

## DEFERRED SALARY LEAVE PLAN

### Background

The Division supports the operation of a deferred salary leave plan for its employees.

A deferred salary leave plan provides the Division and its employees an expanded range of employment and staff deployment options. In addition, the Division believes that provision of deferred salary leave may contribute to employee well-being and positively impact future job performance.

### Guidelines

#### 1. Statutory Requirements

- 1.1 Terms and conditions of the Deferred Salary Leave Plan shall be consistent with the requirements of the Canada Tax Act and related income tax regulations.

#### 2. Eligibility

- 2.1 All permanent employees of the Division, including administrative, teaching and support staff are eligible to participate in the plan.
- 2.2 No prerequisites regarding the intended use of the leave will be imposed as a condition of eligibility.
- 2.3 In order to participate in the plan, an eligible employee must complete and submit the required application form to the Superintendent by March 31 preceding the school year in which salary deferral is to begin (See *Forms Manual*).

#### 3. Approval

- 3.1 Participants in the plan will be selected at the Division's discretion with due consideration given to seniority and experience.
- 3.2 By May 15, following the receipt of the application to participate, the Superintendent shall advise each applicant of the Division's decision regarding the disposition of the request and, in the case of rejection, the reasons why.
- 3.3 If the Division grants approval, participation in the plan becomes effective September 1, immediately following the date of approval or, if such date is not agreed to by the Division, on a date which is approved by the Division.
- 3.4 Before becoming a participant, the Individual Agreement (See *Forms Manual*) must be executed by the staff member and the Superintendent.

#### 4. Financial Arrangements

- 4.1 During each school year prior to the leave of absence, for a maximum of six school years, the participants will receive the current salary to which he/she is entitled, less the percentage amount specified in Clause 3 of the Individual Agreement for the school year in question.
- 4.2 The percentage of current compensation deferred cannot exceed 33 1/3 percent of the employee's annual salary in any given calendar year; nor can the cumulative total deferred salary exceed the salary the employee would normally be entitled to in the year during which leave is to be taken.
- 4.3 The portion of the salary of each participant retained by the Division, including interest therein (until paid out in accordance with Clause 4.5), shall be pooled and invested by the Division in investments offered from time to time by an eligible investor. (Eligible investor means any Canadian chartered bank, trust company or credit union authorized to carry on business in the province of Alberta [who maintains Canada deposit insurance] and the Treasury Branches of Alberta.)
- 4.4 In consideration of the administrative services performed by the Division, the participant shall indemnify and save the Division harmless against any expense, claim or liability arising out of, or resulting from, such investments authorized in Clause 4.3.
- 4.5 Accrued interest shall be paid to the participant by December 31 of each year in which the participant is a member of the plan. (This interest is employment income and must be reported on a T4 rather than a T5)
- 4.6 By December 31 of each year, the Secretary-Treasurer shall make an annual report to each participant documenting the amount of salary deferred to date along with accrued interest.
- 4.7 The amount of income tax to be deducted is dependent upon the Division receiving a ruling from Revenue Canada that the Deferred Salary Leave Plan is acceptable to Revenue Canada and that the amount of income tax to be deducted may be computed on the actual salary received by the participant during each year of the plan.

#### 5. Taking a Leave of Absence

The taking of the leave of absence shall be governed by the following:

- 5.1 The leave of absence shall be for a period of twelve (12) months and shall be governed by administrative procedures.
- 5.2 The participant will receive twelve (12) equal monthly payments at the end of each month starting in September of the year in which leave is taken.
- 5.3 Monthly payments will be determined on the basis of total monies held by the Division on behalf of the individual participant minus deductions made by the Division under Clause 6.2 and 6.3 minus any monies required by law to be paid by the Division for or on behalf of the participant.

- 5.4 If the Division is unable to obtain a suitable replacement for a participant for the period of a leave of absence specified by the participant, the Division may, in its discretion, extend or postpone the deferral period on one occasion for one school year. Such decision is to be made by May 15 of the year in which the leave is scheduled to be taken. In such case, the participant may choose to remain in the plan or he/she may withdraw from the plan, in which case the Division shall pay to the participant the deferred compensation amount in one lump sum payment within sixty (60) days of withdrawal.
- 5.5 Notwithstanding the date shown in the Division-participant agreement for a requested leave of absence, a participant may, on one occasion only, with the consent of the Division given not less than four (4) months prior to the scheduled date, postpone such leave for one year.
- 5.6 Notwithstanding Clauses 5.4 and 5.5, there can be no postponement in the case of a six-year plan since income tax regulations state that the deferred salary must be paid in the seventh year.
- 5.7 A participant, during the year of leave under the plan, shall not accumulate nor be entitled to:
- 5.7.1 Experience increments.
  - 5.7.2 Statutory holidays, maternity, sick or any other leaves and promotions.
- 5.8 The Division will make reasonable efforts to place the participant, upon return from his/her leave, into a position no less favourable than that held prior to the leave.
- 5.9 A participant shall return to his/her regular employment upon expiry of the leave and provide service for a period at least equal to the period of the leave of absence.
- 5.10 The period of leave of absence shall not interrupt the continuity of the participant's service with the Division. After participation in the plan, the participant's salary and benefits will be as set out in the agreement then in force between the Board and the association governing such matters. Subject to Clauses 5.8 and 5.9, a participant, on return to duty following the leave shall be reinstated at the same level of experience as that which existed prior to the commencement of the school year in which leave under the plan was taken.
- 5.11 Should a participant fail to report as required in Clause 5.9, such participant shall be deemed to have abandoned both the position and his/her contract of employment with the Division, and the Division may, without any further notice to said participant, forthwith fill the position with someone other than the participant, and the Division shall not be responsible for any income tax or other consequences of the participant's failure to return to work pursuant to Clause 5.9.

## 6. Fringe Benefits

- 6.1 While a participant is enrolled in the plan, any applicable health and welfare benefits computed with reference to salary shall be structured according to the current compensation amount.
- 6.2 The Division will continue paying its share of applicable health and welfare benefits for a participant during the non-leave school years of the plan.
- 6.3 The Division will maintain applicable health and welfare benefit coverage for a participant during the year of leave under the plan, provided such participant assumes the full responsibility of paying the total costs for said benefits save the employer's portion of Canada Pension Plan and unemployment insurance contributions.
- 6.4 A participant may not receive wages or salary from the employer or from any person with whom the employer does not deal at arms length during the leave except for the amounts contemplated by the plan.
- 6.5 This plan is not established to provide benefits to participants on or after retirement.

## 7. Withdrawal

- 7.1 A participant who ceases to be employed by the Division must withdraw from the plan. Within sixty (60) days, the Division shall pay to the participant the deferred compensation amount and accrued interest.
- 7.2 A participant may apply to the Division to withdraw from the plan in the event of financial or other hardship at any time prior to March 1 in the year in which the leave of absence is scheduled to occur. The Superintendent shall approve the request to withdraw from the plan. Within sixty (60) days of approval by the Superintendent of the withdrawal request, the Division shall pay to the participant the deferred compensation amount and accrued interest.
- 7.3 Should a participant die, the Division shall, within sixty (60) days of notification of such death, pay the deferred compensation amount to the participant's estate subject to the Division receiving any necessary clearances and proofs normally required for payment to estates.
- 7.4 In the event of withdrawal, the Division shall deduct from the deferred compensation amount any withdrawal fee as established by the investor.

## 8. Suspension From Financial Participation in the Plan

- 8.1 A participant may give notice to the Division stating that the participant wishes to suspend his/her participation in the plan for one school year effective September 1 immediately following such notice. In this case, the Division, until further notice as provided in Clause 8.2, shall pay the current compensation amount to the participant as if he/she were not participating in

the plan. However, the amount previously retained by the Division, and interest thereon in accordance with Clauses 4.1, 4.2, and 4.5, shall continue to be held by the Division until the participant withdraws from the plan or takes the leave of absence.

- 8.2 A participant who has suspended financial participation in the plan in accordance with Clause 8.1 may give notice to the Division advising that he/she wishes to become reinstated in the plan, in which case, on September 1 immediately following the reinstatement notice, the participant shall participate in the plan for the remaining years.
- 8.3 A participant may not suspend his participation in the plan more than once.
- 8.4 Suspension of participation under Clause 8.1 shall not change the year established for the leave of absence unless notice is given to the Superintendent before March 1 in the year of intended leave.

#### 9. Six Year Maximum on Deferral

Any postponement or suspension of the taking of the leave which extends the deferral period beyond six (6) years requires the Division to pay to the participant all amounts held under the plan no later than the end of the first taxation year following the six-year deferral.

#### 10. Termination or Amendment of Plan

- 10.1 The plan may be amended or terminated by the Board only after consultation with the local associations. Any amendment(s) shall be binding upon all present and future participants.
- 10.2 No amendment shall be made to the plan which will prejudice any tax ruling which is applicable to the plan prior to the amendment.