

MEMORANDUM

To : NRF Staff

From : Kedirang Oagile

Date : 29 November 2024

DISCRETIONARY LEAVE ENCASHMENT

Dear Colleagues,

As part of the leave liability management strategy, Management is pleased to announce that employees will now have a choice to encash or to retain their Discretionary Leave. Discretionary Leave can be encashed up to a maximum of 30 days during December 2024. This decision follows various engagements with employee representatives and Management.

An effective leave liability management strategy ensures that these liabilities are managed efficiently, balancing both employee satisfaction and the financial health of the NRF.

Policy Implications:

- This process revises our existing Discretionary Leave Policy, which previously allowed for employees to accrue up to 54.998 Discretionary Leave days. Upon termination, employees were paid to a maximum of 50 Discretionary Leave days.
- As of the 1st of December 2024, the Discretionary Leave accrual will be capped at 20 days. Employees will still accrue Discretionary Leave as per normal up to 24.998 days (by May of each year) and the forfeiture rule will still be applied in June of each year to any balances above 24.998 days.

Leave Application Processes Post Leave Encashment:

- We have introduced a new leave category called “Banked Discretionary Leave”. This leave category caters for any excess leave that employees will remain with after the accrual of 20 days, whether you choose to encash or not.

- When an employee requests leave from Annual Leave after the encashment process, the leave request will first tap into Statutory Leave and then into the Banked Discretionary Leave if the balance is not enough, where it will deduct the days requested until the balance is depleted. Once the balance in the Banked Discretionary Leave is depleted, the leave requests will tap into the normal Discretionary Leave balance.
- When an employee requests leave from the current Discretionary Leave category after the encashment process, the leave request will first tap into Banked Discretionary Leave if the balance is not enough/there is zero balance, it would then tap into the Discretionary Leave where it will deduct the days requested.

Leave Payout at Termination:

- At termination leave payout will be the balance of your Statutory Leave, Discretionary Leave and Banked Discretionary Leave (if there is any leave balance).
- Statutory Leave will be paid out at the cost to company rate.
- Payout of Discretionary Leave will be capped at 20 days, calculated at the **cash salary rate at termination**.
- The remainder of the Banked Discretionary Leave will be paid out at November 2024 cash salary.

Leave Encashment Process:

- Discretionary Leave Encashment Applications will be opened on Employee Self-Service (ESS) from 02 to 06 December 2024. No extensions will be granted.
- The encashment window period will close on the 6th December 2024 at midnight.
- During the Leave Encashment period mentioned above, employees will not be able to request Annual Leave (Statutory and Discretionary) until the encashment period is closed.

Important Information to Note:

- Encashment of Discretionary Leave: Employees opting to encash their Discretionary Leave do not require manager's approval. The request will be captured on ESS, and processed directly into the payroll system and paid out with the 2024 December salary. The encashment will be taxed as per SARS regulations. ***The number of days to be encashed is from 1 to 30 days (only whole numbers will be accepted by the system).***
- Non-Encashment of Discretionary Leave: Any leave balances above 20 from the current Discretionary Leave will be moved to the Banked Discretionary Leave type. The Banked Discretionary Leave will be depleted first when employees take leave, if there is still a balance when they resign/retire/dismissed the balance will be paid out at the accumulated rate as at November 2024.

Should you have any questions or require further assistance, please do not hesitate to contact your designated People and Culture representatives at your respective Business Units. Your cooperation is greatly appreciated and essential in maintaining our operational efficiency and compliance with organisational policies.

Yours sincerely,



Kedirang Oagile
Group Executive: Corporate Services

NB: Employees are advised to peruse the attached document on leave encashment scenarios and FAQ's to have a clear understanding of the implications and make an informed decision regarding their Discretionary Leave.

DISCRETIONARY LEAVE ENCASHMENT

SECTION A: COMPARISON TABLE OF EMPLOYEE'S DISCRETIONARY LEAVE ENCASHMENT SCENARIOS

Scenario	Initial Discretionary Leave Balance	Encashment Applied	Remaining Discretionary Leave Balance	Revised Discretionary Leave Capped Balance	Banked Discretionary Leave	Termination Payout
Employee 1	55 days	30 days	25 days	20 days	5 days	Statutory Leave + Discretionary Leave (capped at 20) + Banked Discretionary Leave (5 days if not used paid will be paid at Cash Salary Rate).
Employee 2	25 days	20 days	5 days	5 days	0 days	Statutory Leave + Discretionary Leave (capped at 20) will be paid out.
Employee 3	49 days	0 days	49 days	20 days	29 days	Statutory Leave + Discretionary Leave (capped at 20) + Banked Discretionary Leave (29 days if not used to be paid at Cash Salary Rate).

SECTION B: FREQUENTLY ASKED QUESTIONS (FAQ's) DISCRETIONARY LEAVE ENCASHMENT PROCESS

Q1: Who is eligible for Discretionary Leave encashment?

A1: All Employees with discretionary leave balances of 1 or more days.

Q2: Where and When can I apply for Discretionary Leave encashment?

A2: You can apply for discretionary leave encashment on the Employee Self-Service (ESS) from **02 to 06 December 2024**.

Q3: Do I need my Manager's authorisation to encash my leave?

A3: No, Manager authorisation is not required for this discretionary leave encashment process.

Q4: How do I apply for Discretionary Leave encashment?

A4: To apply for leave encashment, follow the NRF leave application procedure.

Application Process:

Login to ESS: <https://ess.nrf.ac.za>

- Select *My Leave*
- Select *Leave Encashment*, then populate the fields:

Leave Type > Click the Drop-down arrow and Select Discretionary.

Available Days > Your Current Discretionary Leave Balance then displays.

Encashed Days > Type in number of Leave days to be encashed between 1 to 30 (whole numbers only).

Pay Date > Click the Drop-down arrow and Select '*Pay on next available salary run*'.

Comments Field > You may add comments if any.

- Click *Submit* (the system will confirm your submission) and the submission will be reflected under the request screen.

The screenshot shows the 'LEAVE ENCASHMENT' application form. On the left is a navigation menu with options: Resource Centre, My Leave, Apply for Leave, My Leave History, Leave Encashment, My Details, My Pay, Approval Inbox, My Team, Procurement App, Recruitment, Employee Search, and Reporting. The main form area has the following fields: 'Leave Type' (a dropdown menu showing 'Discretionary Leave'), 'Available Days' (a text box showing '51.463'), 'Encashed Days' (a text box with a dropdown arrow showing '30,00'), 'Pay Date' (a dropdown menu showing 'Pay on next available salary run'), and 'Comment' (a text box). A 'submit' button is located at the bottom of the form.

- Once the submission has been confirmed, the below submission confirmation screen will display.

Export to Excel							Search...	
Capture User	Leave Type	Encashed Days	Pay Date	Comment	Status	Action		
NRF-4200258	Discretionary Leave (Encashed)	30	2024-12-31 00:00		Processing	Delete		

Q5: What is the maximum number of Discretionary Leave days I can encash?

A5: You can encash up to a maximum of 30 days (only whole numbers will be allowed) of Discretionary Leave balance.

Q6: Can I cancel my current Annual Leave (Statutory/Discretionary) application even if it is not yet approved by my Manager, prior to this Discretionary Leave Encashment process?

A6: No, once this communication is received, no leave application captured on the system can be cancelled. Managers have been instructed to process all outstanding leave applications that are on ESS as is.

Q7: How will my leave balances be affected if I encash my leave?

A7: If you encash the maximum 30 days, your remaining balance will remain in the Discretionary Leave type. Any leave balance above 20 days will be moved to Banked Discretionary Leave.

Q8: What will the different types of Discretionary Leave be after the encashment process?

A8: There will be 2 types of Discretionary Leave types:

- 1: Discretionary Leave.
- 2: Banked Discretionary Leave.

Q9: What happens if I do not encash my leave?

A9: If you choose not to encash your leave and you have leave that is more than 20 days, the leave balance above 20 days will be moved to the new leave type called Banked Discretionary Leave. Refer to the scenario table above.

Q10: What is the new forfeiture rule for Discretionary Leave?

A10: The status quo remains regarding the forfeiture rule for the current Discretionary Leave, where any balance above 24.998 days will be forfeited in June of each year.

Q11: What if I resign before using my Banked Discretionary Leave?

A11: At termination, your Banked Discretionary Leave balance will be paid out at the November 2024 cash salary rate in addition to other payable leave types. Refer to the scenario table above.

Q12: Who can I contact if I have more questions or need assistance?

A12: Please contact your designated People and Culture representative at your respective Business Unit for any further questions or assistance.

Q13: Is leave encashment taxable?

A13: Yes, leave encashment will be subject to tax.

Q14: Can I encash any other leave types besides Discretionary Leave?

A14: No.

Q15: What if my leave encashment request is rejected?

A15: No Discretionary Leave encashment request will be rejected, if that happens it might be because of reasons such as ineligibility, insufficient leave balance, missed deadlines and other reasons.

Q16: How is the leave encashment amount calculated?

A16: The leave provision calculation formula is as follows:

$$\text{Discretionary Leave Encashment} = \text{Discretionary Leave Days} \times (\text{Salary} + \text{Medical Aid} + \text{Monthly Bonus Accumulation}) / 21.67.$$

Q17: When will my Discretionary Leave encashment be paid?

A17: The Discretionary Leave encashment will be paid with the December 2024 Salary.

Q18: Can I cancel or amend my Discretionary Leave encashment after I have submitted it?

A18: Yes, by using the delete function on the submission screen or submitting additional days if your initial request was less than 30 days.