

# Salary Sacrifice Purchasing Annual Leave Scheme

## Employee and Manager Guide

### Overview

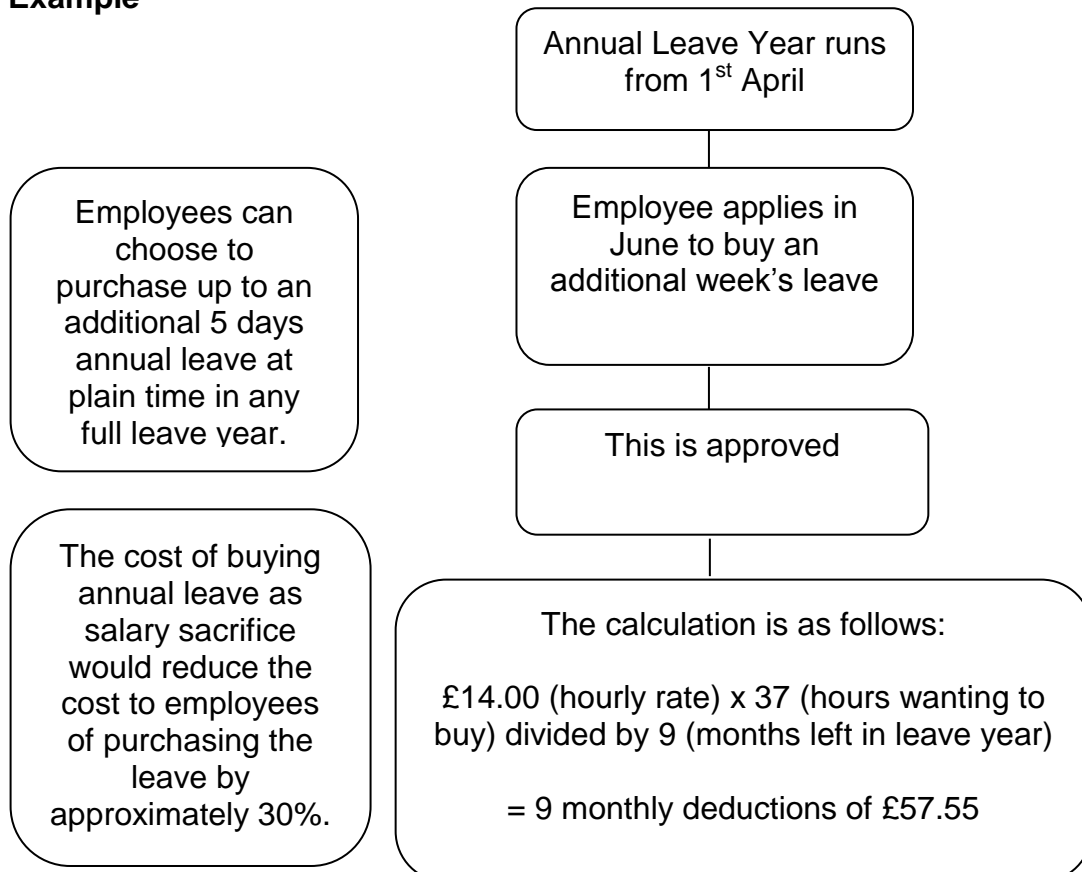
As part of our drive for greater flexibility and Smarter Working it is proposed to enable employees to purchase additional annual leave.

### Key Principles

- Employees must have completed their probationary period with the Council to take part in this scheme.
- Employees can choose to buy up to 5 days annual leave per year at plain time (pro rata for part time staff), ie the additional leave cannot be used for days that would normally attract an enhanced rate of pay.
- The minimum purchase is one full day for full time employees (pro rata for part timers).
- You can only buy annual leave once in any full leave year and this must be agreed by your Line Manager.
- The calculation will be based on your hourly rate at the time your request is approved and the costs will be recovered equally across the remainder of your leave year.

**NB: This policy does not apply to employees who are subject to Teachers' Pay and Conditions.**

### Example



Where an employee forgoes pay in return for additional days of holiday this is unpaid authorised leave of absence. In the 2008 Scheme the employer and employee were required to pay their respective contributions on the first 30 days of unpaid authorised leave of absence, with the contributions being based on the amount of remuneration the employee would have received but for the absence. However, in the 2014 Scheme, there is no requirement for contributions to be paid for the first 30 days of unpaid authorised leave of absence. Instead, it is the employee's choice as to whether or not to cover the period of absence for pension purposes. If the employee chooses to do so this will be by paying an age related Additional Pension Contribution (APC) or shared cost APC (SCAPC)\* to cover the amount of pension 'lost' during the period of authorised unpaid leave of absence.

\*It will be a SCAPC if the member elects within 30 days of returning from the leave of absence - with the cost of the APC contract split 1/3<sup>rd</sup> employee and 2/3<sup>rd</sup> employer. If they elect after the 30 day period the cost of the APC contract will be at full cost to the employee.

### **Example**

Please note the amount of pension 'lost' is calculated as the appropriate fraction of your assumed pensionable pay for that period lost ie 1/49<sup>th</sup> of your assumed pensionable pay if you were in the main section of the scheme. An example of how this may calculate is as follows:

Assumed pensionable pay for the year - £25,000

Pension accumulated for the year (1/49<sup>th</sup> so £25,000 divided by 49) - £510.20

Assumed pensionable pay for the year after purchase 5 days annual leave - £24,521

Pension accumulated for the year (1/49<sup>th</sup> so £24,521 divided by 49) - £500.43

Pension 'lost' (1/49<sup>th</sup> of the difference in assumed pensionable pay for the year) - £9.77 - **this is the amount that would need to be covered by an APC or SCAPC to ensure no detriment to pension**

It is worth noting it is the employee's choice as to whether or not to cover the period of absence for pension purposes not the Council's.

In our communications of this staff benefit we have not made any reference to the above as we weren't aware of this – as a consequence you may not be aware of this issue. In making an application to purchase additional days/hours annual leave you need to consider the implications of the above information and decide if you wish to proceed with your purchase of additional days/hours annual leave.

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### Frequently Asked Questions

Question	Answer
1. What is the benefit of buying additional leave under Salary Sacrifice?	The Scheme allows you to buy additional holiday by sacrificing some of your basic salary. The reduction to your salary will be calculated as your full time equivalent salary multiplied by the number of additional hours leave you wish to take and divided by 1924 (for full time employees). You will save tax and National Insurance Contributions (NIC) on the salary you sacrifice, as additional holidays do not attract income tax or NIC.
2. Will my pension be affected by Salary Sacrifice Schemes?	Please see information above which relates to pension impact.
3. Can I apply to purchase additional leave at any point during the leave year?	In theory this is possible, however this must be paid for in full before the end of the leave year and therefore monthly payments could be higher depending on when the leave application is made.
4. When will the payroll deductions start?	This will depend on when the application is made and how this coincides with payroll cut off dates.
5. I normally get time and a half for working on a Saturday. Can I use the additional annual leave that I've purchased for this?	The additional days leave purchased cannot be used for days that would normally attract an enhanced rate of payment.