

IN THIS MONTH'S EDITION...

- President's Year-end Message
- SARA Conference and Breakfast 2007
- New SARA Logo and Corporate Identity
- Feedback on GARP
- New tax and pension legislation - Explained
- Post Medical Aid Funding and Subsidies
- Workers' tax burden may not ease next year
- GRP Programme 2008
- EMG Events
- Employment Opportunities
- Website Postings
- Editor's Note

PRESIDENT'S YEAR-END MESSAGE: COME AND JOIN THE FUN!

The SARA annual general meeting, conference and the reward awards was a highlight of not only the year, it was a benchmark.

Those who attended these events will relate to the following emotions; pride, confidence in the association and eager to be part off it. Nothing breeds success than success itself.

Next year SARA will take small steps towards growing the profession. It will require many more reward practitioners to invest their time to develop the many projects that we will engage in. One of our successes will be to mobilise hundreds of SARA members to participate in activities and projects. However, more important than participating is the way of doing it. Referring back to the resent events, one outstanding feature of the project teams working on these events was the fun that they had. When we build the association, let it not only be an enriching experience but also filled with the most meaningful activity that people can do - fostering relationships.

SARA will continue to deliver its core activities. The GRP training, the regular network sessions and information dissemination will continue. Inspired by the successes of staging a different and interesting annual general meeting, I am convinced that we will accelerate in making each event a surprise and unique experience. Attending SARA

Growing membership will become targeted. There are many Human Resource practitioners who need to have a certain level of understanding of reward practice. Human Resource practitioners should champion the process of translating business strategy into reward objectives and practices. Line managers and Human Resource practitioners are be the communicators of reward strategy. This means that the target audience of SARA will be expanded. Expansion beyond the borders of business is not out of scope. A successful reward profession requires that we should become an objective voice about reward practices at all levels of society.

Training of new entrants to the reward profession is limited to coincidental academical training and depends largely on the SARA initiatives and private education by (SARA affiliated) consultants. There is a need for an integrated training strategy. This framework and the integration there off will require initiative and contribution from SARA members.

SARA wants you to make this happen, not just your membership, also your involvement but more than involvement, a commitment to have fun and making friends.

Lukas de Swart
SARA President

[Go to top](#)

SARA CONFERENCE AND BREAKFAST 2007

The conference theme of "Spotlight on Performance & Reward" shone from the very moment the conference commenced at the Intercontinental Sandton Sun with a delicious and sumptuous breakfast celebrating the 10 year anniversary of SARA.

The breakfast also provided for entertainment with a hilarious Conrad Koch as master of ceremonies. Conrad provided for an atmosphere of humour and fun to kick start the conference. The breakfast reflected on the last ten years of SARA, with Peet Kruger reminiscing about the activities and growth of SARA and its members. A presentation was then done which showed how SARA would continue to grow and influence the industry, with a new SARA logo as well.

Pat Zingheim set the tone for the conference with a cutting edge and pragmatic presentation on "High Performance Pay" she presented key points from the latest book (Zingheim & Schuster).

The local talent of Mark Bussin, Jennie Browning, Laurence Grubb, Arlene Brown, Shamira Edwards, Schoeman Rudman, James van der Westhuizen, Xoliswa Daku and Charles Henzi followed up with fresh interesting presentations of a truly international standard.

The annual SARA gala banquet saw the best talent the country has to offer celebrating the achievements of its remuneration professionals.

The SARA Reward Strategist of the year was proudly announced as Neil Ulrich, from the Presidency. The Reward Practitioner award was also celebrated and announced in style, Chrisilla Grigoriadis from Cell C picked up this award. With much excitement, the SARA Reward Team Award was presented to DPSA (The Department of Public Services Administration).

The event once again set a new benchmark for the conference in every respect and was both a learning and fun experience for all.

[Go to top](#)

NEW SARA LOGO AND CORPORATE IDENTITY

We introduced the new SARA logo and corporate identity on Thursday, 8 November 2007!

Our corporate identity carries our face or image to the public and to members. It is therefore time to professionalise our branding and how our logo is applied. This is in keeping with our strategy defined earlier this year.

At the heart of our brand is our promise: "Promoting and Developing the Reward Profession".

The new logo was designed by Karien Brink (karienb@uj.ac.za).

It has meaning and symbolic values attached to it. The colour blue signifies trust and calmness. The Persian philosopher Al Kazwinin had this to say about the colour turquoise: "The hand wearing a turquoise will never be poor". Turquoise is cool, refreshing, calming and soothing.

As from this month's edition, our monthly newsletter will also carry SARA's new image with the incorporation of the new SARA logo.

[Go to top](#)

FEEDBACK ON GARP

Most of the project teams have produced first drafts of the standards that they worked on. There are a few outstanding work streams, but they have taken steps to either deliver this year or early next year.

The first cross functional stream meeting took place between the governance and the variable pay streams. It was clear from the discussion that there will be lots of idea stimulation during this phase of the project.

During this discussion, the need to publish the work that has been done was raised. This will give encouragement to the teams who have not published their first drafts to do so

plan to do it in such a way that anyone who wants to contribute to the standards will be given the opportunity to do so.

[Go to top](#)

SARA KWA-ZULU NATAL BRANCH AGM & NEW COMMITTEE

SARA - KZN has finished the year off with a well attended breakfast presentation held at the Graduate School of Business, University of KwaZulu-Natal. This session focusing on Talent, in respect of what companies are doing to keep it, how companies need to be leading performance and the link to incentives as well as what are the attributes that Managers need to have in order to be successful, generated a highly interactive discussion session. One of the focus areas for SARA in 2008 in respect of events is that we continue to add value to the members by providing the platform for such interactions and networking.

It is with great pleasure that I introduce the new Regional Chairman for 2008 - Marius Oosthuizen of Sugar Milling Research Institute. I have had a good long two year tenure and will continue to serve on the committee going forward. The rest of the committee will be made up of Averile Ryder, Marilyn Lennox of Afripack, Dave Scobie of Bell Equipment, and Prisa Ramiah of Unilever. Thank you to SARA for affording me the opportunity and experience of serving as Chairman in KwaZulu-Natal.

[Go to top](#)

SARA INTERNSHIPS 2008

As part of our ongoing commitment to developing remuneration skills for PDI's, we have pleasure in inviting you to participate in developing internships within the remuneration area. We are looking for a sponsorship of R 70 000 to cover basic salary and material costs for a candidate for a 6 month internship.

[Please click here for more information](#)

[Go to top](#)

NEW TAX AND PENSION LEGISLATION - EXPLAINED

By Absa Consultants and Actuaries

With effect from 1 October 2007, the complex formulas used to calculate the tax-free portion of a lump sum benefit payable at retirement and death were replaced by a simpler, quantum-based flat rate. In terms of the new legislation, lump sum benefits payable at retirement and death are taxed as follows:

R0 - R300 000 is tax-free

R600 001 - R900 000 is taxed at 27%
R900 001 and above is taxed at 36%.

Pensioners who retired prior to 1 October 2007 and who opted to receive a lump sum benefit, paid tax on the lump sum benefit in terms of the tax legislation applicable at that stage. These pensioners will not be able to benefit from the changes mentioned above. The choice exercised at retirement to receive a lump sum benefit was a once-off choice and cannot be changed at this stage.

The dependants and/or nominees of alternative variable pension pensioners who retired prior to 1 October 2007 will however be able to benefit from the new legislation if the pension dies after 1 October 2007. When an alternative variable pension pensioners dies, his/her share in the Fund becomes payable to his/her dependants and/or nominees. They can elect to continue with the monthly pension or, with the approval of the Board of Trustees, commute the amount allocated to them as a lump sum benefit, provided that they exercise the option within six months of the date of death of the pensioner.

If the benefit is taken in cash, it will be taxed as a lump sum benefit according to the new rates as described above. Any tax-free amounts previously received by the pensioner as at date of retirement will however be deducted from the R300 000 tax-free benefit. Below is an example of how the benefit will be calculated.

Share in the Fund at retirement	R1 000 000
Less tax-free amount taken as a lump sum at retirement	<u>R120 000</u>
	R880 000
Share in the Fund at date of death	R900 000
Less tax-free amount (R300 000 ? R120 000)	<u>R180 000</u>
Taxable amount payable to dependants	<u>R720 000</u>
Less tax: (R300 000 x 18% = 54 000)	<u>R178 200</u>
(R300 000 x 27% = 81 000)	
(R120 000 x 36% = 43 200)	
Net benefit payable to dependants	<u>R721 800</u>
(R900 000 ? R178 200)	

[Go to top](#)

POST MEDICAL AID FUNDING AND SUBSIDIES

By Absa Consultants and Actuaries

Introduction

The funding of medical care after retirement underwent a significant change over the last number of years. Many years ago, medical schemes allowed members who retired to continue membership of the scheme at no cost to the previous employer or member. The cost for such members was funded by the active working population and

Many legislative changes and costs for supporting these members resulted in medical aids introducing contributions for such members. Employers implemented a subsidy policy for retirees which varied considerably, from paying 100% to 50% of the premium payable.

During the late 1980's, the focus was placed on the hidden liability these subsidies incurred for the employers. Accounting practices were adopted to compel companies to divulge the liability in their balance sheets. These liabilities were subsequently quantified and indicated on the balance sheets. The cost increases in premiums linked to medical price inflation (MPI) resulted in the liability growing to alarming proportions. Most employers decided to re-evaluate their subsidy policies in order to contain the costs or to stop these subsidies completely.

The Reality

During various efforts of containing the liability or remove it completely, many employers lost sight of the reality. A member of a medical aid starts to depend more on the medical care at retirement age. Utilisation at this point increases dramatically and the real value of medical care is only realised at this stage.

The vast increases experienced in medical aid premiums over the years also resulted in the percentage of disposable income needed to fund the premiums increasing significantly. A study that was performed by Absa Consultants and Actuaries on 10,000 pensioners indicated that only 4,500 could belong to a medical aid as a result of affordability. The study also indicated that medical aid premiums on average were as high as 28% of a pensioner's monthly disposable income. With subsidies being reduced or eliminated by employers, many retirees were exposed to insufficient medical care.

A further result of this situation is that many retirees now need to make use of provincial hospitals and state facilities which in turn places a burden on the government to ensure appropriate health care.

Costdication

The average contribution for a member plus one at retirement amounts to R1 200 for essential care. This required amount can be capitalised over the life expectancy of the member and spouse. Many actuarial calculations were performed and the cash value of the liability (at age 60) amounts to R238 000. Should a member however utilise a more comprehensive medical aid plan at R3 600 the cost will increase to R714 000. As can be deduced from the above, the cost to provide for medical care at retirement can be substantial.

Changes in Policy

A number of different solutions or combinations thereof were implemented by the various employers who still offer the subsidy. The full document, detailing these solutions, has been posted on the SARA Website. To access it directly, please [click here](#).

[Go to top](#)

WORKERS' TAX BURDEN MAY NOT EASE NEXT YEAR

Taxpayers should not expect too much relief in next year's February budget, despite projected surpluses over the next three fiscal years. Trevor Manuel's mini budget shows a surplus of revenue over expenditure of R10.8 billion this year.

However, because the treasury feels this is due to cyclical rather than structural factors, it believes putting it back into the economy through either spending or tax breaks would place the fiscus at risk when the cycle turns.

The government has been urged to either spend more or cut taxes, but it has decided to use the surpluses to manage the economic cycle instead. The statement said the overrun in the 2007/08 tax year was because of above-inflation wage increases, as well as rising employment and strong corporate profits.

Wednesday, 31 October
Business Report
Ethel Hazelhurst

[Go to top](#)

GRP PROGRAMME 2008

2008 GRP Courses		
MONTH	DATE	FUNCTION
MARCH	3 - 5	GR 1 - Johannesburg
MARCH	6 - 8	GR 9 - Johannesburg
MARCH	10 - 12	GR 1 - Cape Town
MARCH	13 - 15	GR 9 - Cape Town
APRIL	17 -19	GR 1 - Durban
MAY	19 - 21	GR 3 - Johannesburg
MAY	22 - 24	GR 4 - Johannesburg
MAY	26 - 28	GR 3 - Cape Town
MAY	29 - 31	GR 4 - Cape Town
AUGUST	11 - 13	GR 5 - Johannesburg
AUGUST	14 - 16	GR 6 - Johannesburg
AUGUST	18 - 20	GR 5 - Cape Town
AUGUST	21 - 23	GR 6 - Cape Town
NOVEMBER	10 - 12	GR 7 - Johannesburg
NOVEMBER	13 - 15	GR 2 - Johannesburg
NOVEMBER	17 - 19	GR 7 - Cape Town
NOVEMBER	20 - 22	GR 2 - Cape Town

GRP Registration forms available on SARA website - [Johannesburg](#), [Durban](#), [Cape Town](#)

[Please click here for the 2008 GRP Programme](#)

[Go to top](#)

Expatriate Management Group News

EMG EVENTS

The event held on the 14th November saw international speaker Andreas Beurgi address us. Beurgi is the Managing Partner of the Swiss peak performance consulting firm LWI Ltd., and he has more than 20 years of international hands-on business experience. He spent a large portion of his career initially as the MD of an international expatriate management consulting company and then as a partner at one of the "big four" consulting firms, specialising on developing and implementing international people mobility programs for multinational clients.

Most of Beurgi's career has been spent in coaching and advising expatriates, intercultural teams and executives responsible for global business expansion to optimise their planning, processes and performance. In this context, Beurgi has also accepted a role as international faculty member with World at Work, specialising on the areas of international compensation, benefits and assignment management.

[Go to top](#)

EMPLOYMENT OPPORTUNITIES

We trust that you have been receiving your regular SARA Jobs bulletin, and that you are benefiting from this service. Please remember to send us your opportunities, which are also posted on the SARA website at [Professional Development](#).

[Go to top](#)

WEBSITE POSTINGS

New Jobs added to Employment Section:

<http://www.sara.co.za/professionaldevelopment/employment/>

Library, October 2007 newsletter added

<http://www.sara.co.za/library/ebulletin/>

Corporate Member List updated

<http://www.sara.co.za/saraandmembership/membership/membershipbase>

New SARA Logo and colour scheme added to site

SARA Conference 2007, photos and presentations added

<http://www.sara.co.za/events/saraconf2007>

SARA 10 Year Commemorative Magazine Online version added to site, home page link

GRP 2008 information added, programme and registration forms

EDITOR'S NOTE

Dear Readers,

Welcome to the November edition of the *SARA Bulletin*, and the final edition of 2007.

As this bulletin carries the objective of keeping its readers up-to-date with the latest industry developments, I welcome and encourage you to send me your thoughts, editorial contributions and comments. I would also like to thank you for the information and support already kindly received.

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

Nadia Van Niekerk

[Go to top](#)

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