



## PURCHASED LEAVE GUIDELINES

### 1. ABOUT THE ARRANGEMENT

Purchased Leave is additional leave “purchased” by setting aside a portion of salary to facilitate payment during the time it is taken. The payment of leave loading does not apply to Purchased Leave.

The Arrangement generally requires 12 months’ participation, whereby an employee can agree to take a reduced salary spread over 12 months and receives up to 4 weeks’ additional leave as follows:

Number of weeks salary spread over 52 weeks	Number of weeks additional leave purchased
48 weeks	4 weeks
49 weeks	3 weeks
50 weeks	2 weeks
51 weeks	1 week

Subject to approval by the employer, employees may take a reduced salary spread over a period of less than 12 months, ie 9, 6 or 3 months and receive an additional 1 week’s leave for each 3 months of reduced salary.

### 2. JOINING THE ARRANGEMENT

An employee can apply to join the Arrangement at any time by completing the *Purchased Leave Application Form* (Appendix 1) and submitting it to their manager.

Access to the Arrangement is subject to approval by the employer, taking into consideration operational requirements and the employee having met the requirements of the applicable Leave Management Policy. All requests must be dealt with in a reasonable and timely manner on the basis of fairness and equity.

Operational requirements may include:

- the availability of suitable leave cover, if required;
- the cost implications;
- the impact on client/patient service requirements;
- the impact on the work of other employees.

The authority to approve applications to participate in the Arrangement shall be in accordance with the applicable Delegation & Authority Schedule.

Approval for an agreed period does not imply approval of further periods of purchased leave. Additional approvals will be required.

## Department of Health, Purchased Leave Guidelines

A summary of industrial award/agreement clauses relevant to purchased leave is provided in Appendix 2.

### 3. COMMENCEMENT OF THE ARRANGEMENT

Subject to an employee's application being agreed to, participation in the Arrangement will commence from the earliest practicable pay period. The starting date cannot be backdated and will be prospective only.

Note: For Public Servants, this arrangement operates between 1 January and 31 December each year with quarterly commencement dates. An employee will need to apply to join the Arrangement in advance of the effective starting dates, which will be as follows:

Starting Date	Number of months that salary is spread over	Maximum Purchased Leave Permissible
1 January	12 months	Up to 4 weeks
1 April	9 months	Up to 3 weeks
1 July	6 months	Up to 2 weeks
1 October	3 months	1 week

### 4. HOW THE ARRANGEMENT OPERATES

#### GENERAL PROVISIONS:

- Purchased Leave will accrue on a pro-rata basis from the date of commencement of the Arrangement but may be taken in advance by employees, subject to the employer's approval.
- The amount of leave that can be taken at any one time and the commencement of such leave, is subject to approval by the line manager taking into consideration operational requirements. Generally Purchased Leave should be accessed in minimum periods of one week. However, by agreement between the employer and employee, Purchased Leave may be accessed in single days.
  - Purchased Leave must be taken within 12 months of commencing the Purchased Leave Arrangement.
  - Purchased Leave can not be used in substitution for annual leave, resulting in a carry-over and accrual of annual leave into the following year.
  - In the event an employee's ordinary working hours are varied during the year, the amount paid at the time of taking the Purchased Leave and the amount paid for residual leave will be adjusted to take into account any variations to ordinary hours during the accrual year.
  - In the event an employee takes any leave that affects their continuity of service, the Purchased Leave will be pro-rated and adjusted.

Note: The following provisions apply to Public Servants only:

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- Purchased Leave does not accrue; therefore, an individual electing to join the Purchased Leave Arrangement will have until the end of that calendar year (31st December) to clear the Purchased Leave.
- Any portion of Purchased Leave not utilised by 31 December will be paid out by the last pay period in January at the employee's current rate of pay. The lump sum payout will be taxed accordingly.

### 5. CALCULATION OF SALARY AFTER PURCHASING LEAVE

The annual salary payable after purchasing leave will be paid at a pro-rata percentage rate, which can be calculated using the formula below. Annual salary is your gross base salary inclusive of commuted allowances according to the terms of your industrial award/agreement.

**Pro-rata Percentage Rate =**

$$\frac{(\text{No. of weeks over which leave is purchased}) - (\text{No. of weeks of purchased leave})}{\text{No. of weeks over which leave is purchased}} \times 100$$

For Example:

<b>Formula</b>	<b>Example</b>
1) 4 weeks' leave purchased over 52 weeks:- $\frac{52 - 4}{52} \times 100 = 92.31\%$	1) If Level 5.1 normally pays \$49,628, then after purchasing 4 weeks' leave over 52 weeks, it will be reduced to:  92.31% of \$49,628 = \$45,811
2) 2 weeks' leave purchased over 52 weeks:- $\frac{52 - 2}{52} \times 100 = 96.15\%$	1) If Level 5.1 normally pays \$49,628, then after purchasing 2 weeks' leave over 52 weeks, it will be reduced to:  96.15% of \$49,628 = \$47,717

### 6. EFFECT ON ALLOWANCES AND LEAVE ENTITLEMENTS

The impact of a Purchased Leave Arrangement on allowances and leave entitlements is outlined in the attached *Appendix 3 – Impact on Employee Entitlements*.

Employees are strongly encouraged to consider the impact of Purchased Leave on their allowances and leave entitlements and discuss with their Human Resource Department prior to applying to join the Arrangement.

## **7. WITHDRAWAL FROM THE ARRANGEMENT**

By agreement between the employer and employee, employees may withdraw from the scheme. This must be done in writing and submitted to the employee's manager or supervisor.

Participation will cease at the end of the next practicable pay period and the employee will revert to normal salary at the beginning of the next pay period. The Purchased Leave that has been funded will be paid out in one lump sum at the earliest possible time and taxed accordingly. Alternatively, the employee may apply for the accrued funded leave to remain as leave to be cleared within the calendar year.

Where Purchased Leave has been taken in advance the employee must reimburse the Employer for any leave taken in advance which is in excess of their entitlement at the date of cessation.

## **8. CESSATION OF EMPLOYMENT**

If an employee resigns or retires they will automatically be withdrawn from the Arrangement. The total value of the self-funded leave reduction will be calculated and that portion not already taken as leave will be repaid to the employee in their final pay.

If an employee takes up employment in another public sector agency that has access to a Purchased Leave Arrangement, they may request to transfer their purchased leave.

If approved, transfer will proceed in accordance with *TI 520 Transfer of Employees* which provides for the portability of employee leave entitlements (including purchased leave) between agencies and specifies government policy in relation to the transfer of cash to the new employer in respect of the transferred leave. Transfer includes promotion, redeployment or any other means of permanent transfer that may occur between agencies. TI 520 includes the transfer of purchased leave provided the employee will continue in this Arrangement in the new agency.

The current employer is required to pay to the new employer the amount which the employee would receive if they had left the Arrangement and been compensated for the foregone salary.

## **9. FINANCIAL AND TAXATION ISSUES**

Employees are strongly encouraged to seek independent financial, taxation and superannuation advice prior to applying to join the Arrangement.

Generally, the reduction in salary over the Purchased Leave period will result in a reduction in the employee's taxable income and the amount of tax paid each fortnight.

## 10. SALARY PACKAGING

Employees who are salary packaging whilst participating in the Scheme are able to continue to package up to the approved percentage of their reduced salary.

## 11. SUPERANNUATION

The impact on superannuation entitlements of a Purchased Leave Arrangement will depend on the nature of the employee's membership in the Government Employees Superannuation Scheme:

- ***Contributory Lump Sum Scheme (Gold State):*** Contributions and benefits are based on pre-reduction salary and will continue to be paid as such while an employee participates in the Purchased Leave Arrangement.
- ***Pension Scheme:*** Contributions can be maintained at pre-reduction salary level and benefits can accordingly remain based on the pre-reduction salary. Provided the employee is contributing for not less than their optimum (Primary) unit entitlement prior to participating in the Purchased Leave Arrangement.
- ***Non Contributory Lump Sum Scheme (West State):*** Employer-sponsored superannuation contributions will be based on actual (reduced) salary.

Members of the West State Superannuation Scheme, who withdraw from the Purchased Leave Arrangement, will have employer contributions calculated on the cash salary received as a lump sum payment (where applicable).

Employees are strongly encouraged to seek advice about the implications for their superannuation prior to joining the Purchased Leave Arrangement.

The Government Employees Superannuation Board can also be contacted for further information.

## 12. WORKERS' COMPENSATION

Employees participating in the Scheme who go on workers' compensation will have workers' compensation payments calculated in accordance with the conditions of the *Workers' Compensation and Rehabilitation Act 1981*.

Periods where employees are in receipt of approved workers' compensation payments are treated as *non-participatory service* for the purpose of the Purchased Leave Arrangement.

During non-participatory periods employees will be paid at the rate they would receive if not participating in the scheme (ie as per the conditions of the *Workers' Compensation and Rehabilitation Act 1981*). If the period is unpaid leave, no salary will be paid.

## Department of Health, Purchased Leave Guidelines

Where a period of approved workers' compensation exceeds 6 months participation in the Arrangement will be terminated. Payment of the accrued salary will be made in one lump sum at the earliest possible time and taxed accordingly.