

# PRESENTATION TO THE PSCBC

## PUBLIC SERVICE EXIT PROGRAMME (EARLY RETIREMENT WITHOUT PENALISATION OF PENSION BENEFITS)

DEPARTMENT OF PUBLIC SERVICE AND ADMINISTRATION

05 FEBRUARY 2025



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## Legal provision for Early Retirement

- ✓ Section 16(6) of the Public Service Act provides that “An Executive Authority may, at the request of an employee, allow him or her to retire from the public service before reaching the age of 60 years.....”
- ✓ Early Retirement is an exit mechanism afforded to employees in the Public Service between ages 55 and 60 but not yet 60 years, but currently as legislated, does not provide for financial incentives but allows for “no scaling down of pension benefits” i.e. no penalisation of pension benefits in terms of section 16(6) of the Public Service Act (PSA), subject to approval by the Executive Authority.
- ✓ When an employee applies for ER, the Government Employees Pension Fund (GEPF) reduces the pension benefit by a third of a percent for each completed month of service between the member's actual date of retirement and his or her pension retirement (age 60th birthday).



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- ✓ To consult Trade Union Parties to the PSCBC on **the proposed public service exit programme (early retirement)** without penalisation of pension benefits; as well as retirement with financial incentives.
- ✓ This is the programme that was approved by Cabinet in April 2024 as measure that will be used to mitigate the challenges that will be posed by the ageing public service.



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- ✓ The DPSA Report on ageing workforce indicates that the Public Service has a workforce that will soon retire with a volume of skills and knowledge, and as such, the Public Service requires intergenerational competence and rejuvenation programmes.
- ✓ An ageing Public Service increases fiscal pressures while reducing immediate capacities of departments to deliver services to citizens.
- ✓ **As at 28 April 2023, there was a total of 214 121 officials aged 55 and older in the Public Service out of a total number of 1 183 765.** This amount excludes Public Servants employed in Defence and the State Security Agency as they are not on the PERSAL system .
- ✓ The 10 Year Review of Government Document released in 2004, highlighted that the average of Public Servants aged 55 and above was 105 000 compared to the 214 121 as referred to above. This increase of 109 121 or 103% requires deliberate attention for targeted intervention.
- ✓ However, when looking deeper into the critical sectors of education and health, the percentage of officials aged 55 years and above increases dramatically to an average of 33%.



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# AGEING PUBLIC SERVANTS

- ✓ Over 213 619 public servants will be reaching the retirement age in the next ten years and out of these 52 330 will reach 65 years of age in the next 1 to 5 years, whilst 161 289 (aged 55 - 59) will be reaching 65 years in the next 10 years.
- ✓ This picture present both an opportunity and a challenge for human resource management in the Public Service and service delivery machinery of government.
- ✓ As part of the initiatives to support the ideals of the National Development Plan (NDP) as well as the larger goal of professionalising the Public Service to be a career of choice for young people, departments will be urged **to utilise the Early Retirement mechanism to devise policy means to advance the recruitment of young people into the Public Service.**



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- ✓ The youth employment interventions would require strategic approach to recruitment and job grading.
- ✓ Departments will be encouraged to plan and implement youth employment interventions within and ensuing HR Plans and adhere to the Directive on Developmental Programmes, and policies as maybe envisaged within this proposition.

- ✓ NB: Early Retirement would also help those employees who are sickly but do not qualify to exit the Public Service due to ill- health retirement, provided they meet the age requirement qualification.



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- ✓ Early Retirement (ER) is one such exit tool afforded to Public Service employees between the ages of 55 to 59; and normal retirement for employees aged 60 to 63 based on affordability.
- ✓ Implementation of these programmes will not be detrimental to service delivery access and improvement that meets the needs and expectations of citizens.



- ✓ It is critical that the implementation of the proposed public service exit programme (early retirement) will not compromise government's efficiency to deliver services to the public.



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- ✓ **Proposed Early retirement Programme entails:**
- ✓ Early retirement without penalisation of pension benefits in terms of section 16(6) of the Public Service Act, 1994, for employees aged 55 to 59 with an additional incentive calculated at two (2) weeks' financial incentive for the first twenty (20) years of pensionable service; and one (1) week's financial incentive for each completed year of pensionable service thereafter.
- ✓ Normal retirement incentive for employees aged 60 to 63 years calculated at two (2) weeks' financial incentive for the first ten (10) years of pensionable service; and one (1) week's financial incentive for each completed year of pensionable service thereafter.



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- ✓ Employees from the age of 55 to 59 years, employed in terms of the PSA, educators, members of the services (Police, Correctional Services and SANDF) or members of the Intelligence Services, shall, subject to the other contextual conditions set by the Ministers responsible for educators, services, and the Intelligence Services, be eligible to apply for ER of which identified costs will be covered in terms of the funding model set by National Treasury.

- ✓ Employees aged 60 to 63 do not qualify for ER in terms of Section 16(6) of the PSA but are encouraged to apply for a 'voluntary earlier exit' in return for incentive calculated at two (2) weeks' financial incentive for the first ten (10) years of pensionable service; and one (1) week's financial incentive for each completed year of pensionable service thereafter.



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- ✓ National Treasury will cover the cost of the pension penalty waiver (no scaling down) and an incentive calculated at two (2) weeks' financial incentive for first twenty (20) years of pensionable service; and one (1) week's financial incentive for each completed year of pensionable service thereafter for employees at the age of 55 to 59, who apply and are approved for the ER without penalisation of pension benefits.



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- ✓ The provision for applications for the proposed public service exit programme (early retirement), where National Treasury provides funding support to departments, is for the financial year 2025/2026 and 2026/2027.
- ✓ An evaluation to determine whether a further need for such ongoing financial support for ER is required by departments will thereafter be undertaken.



- ✓ NB: In instances where departments have available funding within their baseline budgets, they have the discretion on an ongoing basis to approve ER in terms of Section 16(6) of the PSA in line with their HR Plans in terms of Regulation 26 of the PSR.



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- ✓ The programme is targeting approximately **30 000 exits over the period from 1 April 2025 to 31 March 2027.** Priority will be given to applications from departments that are experiencing significant spending pressures and thus struggling to realign their human resource plans with their allocated budgets.
- ✓ **The first phase of the ERP will target approximately 12 000 exits over the period from 1 April 2025 to 31 March 2026.** Priority will be given to applications from departments that are experiencing significant spending pressures and thus struggling to realign their human resource plans with their allocated budgets.
- ✓ **The second phase (1 April 2026 to 31 March 2027) will aim to facilitate an additional 18,000 exits,** building on the outcomes of the first phase to further support departments in managing their workforce and addressing budgetary constraints effectively.
- ✓ NB : The employer reserves the right to decline ER applications if approval of such applications may adversely affect service delivery or the public service exit programme (early retirement) has oversubscribed.



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## It is recommended that the Trade Union Parties to the PSCBC:

- ✓ takes note and considers the early retirement without penalisation of pension benefits in terms of section 16(6) of the Public Service Act, 1994, for employees aged 55 to 59 (with an additional incentive calculated at two (2) weeks' financial incentive for the first twenty (20) years of pensionable service; and one (1) week's financial incentive for each completed year of pensionable service thereafter, and
- ✓ for the normal retirement incentive for employees aged 60 to 63 years calculated at two (2) weeks' financial incentive for the first ten (10) years of pensionable service; and one (1) week's financial incentive for each completed year of pensionable service thereafter.



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**THANK YOU**

