

Purchased leave

What is purchased leave?

Purchased leave is a voluntary arrangement between employees and their employers where employees may 'purchase' additional leave by reducing their annual salary. The conditions under which such agreements can be made are generally set out in your Award or employment contract.

How does purchased leave affect my superable salary?

If you enter into a Purchased Leave Agreement with your employer, you will have your annual salary adjusted commensurate with the number of leave days purchased. That is, you will have a new purchased leave rate of pay.

For members employed in NSW Public Service Departments or Agencies the salary rates will be based on the following:

- For the purchase of 20 additional days per year (4 weeks), the new salary rate will be 92.3% (48/52) of the ordinary salary rate or pro-rata equivalent.
- For the purchase of 10 additional days per year (2 weeks), the new salary rate will be 96.15% (50/52) of the ordinary salary rate or pro-rata equivalent.

Where a Purchased Leave Agreement is in operation, on your annual review day or at exit, your employer will report your purchased leave salary for that year, i.e. the reduced salary, as your superable salary.

Where a Purchased Leave Agreement is terminated, your salary is adjusted and the revised salary will be reported by your employer as your superable salary on the next Annual Review Day (31 December each year) or at exit.

How does purchased leave affect my contributions?

Your contributions are based on your superable salary at your last Annual Review Day and will therefore be based on the reduced salary that applies for the Purchased Leave Arrangement, which is reported by your employer.

After termination of a Purchased Leave Agreement and subsequent reporting of your higher salary at the next Annual Review Day, your contributions will be assessed on the higher salary.

How does purchased leave affect my SASS benefit?

Your employer-financed benefits are calculated using final salary or final average salary. Your final salary is the amount of salary for superannuation purposes, paid or payable on your exit date. Your final average salary is the average of the salaries for superannuation purposes, paid on your exit date and the two preceding Annual Review Days (31 December). Each of the SASS fact sheets that describe benefit payments specify which salary figure is used to calculate a specific benefit.

If the salary payable to you on your exit day or on an applicable Annual Review Day has been reduced by entering into a Purchased Leave Agreement, then it is this reduced salary that will be used to calculate your benefit.

If you terminate a Purchased Leave Agreement, then your regular salary will be reported as your superable salary on your next annual review day or at exit. However, it should be noted that if your final average salary is used to calculate your benefit, then the reduced salary as at an earlier Annual Review Day may still be used in calculating the final average salary used to determine your benefit.

The STC schemes are administered by Mercer Administration Services (Australia) Pty Ltd on behalf of the schemes' trustee, SAS Trustee Corporation (STC). STC is governed by the *Superannuation Act 1916*, the *State Authorities Superannuation Act 1987*, the *State Authorities Non-contributory Superannuation Act 1987*, the *Superannuation Administration Act 1996* and the *Police Regulation (Superannuation) Act 1906*. The schemes are also subject to Commonwealth superannuation and tax legislation.

STC has published this fact sheet. STC is not licenced to provide financial product advice in relation to the STC schemes or to their members.

Reasonable care has been taken in producing the information in this fact sheet and nothing in it is intended to be or should be regarded as personal advice. If there is any inconsistency between the information in this fact sheet and the relevant scheme legislation, the scheme legislation will prevail. In preparing this fact sheet, STC has not taken into account your objectives, financial situation or needs. You should consider your personal circumstances, and possibly seek professional advice, before making any decision that affects your future.

To the extent permitted by law, STC, its directors and employees do not warrant the accuracy, reliability or completeness of the information contained or omitted from this fact sheet.

How does purchased leave affect my basic benefit and AEC benefit?

Your basic benefit is calculated using either your final salary or your final average salary, in the same way as your SASS benefit. See STC Fact Sheet 10: *Basic Benefit* to determine when each salary is used.

If the salary payable to you on your exit day or on an applicable Annual Review Day has been reduced by entering into a Purchased Leave Agreement, then this reduced salary will be used in calculating your basic benefit.

If you terminate a Purchased Leave Agreement, then your regular salary will be reported as your superable salary on your next Annual Review Day or at exit. However, it should be noted that if your final average salary is used to calculate your basic benefit, then the reduced salary at an earlier Annual Review Day may still be used in calculating the final average salary used to determine your basic benefit.

The Additional Employer Contributions (AEC) that your employer makes each month are based on the salary that your employer reports on your Annual Review Day. As your Annual Review Day salary is reduced when you enter into a purchased leave arrangement your Additional Employer Contributions AEC will also be reduced.

The balance in your AEC account when you enter into a purchased leave arrangements does not change.

Is there anything else I need to consider?

Individual circumstances will vary. You should seek financial advice to determine how a Purchased Leave Agreement will affect your salary package and tax.

Fact sheets about related topics:

SASS Fact Sheet 6: *Salary for superannuation purposes*

STC Fact Sheet 10: *Basic Benefit*

STC Fact Sheet 20: *SANCS Additional Employer Contributions (AEC) Account*

More information

If you need more information, please contact us:

Telephone: **1300 130 095** (for the cost of a local call, unless calling from a mobile or pay phone)
8.30 am to 5.30 pm, Monday to Friday.

Personal interviews: Please phone 1300 130 095 to make an appointment.

Postal address: State Super, GPO Box 2181 Melbourne VIC 3001

Internet: www.statesuper.nsw.gov.au

Email: enquiries@stc.nsw.gov.au