



**the dpsa**

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## **CIRCULAR NR 16 OF 2026**

**TO: ALL HEADS OF NATIONAL/PROVINCIAL DEPARTMENTS AND PROVINCIAL ADMINISTRATIONS**

**SUBJECT: NOTICE PERIOD FOR THE INCENTIVISED EARLY RETIREMENT PROGRAMME WITHOUT PENALISATION OF PENSION BENEFITS IN TERMS OF SECTION 16(6) OF THE PUBLIC SERVICE ACT, 1994, AND THE VOLUNTARY EXIT PROGRAMME FOR EMPLOYEES IN THE PUBLIC SERVICE FOR THE 2026/2027 FINANCIAL YEAR**

### **INTRODUCTION AND BACKGROUND**

1. A special cabinet meeting held on 10 April 2024 approved the introduction of early retirement without penalisation of pension benefits in terms of Section 16(6) of the Public Service Act 1994, as amended, and the voluntary exit programme for employees in the public service.
2. The approval by Cabinet includes an additional financial incentive for employees aged 55 to 59 years calculated at two (2) weeks' of basic salary per year for the first twenty (20) years of pensionable service; and one (1) week's financial incentive for each completed year of pensionable service thereafter.
3. In addition, Cabinet approved a financial incentive for employees aged 60 to 63 years calculated at two (2) weeks' of basic salary per year for the first ten (10) years of pensionable service; and one (1) week's financial incentive for each completed year of pensionable service thereafter.
4. Various options within the existing legal framework for human resources and finance were explored to maintain stability and to bring about future efficiency and productivity gains in all areas within the Public Service. All prescripts with respect to early retirement were considered based on the ongoing requests and queries from employees in the public service to exit without pension penalties.
5. It must be noted that the authority to grant early retirement (ER) without pension penalties, is vested within the relevant line department Executive Authority (EA) in terms of Section 16(6) of the Public Service Act (PSA), 1994, as amended or other sector legislation. This means that every EA has the discretion to approve or decline ERP requests for employees from the age of 55 to 59 years without pension penalties and VEP for employees aged 60 to 63, which are based on reasonable criteria set by the department.

- 6.** Employees from the age of 55 to 59 years, employed in terms of the Public Service Act, Correctional Services Act, Defence Act, South African Police Service Act, Employment of Educators Act and the Intelligence Services Act shall, subject to other contextual conditions set by the Ministers responsible for the Services, Educators and the Intelligence Services, be eligible to apply for the Early Retirement Programme (ERP). These ERP provisions apply to members of the Services, Educators, or members of the Intelligence Services in so far as they are not contrary to the laws governing their specific employment.
- 7.** Employees with less than ten (10) years of pensionable service are not eligible to apply for the ERP or VEP. Qualifying employees will be paid pension benefits in terms of the Government Employees Pension Fund formula. Employees appointed on contract or temporarily employed are not eligible to apply for the ERP or VEP. However, employees on contract such as Head of Departments (HODs) and Directors - General (DGs) are eligible to apply for the programme.
- 8.** Phase 1 of the programme concludes on 31 March 2026. In terms of the 2025/2026 Determination and Directive, the implementation of Phase II was planned to open from 01 April 2026 closing on 30 September 2026 for applications. However, due to limited funding available in the provisional allocation set aside for early retirement in 2026/27, the Medium-Term Budget Policy Statement (MTBPS) and the 2026 MTEF budget processes that needs to be followed, the period of application for central funding for the second Phase will run from 01 April 2026 to 30 June 2026. Departments will thereafter be allowed a period of one month to consolidate and forward all the relevant documents to National Treasury, meaning all approved applications must reach National Treasury by the 31 July 2026. Applications will therefore be considered on a first-come and first-served basis, and employees are encouraged to submit applications between April and June to ensure that they meet the deadline. Departments who wish to fund both the financial incentive and associated costs for eligible employees from their own budget baselines shall adhere to the timelines as set out in the 2025/2026 Determination and Directive.
- 9.** In view thereof, Executive Authorities are encouraged to release approved employees by the end of January 2027 to ensure that all payments by both employers and National Treasury are processed in the current financial year, to avoid overlapping to the next financial year.
- 10.** National government will provide funding to departments and government components, both nationally and provincially, who wish to utilise Section 16(6) of the PSA, 1994, (as amended) or applicable sector legislation. However, due to the limited funding available for the second phase, it should be noted that priority for the central funding will be given to big sector departments that are experiencing significant spending pressures within their compensation budgets. This will be on a first come first serve basis until the central funding set aside is exhausted.
- 11.** As outlined in clause 8.3 of the 2025/2026 Determination and Directive, the State may terminate the ERP and VEP if it has been oversubscribed.
- 12.** The NT funding guideline sets the criteria for early retirement funding to support ER payments and determines the timelines for departments to apply for the funding. Employees are advised to liaise with the HR departments to determine their estimated pension benefits before making personal decisions to apply.

13. The application process and central funding support for the financial year 2026/2027 will be open for applications from **01 April 2026** and closes on **30 June 2026**. For central funding support submissions must be sent to National Treasury from 01 July 2026 until 31 July 2026 to [ER Funding Info@treasury.gov.za](mailto:ER_Funding_Info@treasury.gov.za).
14. All submissions must include the fully completed and mandatory standardised ERP/VEP Motivational tool provided by the National Treasury.

The following officials responsible for ERP at the DPSA may be contacted:

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**Director-General (Acting): Department of Public Service and Administration**  
**Date:**