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SARA Survey

- ❖ **Are you interested in receiving more detail on the financial and tax implications of IFRS 2 with regard to share incentive schemes?**

Click here, to participate: [SARA Survey](#)

Media Partner – Business Day and SARA

The South African Reward Association has moved firmly into the spotlight with the announcement of a media partnership with Business Day.

The media partnership, an initiative of the SARA Rewards Awards Project Team, will promote the association's annual Reward Awards and Conference. Additionally, it provides a wonderful opportunity for SARA member companies to be identified as "Top Rewarding Companies".

The media partnership will encompass the following:

- The publishing of a 2-page spread in an August edition of the Business Day under the theme "Top Rewarding Companies". In addition to editorials on top rewarding companies and practices, member companies will be given preference (at negotiated reduced costs) to advertise on these pages. Member companies are advised that they will be contacted by a Business Day representative to reserve advertising space.
- The Reward Awards will be promoted in the 2-page Business Day spread to generate anticipation and interest in the Reward Awards for 2006. Details on the award categories - Reward Strategist and Reward Practitioner as well as the new Team Award category - will be given prominence. Testimonials from previous Reward Award winners will highlight the experience of being recognised for their reward initiatives by SARA.
- SARA will work closely with the Business Day to provide coverage on the annual SARA Conference being held on 9 and 10 November 2006, at the Indaba Hotel, in Fourways.
- Articles and photos of the Reward Award winners will be published in the first Business Day edition following the year-end banquet on 11 November 2006.
- Both parties will optimise all mutual opportunities to promote SARA as a leading professional association and the Business Day as a preferential business information source.

We would like to thank all SARA members for supporting the Reward Awards initiative over the last three years and would like to remind you to get your nominations in as soon as possible. Let us know about the success stories arising from the implementation of customised reward solutions within your company.

Study: Working Mothers Need More Flexibility

One-in-four working mothers report they are dissatisfied with their work-life balance and are actively seeking jobs that will provide them with more flexibility, according to a CareerBuilder.com survey.

52% of working moms say they are willing to take a pay cut to spend more time with their children, a significant jump from 38% last year. Nearly one in 10 are willing to take

a pay cut of 10% or more. The survey, "Working Moms 2006," was conducted Feb. 21 to March 6 and included more than 600 women, employed full time, with children younger than age 18 living at home.

Working mothers report heavy workloads and demanding schedules are taking away from critical quality time at home. One in 10 says they bring work home three to five days a week. 38% admit to missing at least two significant events in their children's lives in the last year due to work; one in 10 has missed more than five events.

"26% of career moms say their jobs are negatively impacting their relationships with their children," said Mary Delaney, chief sales officer at CareerBuilder.com and mother of three.

"Planning ahead, prioritising and taking advantage of flexible work arrangements can help to alleviate that tension. More than half of working moms say their companies offer flexible work arrangements, so investigate options within and outside of your organisation. The vast majority says work-style adjustments have not adversely affected their career progress."

[Workspan Weekly](#)

Issues and Impacts of Share Incentives

By Brigitte Keirby-Smith, Tax director at Ernst & Young KZN

This final article in Ernst & Young's series on share incentive schemes highlights some of the key tax issues that have been discussed over the past months as well as the impact they are having on current trends.

Share options obtained by an employee before 26 October 2004 will still be taxed in terms of the more favourable provisions of section 8A. However, where an employee cedes or releases a "section 8A right" on or after that date in exchange for a "new right", that "new right" will be subject to the provisions of the new section 8C requirements. As this may impact dramatically on the employee's tax position, any proposed alterations to existing share schemes should be carefully reviewed prior to implementation.

New tax incentives for both employees and employers aim at encouraging broad-based share ownership and wealth creation. The grant of shares under a broad-based plan will be exempt from tax in the hands of the employee whilst such a grant will be tax deductible for the employer. The limit on this incentive is based on the market value of the shares and may not exceed R 9 000 over a three-year period. The requirements to qualify under the provisions of a broad-based plan are quite specific and there are some onerous employees' tax obligations for employers, should the shares not be retained by the employee for the required five-year period.

Share incentives that are not broad-based and that have been granted on or after 26 October 2004, will fall to be taxed in terms of the new section 8C. This section aims to fully capture the appreciation associated with these incentives as ordinary income by

extending the income treatment such that a gain is only determined and included in income when it vests (essentially when the share becomes tradeable). As a word of warning this section is complex and contains built-in anti-avoidance measures that frustrate any attempt to circumvent its workings.

For employers, the ability to secure a tax deduction where its employees are remunerated through the issue of shares outside of a broad-based plan, is a more complex issue. This creates a potential disparity between the tax and accounting treatment and it challenges companies to ensure that their share schemes are tax effective in order to result in a limited dilution of reported after tax earnings.

For additional information, please contact Brigitte Keirby-Smith on (031) 576 8000 or email her at: brigitte.keirbysmith@za.ey.com

This article is the last in a series that aims to highlight the increased tax complexities and current trends in the design of share incentive schemes. If you would like SARA to arrange a workshop to deal with this matter, please send Gillian le Cordeur at SARA an email: Gillian@vdw.co.za

Benefit Trends

The Minister of Finance has continued the effort to eradicate the abuse of the company car benefit and travel allowance paid to employees, and is increasing the efforts of the Revenue Office to prevent additional remuneration being paid for non-work related travel expenditure.

Of great concern is that the results of the 2006 Vehicle Benefit Survey indicate that 50% of respondents still allocate travel allowances on a by grade or by level basis. This practice presents an enormous tax risk to organisations and clients should once again take cognisance of the following liabilities:

- The under-deduction of PAYE as well as the concomitant interest and penalties.
- Employers who allocate travel allowances by grade or level in the organisation have a major tax risk should they be audited by SARS.

Does your benefit policy make your organisation an employer of choice?

With the changes in tax legislation and the subsequent loss of net income, employers are turning to benefits to remain the employer of choice. Although the simple guidelines provided by the BCEA (Basic Conditions of Employment Act) ensure that South African employers remain within the law, these are hardly sufficient to attract and retain key skills in an organisation.

Remchannel will conduct a fully fledged benefits survey for all industries during September of this year. The survey will cover all benefits, inclusive of leave policies, maternity leave policies, medical aid benefits and many more. If you would like to participate in the survey or require further information, please contact Carol Shepherd on: (011) 453 2194

Extending Intra-Company Transfer Permits

Home Affairs Minister Nosiviwe Mapisa-Nqakula will use her discretion in extending the duration of the Intra-Company Transfer Permit for skilled immigrants seeking to work in South Africa.

The permit facilitates the transfer of key personnel employed abroad in a business that operates in a branch, subsidiary or affiliate in the Republic of South Africa. This is currently issued for two years.

Cabinet agreed on this after receiving a report from the minister on the implementation of the Immigration Regulations.

International companies raised concerns recently on South Africa's immigration laws, saying it could hamper the country's move to accelerate economic growth.

With the country currently undergoing a massive "skills revolution", Cabinet's resolution is seen as enhancing the implementation of the Joint Initiative for Priority Skills Acquisition (JIPSA), which seeks to identify critical skills needed for economic growth.

Government spokesperson Joel Netshitenzhe said cabinet had resolved that clear policy guidelines should be developed urgently on transit visas.

In addition, it also agreed that the drive to improve turn-around times for the processing of permits should be intensified and that "special capacity" should be created in the Department of Home Affairs to deal with the issuing of Permanent Residence Permits.

Mr Netshitenzhe said the minister of home affairs would regularly report to cabinet on issues relating to the immigration regulations.

BuaNews

Reward Awards 2006 – Team Award

This year SARA has introduced a new award category to its prestigious annual Reward Awards - the **Team Award**. The Team Award joins the established categories of **Reward Strategist** and **Reward Practitioner** for 2006. The new award will recognise the work of teams in defining and implementing innovative reward practices whether they are of a strategic or operational nature.

SARA has decided to include this third category for the Reward Awards due to companies increasingly emphasising the fact that even though reward practitioners or

strategists might play a key/project management role, it normally involves a team of people to design and implement reward solutions for a company. Often the financial, systems and/or tax specialists, to mention only a few, get involved and it is therefore only fair to ensure that the team is recognised together with the reward practitioners/strategists that initiated and spearheaded the projects. (It is possible for reward practitioners or strategists to be nominated in both the individual and the team categories.)

Organisations are encouraged to recognise the contribution that their reward specialists and/or teams have made by nominating them for Reward Awards 2006. Winners will be announced at the SARA Annual Banquet in November 2006. To ensure that your organisation's candidates are considered for these awards, remember to submit your nominations to SARA by 8 September 2006.

SARA Conference 2006

The SARA Conference will be held at the **Indaba Hotel Auditorium** in Johannesburg from 9-10 November 2006. John Rubino, a popular speaker well-known to SARA members, will be presenting at the conference. The author of two compensation books, Rubino is also a WorldatWork faculty member. Rubino has over 20 years experience designing and implementing HR programmes for a wide variety of organisations. Anyone interested in speaking at the conference should please contact Gillian at: gillian@vdw.co.za

SARA Banquet 2006

The annual SARA Banquet is due to take place on 11 November 2006 at the **Indaba Hotel** in Johannesburg. This highlight of the South African reward professional year, sponsored by Remchannel, is an event not to be missed. The cream of South Africa's reward professionals will be in attendance to hear the outcome of SARA's **Reward Awards** for 2006.

This year SARA has introduced a new award category, the **Team Award** to recognise the work of teams in defining and implementing innovative reward practices of a strategic or operational nature.

Update on SARA Interns

During May the SARA interns - Deborah Lehaha, Lucette Mula and Tebogo Lale - went off to **Hay Group South Africa** where they learned how to use the Hay Group's international grading system. The interns were taken through a short but comprehensive training course and afterwards had a practical grading session.

Following the Hay Group training, the SARA interns were offered training on the use of **21st Century's** electronic job evaluation system, JE Manager. One of the consultants took the interns to a client where they experienced practical job grading. During the sessions the interns were encouraged to use the Hay Group instrument to grade the jobs that were graded with JE Manager and compare the results.

For the last two weeks, the interns have been spending time at **Reward Partnership** with Peet Kruger. Peet assisted the interns with their preparations for GR3 & GR4 which they will complete during the week of 12 – 16 June. He also involved them in the analysis of research that is being done for the development of a new Remuneration Framework for the Public Service with its 1.1 million employees.

USA WorldatWork Conference - Feedback

The annual WorldatWork conference held in Anaheim, California during May 2006 again surpassed all expectations. Arranging a conference where there are in excess of 1900 delegates, with 19 concurrent sessions on each of the three days, gives new meaning to the phrase - organisational skills. 225 delegates represented the international community and 11 of these were South Africans.

This year the conference theme "Attract, Motivate and Retain" was supported by presentations and case studies in all areas of reward. It was evident that there is a focus on the Return on Investment and during the first day of the conference no less than eight of the presentations addressed the issue of maximising shareholder value and increasing the impact and effectiveness of human capital.

The fact that organisations annually undertake evaluations of their investments in technology, equipment, new products and equipment but rarely evaluate their investment in human capital was highlighted in many of the presentations. As compensation is one of the largest controllable expenses in an organisation, one would expect that an analysis of the compensation of employees would be done in a similar fashion as purchasing new equipment for a large plant.

Improvements in areas such as Communication, Generational Competence, Work-Life Balance and Health, and Medical plans indicated that organisations increased their company's market value with up to 20%.

Global trends in Total rewards were also addressed as many companies are expanding operations across borders. John Rubino, who will be one of the key-note speakers at the SARA conference in November this year, provided valuable insight into the global trends to attract, retain and motivate a quality workforce. Overall, South African practices in total reward compare very favourably to international practices.

SARA members are encouraged to make use of the reduced WorldatWork conference fees as it is just one of the many benefits offered by SARA. For more information on the 2007 conference to be held in Orlando, Florida, visit the WorldatWork website at: www.worldatwork.org

National Salary Survey

The **21st Century National Salary Survey** is available for input in your remuneration committee decisions. The survey offers benchmarks for 40 engineering jobs, across different disciplines and 10 levels, from entry to executive. It provides information on short- and long-term incentive payments as well as details on the latest incentives trends. Both paper and on-line versions of the national salary survey are available. For further details, please contact Lynne Levy on (011) 447 0306 or via email: llevy@21century.co.za

SARA Events 2006

SARA Meetings & Function Schedule 2006			
Date	Function	Venue	Time
30 June	EMG: Medical and Political Function	Barloworld	
19 July	WorldatWork Feedback Function	Johannesburg Country Club	14:00
3 August	Rem Committee Panel Function	TBC	
15 August	Committee Meeting	Randburg	16:00 - 18:00
6 September	EMG: Retention Function	Business Connexion	
20 September	Masters Students Function	TBC	07:30 - 10:00
6 October	SARA AGM & Function	TBC	
25 October	SARA EMG Function	TBC	
9/10 November	SARA Conference	Indaba Hotel	
11 November	SARA Banquet	Indaba Hotel	
14 November	Committee Meeting	Randburg	16:00 - 18:00

Legal, Tax and Governance - Feedback

Cape Town: On Thursday 18 May, we met (on a cold rainy day) at the Cape Town Graduate School of Business Breakwater Lodge for a cocktail presentation by **Martin Hopkins** on "The Impact of Legal, Tax and Governance on Remuneration". Peet Kruger also gave us information about the Reward Awards programme, the end of year SARA conference and banquet, and encouraged people to nominate deserving candidates for the Reward Strategist, Reward Practitioner and Reward Team of the year.

Martin, the MD of Value Analytics, has an enormous amount of experience in share design, corporate governance around remuneration and executive pay, and has a client

list that reads like the who's who of South Africa. We were very privileged to have him share some of this experience and knowledge with us.

Martin has a Masters in mathematics, and delights in complex financial models, yet still managed to present the new world of share schemes and legislation to us in a way that was understood by all, with great examples and a lovely sense of humour.

He explained the differences between, and the pros and cons of, restricted stock, conditional LTIP's, unconditional LTIP's, share appreciation right schemes, forfeitable shares, leveraged share purchase and the list goes on!

Martin discussed what is meant by intrinsic value, expected value and face value, and said that expected value provides a good way to benchmark share value across the same level in different organisations.

He reviewed the different legislative and other bodies influencing executive remuneration and share schemes around the world and, of great interest, said that large amounts of capital are migrating from the New York Stock Exchange to the London Stock Exchange because of the onerous requirements of Sarbanes-Oxley on companies listing on the NYSE.

Finally Martin talked about how remuneration committees have improved their knowledge and corporate governance standards enormously over the last few years, and said that he is very impressed with the role they are now playing.

Afterwards we had some great snacks, drinks and networking. Next time we would just like to see more people attending this type of event, as it was of inestimable value. A big thank you goes to Martin for providing a great presentation.

Dianne Auld – Western Cape Branch Chairperson

Global Certificates in Remuneration

WorldatWork's highly respected educational program now offers two certificates applying to total rewards on the global level: the **Certificate in Global Remuneration** and the **Certificate in Global Remuneration Administration**. The requirements to obtain these Global Certificates are listed below.

Certificate in Global Remuneration

GR1: Total Rewards Management
GR7: International Total Remuneration
GR8: International Benefits

Certificate in Global Remuneration Administration

GR3: Job Analysis, Documentation and Evaluation|
GR4: Base Pay Management
plus one of the following courses
GR5: Performance Management: Strategy, Design and Implementation

GR6: Variable Pay - Incentives, Recognition and Bonuses

Please note these certificates have to be requested from WorldatWork. They are not automatically generated. For more information on the certification programs email:

certification@worldatworksociety.org

GRP 3 and 4

Cape Town GRP Seminars

The GRP 3 and 4 seminars covering Job Analysis Methods and Base Pay Management are being held from 29-31 May and 1-3 June 2006 at the Greenways Hotel in Cape Town.

Dianne Auld from Auld Compensation Consulting is facilitating the Cape Town seminars. Auld consults on remuneration and job evaluation to a wide range of corporate clients, including BP, Engen, Sanlam and runs an extensive range of remuneration training workshops. She also works part time for Pick 'n Pay, where she is responsible for group remuneration policy and practices.

For directions to the Greenway Hotel, click here: [Directions](#)

Johannesburg GRP Seminars

The GRP 3 and 4 seminars covering Methods Job Analysis and Base Pay Management are scheduled for 5-7 June and 8-10 June 2006 at the House of Pharoahs in Johannesburg. **Peet Kruger** who runs his own consulting business, Reward Partnership, will be presenting the Johannesburg modules.

Kruger has extensive experience in human resources management and previously headed up the Reward Practice in the Human Resources Service Division of PricewaterhouseCoopers. He provides customised integrated solutions in the field of reward strategy, remuneration and job grading structures as well as performance management and incentive programmes.

GRP Programme 2006

The GRP Seminars for 2006 are outlined in the table below.

Date	City	Course	Module
29-31 May	Cape Town	GR3	Job Analysis Methods
1-3 June	Cape Town	GR4	Base Pay Management
5-7 June	Johannesburg	GR3	Job Analysis Methods
8-10 June	Johannesburg	GR4	Base Pay Management
14-16 August	Cape Town	GR5	Performance Management
17-19 August	Cape Town	GR6	Variable Pay
21-23 August	Johannesburg	GR5	Performance Management

24-26 August	Johannesburg	GR6	Variable Pay
13-15 November	Johannesburg	GR7	International Total Remuneration
16-18 November	Johannesburg	GR8	International Benefits
20-22 November	Cape Town	GR7	International Total Remuneration
23-25 November	Cape Town	GR8	International Benefits

For all the details on the GRP courses, go to: [GRP](#)

The registration form is available at: [GRP Registration Form 2006](#)

Should you require further details please contact Gillian at: Gillian@vdw.co.za

EMG Events 2006

EMG Meetings & Function Schedule 2006			
Date	Function	Venue	Time
30 June	EMG: Medical and Political Function	Barloworld	
6 September	EMG: Retention Function	Business Connexion	
25 October	EMG Function	TBC	

Expatriate Management Group News

Earlier this month the Expatriate Management Group held a function on Expatriate Remuneration in Bryanston. The topics discussed were specifically on Expatriate Remuneration – structuring, research data, and economic factors applied. The following speakers presented at the event and were well-received by the audience:

- Mark Stoffberg – Anglo Gold Ashanti
- Pierre Wentzel – Global Remuneration Solutions
- Yvonne Webb – Sasol Limited
- Barbara Parry – MTN Group Management Services

A Question and Answer session followed the presentations which provided delegates with the opportunity to clarify their understanding of the various presentations and to discuss the many challenges of Expatriate Management and Remuneration.

Copies of the presentations and the extensive range of supporting information and documentation are available for SARA members to view on the website at: [EMG Presentations](#)

Live Membership Database

SARA members are able to access the SARA membership database on the website and can edit their personal details on line as it becomes necessary. To make use of this new facility, go to: [My Membership](#)

Website Postings

- The presentation by Martin Hopkins on “The Impact of Legal, Tax Accounting & Governance Changes on Remuneration in South Africa” can be viewed at: [Event Documents](#)
 - The Remchannel Newsletter for the 2nd Quarter of 2006 is available in the SARA website library for the benefit of SARA members. To view, go to: [Articles of Interest](#)
 - Expatriate Remuneration event: The presentations and a selection of supporting information and documentation are available for SARA members to view on the website at: [EMG Presentations](#)
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Reward Conferences

- The **e-Reward Management Update Conference 2006** is being held on **22 June 2006** in London. It will keep you current with key trends in reward and provide analysis, advice and insight into issues likely to crop up over the coming year. Aimed at the busy pay practitioner, this new annual event promises to inform you of all the essential facts, trends and developments in one intensive day.

The conference will be chaired and led by Michael Armstrong, Britain's leading reward management author, with best-selling titles on paying for contribution, job evaluation, pay structures and performance management. For more details, go to: [e-reward](#)

- The **WorldatWork European Total Rewards Conference** is being held in Brussels from **25 to 27 October 2006**. The event will bring together the best and brightest human resources professionals, academics and management experts from across Europe and elsewhere to deliver and share the latest strategies, practices and insights for - Attracting, Motivating and Retaining Talented Employees.

Register on or before 30 June and benefit from reductions of up to 33% on the full conference fee. Further reductions are available to WorldatWork members. To get more details contact Dee O'Sullivan at: Dee.OSullivan@associationhq.com

New Members

New Corporate Members

- Roger Day – Yale Industrial Products

Editor's Note

Dear Readers

I welcome input from readers of the SARA Bulletin and encourage you to forward any information or announcements that you would like to see published in the bulletin. Contributions need to be forwarded to me by the 20th of every month and SARA reserves the right to edit content for clarity and/or brevity.

Please note that the views expressed in this newsletter are not necessarily those of the South African Reward Association.

Kind regards

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