
GENERAL NOTICES • ALGEMENE KENNISGEWINGS

**THE PRESIDENCY
NOTICE 1159 OF 2015**

INDEPENDENT COMMISSION FOR THE REMUNERATION OF PUBLIC OFFICE BEARERS

**EXPLANATORY MEMORANDUM FOR ANNUAL REMUNERATION RECOMMENDATIONS FOR
2015/2016****Introduction**

- 1 The explanatory memorandum of the Independent Commission for the Remuneration of Public Office Bearers ("the Commission") sets out the conclusions and recommendations on the remuneration of Public Office-Bearers (POBs) for 2015/2016 financial year.
- 2 The Commission is statutorily obliged, by virtue of section 8 (4) and (5) of the Independent Commission for the Remuneration of Public Office-Bearers Act 1997 ("the Commission Act"), to make annual recommendations relating to the salaries or upper limits of the salaries, allowances, benefits, and the resources (tools of trade) required by POBs to enable them to perform their respective duties effectively.
- 3 For the 2014/2015 financial year, the Commission recommended a cost-of-living-adjustment (COLA) of 5% for POBs earning an annual remuneration package of more than R1 000 000 and 6% for POBs earning less than an annual remuneration package of R1 000 000. The President on determining the annual remuneration for 2014/2015 acceded to the proposed recommendations of the Commission.
- 4 During the Commission's strategic planning session held on 30 - 31 January 2015, stakeholder management was identified as one of the Commission's objectives. To this end, the Commission drew an engagement plan and conducted stakeholder engagements with the following stakeholders: Legislative Sector Forum (LSF), Provincial Legislatures (PL), National and Provincial Houses of Traditional Leaders (N/PHTL) and the Judiciary. The aim was to hear and collate all the concerns and challenges that affect the remuneration of POBs in totality, so as to inform the decision making process of the Commission in making annual remuneration recommendations that are independent, transparent, accountable and sustainable.
- 5 The Commission fully acknowledges that the POBs responsibilities should depend, to a considerable degree, upon a spirit of self-sacrifice and volunteerism on their part for the public good. However such motivation should not require unreasonable sacrifices to their private lives.

Commissioners: Judge CJ Musi (Chairperson); Adv. M Sello (Deputy Chairperson); Adv. HFN Sephoti;
Mr C Economou; Ms TN Mgoduso; Dr R Nienaber; Mr AL Pheto and Dr L Mbabane

Head of Secretariat: PM Makapan

Commission's deliberations on the annual remuneration recommendations

- 6 The Commission met on 21 – 22 August 2015 to draft an interim proposal taking account of the current economic climate, feedback received from the stakeholder management sessions and other factors as set out in the Commission Act and their process. This interim proposal was then discussed with its statutory stakeholders (i.e. the Minister of Justice and Correctional Services, the Minister of Finance and the Chief Justice).
- 7 After consulting with the aforementioned statutory stakeholders, the Commission held a meeting on 17 October 2015 to discuss the feedback received. At this meeting the recommendations were finalized.
- 8 In terms of Section 8 (3B) (a) the Chairperson of the Commission recused himself during the deliberations on the remuneration of the Judiciary.

Factors considered for the annual remuneration recommendations

- 9 The Commission in making its 2015/2016 recommendations considered the comments and inputs from the stakeholders and took into account matters that are within its mandate.
- 10 The following factors, as provided for in section 8(6) of the Commission Act, were also considered:
 - The role, status, duties, functions and responsibilities of the POBs
 - Economic Conditions
 - Current principles and levels of remuneration
 - Consumer Price Index (CPI) and Future Forecast
 - The past recommendations and the President's determinations

10.1 The role, status, duties, functions and responsibilities of the POBs

- 10.1.1 The Commission is of the view that, in order to fully consider the job complexity of the respective POBs positions in relation to their remuneration as requested by most of the stakeholders during the most recent stakeholders' engagements, extensive reviews of all POBs positions would be required. The Commission accepts that the time for such major review is overdue. The last major review was completed in 2008 and forms the current structural basis for the remuneration of POBs. No recommendations for structural adjustments to remuneration can thus be done pending the outcome of such major reviews.
- 10.1.2 Since the implementation of the major review report in 2008 and subsequent recommendations, the Commission has, on numerous occasions, requested additional funding for a further major review. Unfortunately such requests have been declined due to the unavailability of funds. This has hampered the work of the Commission in fully addressing requests, submissions and recommendations that stakeholders have made over the years, since the last major review.

10.1.3 The Commission is currently focusing on the review of the remuneration of local government POBs and the said project is expected to be completed by March 2016. These POBs were not included in the last major review.

10.1.4 Pending approval of funding, the Commission has resolved to implement the next remuneration reviews through a staggered approach that will phase-in different categories of POBs as this will assist in utilizing the limited financial resources offered to the Commission.

10.2 Economic Conditions

10.2.1 In considering the annual remuneration recommendations of POBs, the Commission was conscious that the country's economic climate is a matter of extreme concern. In the *Medium Term Budget Policy Statement* of 22 October 2014, the Minister of Finance indicated that budgets have been planned on the neutral assumption that COLA will track Consumer Price Index (CPI) projections. In the previous budget cycles, resources were available to accommodate unanticipated wage pressures, but given current constraints, there is little scope to provide further resources over the MTEF period. Any departure from the path of CPI-linked COLA will require either reallocation of resources from other spending areas (capital, goods and services, transfers) or prompt a need to reduce government employment.

10.2.2 The subsequent *Budget Speech 2015* presented by the Minister of Finance on 25 February 2015, indicated that the CPI peaked at 6.6% in June last year. It has subsequently declined to just 4.4% in January 2015, and is expected to average 4.3% in 2015. See other projections below.

10.2.3 It was also considered that there was a concern expressed by government leaders in relation to the salary increase of 7% given to government employees when the economy was expected to grow by only 1.8% in real terms. It was indicated that the government had to contend with an increasingly strained fiscus, rising unemployment, low economic growth and low rates of investment. The on-going salary demands were worsening the situation.

10.3 Current principles and levels of remuneration

The following supporting information was also considered by the Commission:

10.3.1 Senior Management Services (SMS)

10.3.1.1 The Minister of Public Service and Administration determined the COLA of 5.5% for employees on salary levels 13 to 16 (SMS - Director, Chief Director, Deputy Director-General and Director-General) effective from 1 April 2015.

10.3.2 Other Public Service Employees

10.3.2.1 Employees on salary levels 1 to 12 received a COLA of 7% for the period 1 April 2015 to 31 March 2016. The salary adjustments for the 2016/2017 and 2017/2018 financial years will be based on the average projected CPI plus 1%. The inflation forecasts of National Treasury shall be used to determine the average projected CPI.

10.3.3 Local Government

10.3.3.1 The South African Local Government Bargaining Council signed a multi-term agreement on 27 July 2015 determining, amongst others, a COLA as follows:

- For current financial (2015/2016) a 7% increase effective from 01 July 2015; and
- For forthcoming financial years (2016/2017 and 2017/2018) a CPI (inflation) + 1%.

10.4 Consumer Price Index (CPI) and Future Forecast

10.4.1 Inflation and remuneration increases are interrelated. High inflation demands commensurate increase in remuneration to maintain the person's standard of living. As is commonly known, people expect higher remuneration increases with higher inflation.

10.4.2 Below is a table indicating certain key economic indicators such as annual average CPI, PPI, GDP and interest rate data from 2010 to 2015:

YEAR	CPI	PPI	GDP	PRIME INTEREST RATE
2010	4.3%	6.0%	2.98%	10.00% (25 Mar)
				9.50% (09 Sept)
				9.00% (18 Nov)
2011	5%	7.4%	3.05%	9.0%
2012	5.6%	5.4%	3.30%	8.50% (19 Jul)
2013	5.7%	6.0%	2.10%	8.50%
2014	6.1%	7.5%	1.3%	9.00% (29 Jan)
				9.25% (18 July)
2015	*4.5%	*3.4%	*-1.3%	9.50% (24 July)

10.4.3 The 2015 information on CPI and PPI reflected in the table above is based on data until September 2015 and the second quarter for the GDP.

South African Reserve Bank (SARB)

- 10.4.4 On 26 March 2015 the *Monetary Policy Committee (MPC)* indicated that inflation was expected to average 4.8% in 2015 with average of 4.2% in the first quarter of 2015. The MPC statement issued on 21 May 2015 reflected the revised inflation forecast of 4.9% in 2015 with the first quarter low of 4.1%.
- 10.4.5 The MPC statement of 23 July 2015 indicated that the inflation forecast of the Bank has changed marginally since the previous meeting of 21 May of 2015. The headline inflation was expected to average 5.0% in 2015. The forecast for the first two quarters of next year has also been revised up by 0.1% point to 6.9% and 6.1% respectively, with a return to within the target range by the third quarter. However, the forecast for inflation for both 2016 and 2017 was unchanged at 6.1% and 5.7%.
- 10.4.6 The MPC statement of 23 September 2015 indicated that the inflation forecast of the Bank has changed marginally. Inflation is now expected to average 4.7% in 2015 from 5% previously and then to breach the upper end of the target range in the first quarter of 2016 with a peak of 6.7%. Inflation is then expected to be around the top end of the target range with a further temporary breach of 6.2% in the final quarter.

Bureau for Economic Research (BER) – University of Stellenbosch

- 10.4.7 The BER Second Quarter 2015 Economic Prospects report completed on the 23rd of April 2015 forecasted inflation to average at 5% and 6.4% in 2015 and 2016 respectively. The Third Quarter 2015 Economic Prospects report completed on 17 July 2015 reflects that the CPI is still forecasted to average 6.2% in the calendar year 2016, down somewhat from the 6.4% projected in April. For 2015, the CPI is expected to average 5.1%, lower than the 6.1% recorded during 2014.
- 10.4.8 The BER indicated concern on the recent wage settlements in relation to the inflation perspective between the government and public sector unions on a 7% wage increase for 2015, while other sectors continue to demand massive wage hikes.

Andrew Levy Employment Report

- 10.4.9 The Wage Settlement quarterly report of March 2015 published by **Andrew Levy** *Employment Publications* indicates that the CPI was 4% in March 2015 compared with 6% in March 2014 and the overall average of 6.1% in 2014. The average level of settlement was 7.9% compared with 7.9% in the first quarter of 2014 and the overall average of 8.1% in 2014.
- 10.4.10 The Wage Settlement Survey report for January to June 2015 revealed that the average level of settlement moved to 7.8% in June 2015 compared with 8% in June 2014 and the overall average of 8.1% in 2014. The CPI moved to 4.6 % in May 2015, compared with 6.6% in May 2014 and the overall average of 6.1% in 2014.

South Africa's big banks and National Treasury

10.4.11 South Africa's "big 4" banks, the SARB and National Treasury have indicated their inflation forecasts as follows:

Bank	2015 Forecast	2016 Forecast
ABSA	5.1%	6.0%
First National Bank	4.9%	6.2%
Nedbank	4.8%	6.2%
Standard Bank	4.7%	5.7%
SARB	4.8%	6.1%
National Treasury	4.3%	5.9%
Average	4.77%	6.02%

10.5 Commission's inflation benchmarking

10.5.1 Taking account of the above-mentioned factors, the Commission expects average inflation to be at a level of 5% and use this as its benchmarked inflation forecast.

10.6 The past recommendations and the President's determinations

10.6.1 The following are past recommendations by the Commission and the President's subsequent determinations of remuneration of POBs:

Year	Commission's Recommendations	President's Determinations
2008	Major review & 11%	Major review & 11%
2009	8%	7%
2010	7%	5%
2011	5%	5%
2012	5.5%	5.5%
2013	Sliding Scale (0% to 7%)	5%
2014	POBs earning more than R1 000 000 : 5%	POBs earning more than R1 000 000 : 5%
	POBs earning less than R1 000 000 : 6%	POBs earning less than R1 000 000 : 6%

Annual remuneration recommendations for POBs for 2015/2016

11 After considering the relevant legislation and factors mentioned above, including the inputs of all stakeholders who provided such inputs, the Commission is recommending the following annual remuneration adjustments for POBs for 2015/2016 financial year:

11.1 The President, Deputy President, Speaker of National Parliament, Chairperson of National Council of Provinces, and Chief Justice

11.1.1 5% for the remuneration of the President and all anchor positions of the Executive, Legislative and Judiciary, in order to maintain the equal status of the three arms of state. This principle was recognised by the Commission since its major review project.

11.2 Members of National and Provincial Executive, Deputy Ministers, Members of Parliament and Provincial legislatures

11.2.1 5% for all POBs of the above structures. In making the recommendations for the above Members, the Commission considered the additional benefits that are prescribed by their institutional handbooks and prescripts which augment their remuneration package of these POBs and to an extent act as a buffer to the direct effects of inflation.

11.3 Judges and Magistrates

11.3.1 5% from the position of Deputy Chief Justice to Judge of Supreme Court of Appeal;

11.3.2 5.5% from the position of Judge President of High/Labour Court to Chief Magistrate; and

11.3.3 6% for the position of Senior Magistrate and Magistrate.

11.3.4 The Commission recognises that the judiciary are the only POBs (excluding the traditional leaders), that are not elected. Having regard to COLA of Senior Managers in Public Service, which is 5.5%, the Commission decided to recommend a similar COLA for Judges and Magistrates who earn in the same range but lower than R 2 million. Judges and Magistrates are precluded from practising and/or being involved in business.

11.4 Local Government POBs

11.4.1 5.5% from position of Executive Mayor to Whip;

11.4.2 6% for position of Municipal Councillor;

11.4.3 Although the remuneration of some of the local government POBs exceeds those of MPs and MPLs the 0.5% difference is in recognition of the fact that local government POBs do not receive similar additional benefits; and

11.4.4 Municipal Councillors currently earn less than R 500 000. The Commission was of the view that 6% would, to some extent factor in the rand value of the COLA. The 6% is lower than what employees on the same level in public sector received i.e. 7%.

11.5 Traditional Leaders

11.5.1 5.5% for a position of a King / Queen;

11.5.2 6% from a position of Chairperson of National House of Traditional Leaders to a Full-time member of Provincial House of Traditional Leaders;

11.5.3 8% for a position of Senior Traditional Leaders; and

11.5.4 An amount of R 91 000 for the Headmen / Headwomen, as this will assist in overcoming salary disparities and promoting uniform salary within the Provinces.

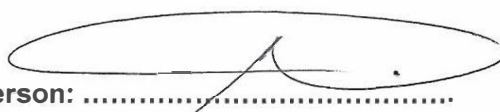
11.5.5 The rand value of the 8% recommended increase is approximately R 16 000 p.a. which is far less than what all other POBs except Headmen/Headwomen would receive.

11.6 Although in most of the categories of POBs there is a recommended differential percentage of (0,5%) that may seem negligible, but this has a real impact on the economics of scale and the actual additional amount received.

11.7 The remuneration scales are attached as schedule 1 to 7.

Signed at JOHANNESBURG on 16/11/2015.

Judge C Musi – Chairperson:



SCHEDULE 1					
REMUNERATION LEVELS WITH EFFECT 01 APRIL 2015					
NATIONAL EXECUTIVE AND DEPUTY MINISTERS					
GRADE	PAY LEVEL	POSITION	01-Apr-14	01-Apr-15	Proposed %
EA	1	President	2 753 689	2 891 373	5%
EB	1	Deputy President	2 602 297	2 732 412	
EC	1	Minister	2 211 937	2 322 534	
ED	1	Deputy Minister	1 821 577	1 912 656	

SCHEDULE 2					
REMUNERATION LEVELS WITH EFFECT 01 APRIL 2015					
MEMBERS OF PARLIAMENT					
GRADE	PAY LEVEL	POSITION	01-Apr-14	01-Apr-15	Proposed %
PA	1	Speaker: National Assembly	2 602 297	2 732 412	5%
		Chairperson: NCOP	2 602 297	2 732 412	
PB	1	Deputy Speaker: National Assembly	1 821 577	1 912 656	
		Deputy Chairperson: NCOP	1 821 577	1 912 656	
	2	House Chairperson	1 691 508	1 776 084	
PC	1	Chief Whip: Majority Party	1 431 218	1 502 778	
		Chief Whip: NCOP	1 431 218	1 502 778	
		Parliamentary Counsellor: President	1 431 218	1 502 778	
		Parliamentary Counsellor: Deputy President	1 431 218	1 502 778	
		Leader of Opposition	1 431 218	1 502 778	
	2	Chairperson of a Committee	1 301 148	1 366 206	
PD	1	Deputy Chief Whip: Majority Party	1 171 079	1 229 633	
		Chief Whip: Largest Minority Party	1 171 079	1 229 633	
		Leader of a Minority Party	1 171 079	1 229 633	
	2	Whip	1 086 702	1 141 037	
PE	1	Member: National Assembly	989 883	1 039 377	
		Permanent Delegate: NCOP	989 883	1 039 377	

SCHEDULE 3					
REMUNERATION LEVELS WITH EFFECT 01 APRIL 2015					
PROVINCIAL EXECUTIVES AND LEGISLATURES					
GRADE	PAY LEVEL	POSITION	01-Apr-14	01-Apr-15	Proposed %
LA	1	Premier	2 081 868	2 185 961	5%
LB	1	Member of Executive Council	1 821 577	1 912 656	
		Speaker	1 821 577	1 912 656	
LC	1	Deputy Speaker	1 431 218	1 502 778	
		Chief Whip: Majority Party	1 301 148	1 366 206	
	2	Chairperson of Committees	1 171 080	1 229 634	
		Leader of Opposition	1 171 080	1 229 634	
		Chairperson of a Committee	1 171 080	1 229 634	
	3	Deputy Chairperson of Committees	1 101 780	1 156 869	
		Deputy Chief Whip: Majority Party	1 101 780	1 156 869	
		Chief Whip: Largest Minority Party	1 101 780	1 156 869	
		Leader of a Minority Party	1 101 780	1 156 869	
LD	1	Parliamentary Counsellor to a King	989 883	1 039 377	
		Whip	989 883	1 039 377	
	2	Member of Provincial Legislature	958 056	1 005 958	

SCHEDULE 4					
REMUNERATION LEVELS WITH EFFECT 01 July 2015					
LOCAL GOVERNMENT					
GRADE	PAY LEVEL	POSITION	01-Jul-14	01-Jul-15	Proposed %
MA	1	Executive Mayor	1 177 638	1 242 408	5.5%
		Mayor	1 177 638	1 242 408	
MB	1	Deputy Executive Mayor	951 084	1 003 393	
		Speaker/Chairperson	951 084	1 003 393	
		Deputy Mayor	951 084	1 003 393	
MC	2	Member of Executive Council	891 640	940 680	
		Member of Mayoral Committee	891 640	940 680	
		Chairperson of a Sub-council	891 640	940 680	6%
		Whip	891 640	940 680	
MD	1	Municipal Councillor	489 868	519 261	

SCHEDULE 5					
REMUNERATION LEVELS WITH EFFECT 01 APRIL 2015					
JUDGES					
GRADE	PAY LEVEL	POSITION	01-Apr-14	01-Apr-15	Proposed %
JA	1	Chief Justice	2 602 297	2 732 412	5%
JB	1	Deputy Chief Justice	2 342 006	2 459 106	
		President: Supreme Court of Appeal	2 342 006	2 459 106	
JC	1	Deputy President: Supreme Court of Appeal	2 211 937	2 322 534	
	2	Judge: Constitutional Court	2 081 868	2 185 961	
		Judge: Supreme Court of Appeal	2 081 868	2 185 961	5.5%
	3	Judge President: High/Labour Court	1 951 799	2 059 148	
	4	Deputy Judge President: High/Labour Court	1 821 577	1 921 764	
	5	Judge: High/Labour Court	1 691 508	1 784 541	

SCHEDULE 6					
REMUNERATION LEVELS WITH EFFECT 01 APRIL 2015					
MAGISTRATES					
GRADE	PAY LEVEL	POSITION	01-Apr-14	01-Apr-15	Proposed %
JD	1	Special Grade Chief Magistrate	1 171 079	1 235 489	5.5%
		Regional Court President	1 171 079	1 235 489	
JE	1	Regional Magistrate	1 050 771	1 108 563	
		Chief Magistrate	1 050 771	1 108 563	6%
JF	1	Senior Magistrate	866 878	918 891	
JG	1	Magistrate	788 155	835 444	

SCHEDULE 7					
REMUNERATION LEVELS WITH EFFECT 01 APRIL 2015					
TRADITIONAL LEADERS					
GRADE	PAY LEVEL	FULL TIME POSITIONS	01-Apr-14	01-Apr-15	Proposed %
TA	1	King/Queen	1 078 599	1 137 922	5.5%
TB	1	Chairperson: NHTL	771 549	817 842	6%
	2	Full time Chairperson: PHTL	635 475	673 603	
	3	Deputy Chairperson: NHTL	590 117	625 524	
	4	Full time Deputy Chairperson: PHTL	544 605	577 281	
TC	1	Full time Member: NHTL	317 661	336 720	8%
	2	Full time Member: PHTL	272 302	288 641	
TD	1	Senior Traditional Leader	199 729	215 708	8%
TE	1	Headmen / Headwomen	84 125	91 000	
		PART TIME POSITIONS*			
		Part time Member: NHTL	1 144	1 235	8%
		Part time Chairperson: PHTL	1 361	1 470	8%
		Part time Deputy Chairperson: PHTL	1 224	1 322	8%
		Part time Member: PHTL	949	1 025	8%
<p>* In addition to sitting allowances, part time members are entitled to their salaries as Traditional Leaders, as well as subsistence costs (reasonable and actual expenses) and transport costs (Department of Transport tariffs for the use of privately owned vehicles), for their attendance of official meetings, seminars, workshops and conferences of the respective Houses)</p>					