (g) above is to be back-dated to 27 April 1994 once the nature and terms of the Pension Fund and social benefit structure have been determined. The State's contribution is to be credited to the Fund together with the average (median) investment return earned on retirement fund assets as measured by the Consulting Actuaries Survey.
- (i) Provision is to be made for the compensation of the dependents of any representative who has died after 27 April 1994. The quantum of such benefit is to be the death benefit provided by the Retirement Fund on the assumption that the member elected the maximum death cover (with late payment interest related to the commercial bank rate).
- (j) The termination of travel privileges of former Ministers, political office-bearers and long-serving parliamentarians the costs of which are defrayed from the budget of Parliament, but only after the rules of natural justice have been adhered to.

4. The Commission also commented on the following:

- (a) The need to right-size legislative and executive structures;
- (b) the need to revisit the conferral of benefits under the Closed Pension Fund;
- (c) the need for an annual review by the Commission of the remuneration and retirement benefits and of the structures that govern these; and
- (d) the National Council of Provinces proposed by the new Constitution and the need to re-evaluate its recommendations in the light of any new developments.

5. Having recorded the evidence of the Minister of Public Works and of Transport concerning housing and transport provision, the Commission supports their approach that—

- (a) in so far as the conferral of housing benefits of prestige properties occupied by high level political office-bearers (other than the President or Deputy President) is concerned, these, where appropriate, be alienated and individuals affected be compensated by way of suitable housing allowances; and
- (b) the provision of state-owned vehicles to political office-bearers for official use where appropriate be phased out and compensation, by way of an increased kilometre tariff for the use of a privately owned vehicle for official purposes, be implemented.

SECRETARY

Commission on Remuneration of Representatives

25 November 1996.

ANNEXURE A

PROPOSED GRADES AND REMUNERATION OF MEMBERS OF PARLIAMENT, THE SENATE AND PROVINCIAL LEGISLATURE

Grade	Position	Recommended packages
		Total package in rand
Grade G.....	Executive Deputy President.....	545 920
Grade F	Cabinet Ministers	474 713
	Chairperson: Constitutional Assembly	
	Premiers.....	
	President of Senate	
	Speaker: National Assembly	
Grade E	Deputy President of the Senate	385 946
	Deputy Minister	
	Deputy Speaker of National Assembly	
	Executive Council Members	
	Leader of Official Opposition: National Assembly	
	Speaker of Provincial Legislature	
Grade D1	Deputy Chairperson of the Constitutional Assembly.....	350 860
	Deputy Speaker of Provincial Legislature	
Grade D2.....	Chief Whip of Majority Party	318 964
	Leader of Official Opposition: Provincial Legislatures	
	Parliamentary Councilor: Office of the President.....	
Grade C.....	Chairperson of Committee of any Legislature	289 967
	Chairperson of any Standing Committee.....	
	Chief Whip of Official Opposition	
	Parliamentary Councillor: Office of Deputy President.....	
Grade B	Leader of any Legislature	263 606
	Leader of other Minority Parties.....	
	Whip of any Legislature	
Grade A1	Member of National Assembly	239 642
	Member of Senate	
Grade A2	Member of Provincial Legislature.....	217 856

1. The posts of Chairperson and Deputy Chairperson of the Constitutional Assembly are both temporary.
2. Packages excludes State contributions to Pension and Medical Aid.

ANNEXURE B

REMUNERATION OF MEMBERS OF PARLIAMENT, THE SENATE AND PROVINCIAL LEGISLATURES: PROPOSED NOTCHES

Grade	Position	Recommended packages in rand		
		Notch 1	Notch 2	Notch 3
Grade G.....	Executive Deputy President.....		545 920	
Grade F	Cabinet Ministers Chairperson: Constitutional Assembly Premiers..... President of Senate Speaker: National Assembly.....		474 713	522 185
Grade E	Deputy President of the Senate..... Deputy Minister Deputy Speaker of National Assembly Executive Council Members Leader of Official Opposition: National Assembly..... Speaker of Provincial Legislature		385 946	424 540
Grade D1	Deputy Chairperson of the Constitutional Assembly Deputy Speaker of a Provincial Legislature		350 860	385 946
Grade D2.....	Chief Whip of Majority Party Leader of Official Opposition: Provincial Legislatures Parliamentary Councilor: Office of Deputy President		318 964	350 860
Grade C.....	Chairperson of Committee of any Legislature Chairperson of any Standing Committee..... Chief Whip of Official Opposition Parliamentary Councilor: Office of Deputy President		289 967	318 964
Grade B	Leader of other Legislature..... Leader of other Minority Parties Whip of any Legislature		263 606	289 967
Grade A1	Member of the National Assembly Member of the Senate	217 835	239 642	263 606
Grade A2	Member of the Provincial Legislature	198 031	217 856	239 642

ANNEXURE C**PROPOSED RETIREMENT AND SOCIAL BENEFIT STRUCTURE FOR MEMBERS OF PARLIAMENT, THE SENATE AND PROVINCIAL LEGISLATURES****Contribution rates**

The employer contribution rate should be 15% of salary bill and that of members 7,5% of salary bill—the maximum allowed in terms of the Pension Fund Act.

Allocation of contribution rates*Up to age 65*

The employer contribution rate of 15% of pensionable salary bill should be allocated as follows:

Retirement funding (to the Member Account): 8,5% to 10,5%.

Death-in-service benefits: 3,5% to 1,5%.

Disability benefits: 2,5%.

Administration expenses: 0,5%.

If the cost of the death and/or the disability benefits increase subsequently, the percentage allocated for death and/or disability cover could be increased at the expense of the State's retirement funding, but by no more than a further 1,0% of pensionable salary.

Over age 65

The entire employer contribution rate of 14,5% of pensionable salary bill should be allocated for retirement saving. (The State should contribute a further 0,5% for administration expenses.)

The employee contribution rate of 7,5% of pensionable salary should be allocated entirely for retirement saving purposes. Members should have the option to make additional voluntary contributions (AVCs) to the Fund—currently AVCs of up to R1 800 per annum are tax deductible.

DEFINITIONS

Member Account.....	Retirement funding contributions from the member and the State plus any additional voluntary contributions paid by the member <i>plus</i> investment returns earned on the underlying assets.
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Retirement

Normal Retirement Age	Normal retirement age should be 65, but in terms of the Income Tax Act, the member may retire early from the age 55. Members who retire before age 55 should be regarded as withdrawals.
Treatment of persons beyond normal retirement age	Such members should cease to be covered for death and disability benefits. The full State contribution of 14,5% of pensionable salary should be allocated for retirement funding purposes.
Retirement benefit.....	The balance in the Member Account.
Application of the retirement benefit	The member should be allowed to take as a cash lump sum up to the maximum amount allowed by the Income Tax Act. The remaining balance (after such encashment) should be applied to secure a pension from an insurer on terms and conditions decided by the member. These terms should relate <i>inter alia</i> to the level of pension increases targeted for, the minimum guaranteed period and the spouse's pension should be paid on the pensioner's death.

Withdrawal benefit

Cash or preserved benefit	The balance in the Member Account.
Failure to be re-elected.....	The balance in the Member Account.

Death-in-service benefits*Up to age 65*

Lump sum restrictions.....

The balance in the—

- ▷ Member Account, plus
- ▷ Whatever cover could be secured by a contribution rate, at the election of the member, of between 1,5% and 3,5% of pensionable salary.

The initial cover provided by these contribution levels is proposed to be:

Age at death	Cover (x salary) for	
	1,5%	3,5%
Under 34	2,8 ×	6,5 ×
35–37	2,6 ×	6,0 ×
38–40	2,3 ×	5,5 ×
41–43	2,1 ×	5,0 ×
44–46	1,9 ×	4,5 ×
47–49	1,7 ×	4,0 ×
50–52	1,5 ×	3,5 ×
53–55	1,3 ×	3,0 ×
56–58	1,1 ×	2,5 ×
59–61	0,9 ×	2,0 ×
62–65	0,6 ×	1,5 ×

A member may elect to *reduce* the contribution rate allocated for death benefits at any time.

However to prevent anti-selection, members should only be allowed to increase the contribution allocated for death benefits under the following conditions:

- ▷ There must be a change in the member’s dependency status; and
- ▷ The member provides evidence to the satisfaction of the Trustees that he/she is in good health.

Over age 65

As if the member had retired the day before he/she died.

Disability income benefit*Up to age 65*

Period before benefit payable	The disability income benefit would only commence once the member leaves Parliament. We do, however, recommend that the period before benefits commence be no less than 3 months in order to give some time for recovery and assessment.
Definition of disability	Inability to perform any occupation taking into account the member's training, education and experience.
Income benefit	70,0% of pensionable salary.

Membership of Fund.....	Membership of the Fund should continue. The member would be required to pay contributions of 7,5% of pensionable salary (not of the income benefit), making the net benefit 62,5% of pensionable salary. The employer should make retirement funding and death cover contributions of 12,0% of pensionable salary on behalf of the member.
Benefit payable	Until the earliest of recovery, death or age 65.
Method of operation.....	The benefit should be defined contribution in nature, i.e. whatever disability benefit can be secured by a contribution of 2,5% of pensionable salary. Initially the cover should be as set out above.

Over age 65

As if member had retired the day before he/she was disabled.

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