

PRESS RELEASE

Administrative Officers, Political, Judicial and Statutory Appointment Holders to get 4% to 21% pay increase

The Government will implement the second phase of the salary adjustment for Administrative Officers, Political, Judicial and Statutory Appointment holders in January 2008. The increases in annual salaries will range from 4% to 21%, comprising increases in monthly salaries as well as in performance bonuses.

The Government had in April 2007 announced salary adjustments in phases for the Administrative Officers, Political, Judicial and Statutory Appointment holders.

The first adjustment in April this year brought the Staff Grade I (MR4)¹ salary to \$1.6 million, which was 73% of the Year of Assessment (YA) 2006 benchmark of \$2.2 million². The target was to reach 77% of the YA2007 benchmark by the end of 2007, and 88% of the YA2008 benchmark by the end of 2008.

Benchmark changes

The Inland Revenue Authority of Singapore (IRAS) has now computed the YA2007 benchmark figure for MR4 as \$2.7 million³.

¹ The Staff Grade I (MR4) benchmark is pegged to two-thirds of the income of the 24th highest earner (median) among a group comprising the top 8 earners from 6 professions, namely bankers, lawyers, engineers, accountants, local manufacturers and MNCs (2/3M48).

² This is based on income tax data for Year of Assessment (YA) 2006, i.e. for income earned in 2005. The median income for the top 48 earners in YA2006 was \$3.29 million, with the MR4 benchmark at \$2.20 million.

³ This is based on income tax data for Year of Assessment (YA) 2007, i.e. for income earned in 2006. The median income for the top 48 earners in YA2007 was \$4.05 million, with the MR4 benchmark at \$2.70 million.

To bring the MR4 salary to 77% of the latest benchmark, the Government will:

- (1) increase the monthly salary by 14%;
- (2) increase the performance bonus norm by two months; and
- (3) take into account the value of the Government pension in the benchmark comparison, which the Public Service Division estimates to be 7% of the MR4 salary.

The actual MR4 annual salary will thus be revised to \$1.94 million.

The YA2007 benchmark for Superscale G (SR9)⁴ grade has also gone up, so that the SR9 salary is now 96% of the YA2007 benchmark. The SR9 annual salary will be increased by 4% to \$398,000, 100% of the benchmark. Administrative Officers on timescale grades will likewise see an average increase of 4% to their annual salaries.

Political, Judicial and Statutory Appointment holders will receive similar revisions to the Administrative Service. The allowance package for Members of Parliament, which is pegged to the SR9 salaries, will likewise be increased by 4% to \$225,000 per year.

All the salary revisions are non-pensionable as with all previous revisions after 1994. Hence there will be no increase in pension cost.

Commenting on the revisions, Mr Teo Chee Hean, Minister for Defence and Minister in charge of the Civil Service said: "This adjustment is a follow through of the April decision. Public sector salaries move up and down with the market. In this tight labour market, private sector salaries have moved up significantly, as the benchmark figures show. The Service needs to follow promptly in order to attract and retain good people."

"But we are careful to link rewards closely to performance. We have increased the proportion of annual salary that is variable. At the senior levels, as much as 50% of the annual salary is now performance-based," he added.

The overall cost of these revisions is estimated at \$27.6 million a year, of which \$17.5 million will be for the political, judicial and statutory appointment holders.

⁴ The Superscale G (SR9) benchmark is pegged to the income of the 15th top earner aged 32 belonging to the same 6 professions (15P32).

As the Prime Minister had announced in April, he is donating all increases in his own salary over the level before the April revisions to good causes for the next five years.

The Government will continue to monitor the benchmark movements and make further adjustments by end 2008.

Issued by: Public Service Division
Prime Minister's Office

Date: 13 December 2007

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FACTSHEET ON SALARY BENCHMARKS

1. The 1994 White Paper on *Competitive Salaries for Competent and Honest Government* established 2 private sector salary benchmarks to peg the salaries of Ministers and Administrative Officers. In 2000, a review of the White Paper made further refinements to the benchmarks. The benchmarks are based on the salaries of top earners from a basket of six professions (namely bankers, lawyers, accountants, engineers, employees of Multi-National Corporations and local manufacturers).
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3. The 2 benchmarks are currently defined as follows:
 - a **Staff Grade I (MR4)**: The annual salary of an Administrative Officer in Staff Grade I is pegged to two-thirds of the salary of the 24th highest earner (median) among a group comprising the top 8 earners from the 6 professions;
 - b **Superscale (SR9)**: The annual salary of an Administrative Officer in the entry Superscale grade is pegged to the annual salary of the 15th top earner aged 32 years belonging to the 6 professions.
4. The salaries of political, judicial and statutory appointment holders are pegged to these benchmarks. The entry grade for Ministers is pegged at Staff Grade I, and the higher appointments (for example, the President, Prime Minister, Chairman Public Service Commission, judges, etc) are set based on predetermined ratios to the Staff Grade I salary.
5. For the benchmark data, only earnings of Singapore citizens, Singapore Permanent Residents, and Malaysians working in Singapore are included.
6. The six professions have been selected as they are alternative professions that top calibre senior civil servants could have joined. Doctors and architects typically also earn high salaries. However, these professions are excluded because they require specialist skills.

7. The benchmarks are based on Principal Earned Income which has been taxed. These consist of earnings from the individual's primary source of employment and include monthly salaries, bonuses, stock options, partnership fees and commissions. Unearned and passive forms of income, such as dividends, rent and interest, are excluded.

8. Stock options are included in the salaries of the top income earners. However, the gains from stock options vested each year are discounted by 50%. This means we only take half of the stock option gains in the current year, as current year income. This is because the amount of stock options are usually accumulated over a few years, and the gains may be quite large. Taking the total gains would cause incomes to escalate, and is not a good reflection of the actual earnings.

9. The benchmark figures are audited by the Auditor-General every year.

End

Median Salaries of Top 48 Earners in the 6 Professions (M48) and Staff Grade 1 (MR4) Benchmark

	YA2007 (\$ mil)	% Increase over YA2006
M48	4.05	23%
MR4 Benchmark (2/3M48)	2.70	

Median Salaries of the Top 8 Earners in the 6 Professions in the Staff Grade I (MR4) Benchmark

Profession/Sector	YA2007 (\$ mil)	% Increase over YA2006
MNC	4.86	80%
Lawyer	4.65	9%
Banker	4.40	32%
Accountant	4.00	7%
Local Manufacturer	2.74	19%
Engineer	0.75	21%

Income of the 15th Top Earner Aged 32 in the 6 Professions – Superscale Grade (SR9) Benchmark

	YA2007 (\$)	% Increase over YA2006
SR9 benchmark (15P32)	398,000	10%

2008 Salaries of Key Appointments

Appointment	Grade	2008 Salary	
		Monthly (\$)	Annual (\$)
President	-	119,520	3,870,000
Prime Minister	-	115,920	3,760,000
Minister/ Senior Permanent Secretary	MR4	59,760	1,940,000
Entry Superscale Grade	SR9	18,240	398,000
Member of Parliament	-	13,710	225,000