

Background

Pembina Hills School Division provides eligible employees with the opportunity to finance a future leave of absence through the deferral of a portion of their salary over a period of time, which is then paid during the leave of absence.

The deferred salary leave plan is a prescribed plan under the Canada *Income Tax Act* and will be governed by its terms and conditions.

Definitions

Accrued Interest means the amount of interest earned on the deferred amount in accordance with clause 3.3.

Current Compensation Amount means the annual total compensation that an employee would reasonably be expected to receive had they not participated in the Deferred Salary Leave Plan, including their appropriate salary and any allowances.

Deferred Period means a period of one to six years, inclusive, during which a portion of the employee's current compensation amount is retained by the Division on behalf of the employee.

Eligible Employee means an employee who is:

- a certified teacher employed by the Division who possesses a continuing teaching contract with the Division and has completed three years' continuous service; or
- a full time employee who has completed three years' continuous service with the Division.

Eligible Investor means

- any Canadian chartered bank, or trust company authorized to carry on business in the Province of Alberta and who maintains Canada Deposit Insurance; and
- any Credit Union authorized to carry on business in the Province of Alberta or the Alberta Treasury Branches of Alberta.

Leave of Absence or Leave Period means a six to twelve month period taken immediately following the deferral period.

Participant means an eligible employee who has completed a Deferred Salary Leave Plan Agreement ([Form 4-27](#)) and whose application for participation in the plan has been approved by the Superintendent or designate in accordance with clause 2.3.

A. Application for the Deferred Salary Leave Plan

1. The leave of absence shall be for a full school year.
2. The Deferred Salary Leave Plan is not intended for the employee to pursue a career with a different employer or pursue a different position within the Division. Participants in the plan shall not receive wages or salary from the Division.

3. Eligible Employees must make written application to the Superintendent on or before March 31st preceding the school year in which salary deferral is to begin by completing [Form 4-27](#).
4. All applications will be reviewed by the Superintendent prior to April 15th following the receipt of the application to participate.
5. No more than two teachers and no more than two support staff employees shall be approved per year.
6. The approval of each application is the sole responsibility of the Superintendent. The Superintendent, by May 15th of that year, will advise each applicant of the status of their application, including, in the case of rejection, the reasons why. The Superintendent's decision is final and not subject to appeal.
7. If approval is granted, the participation in the plan becomes effective September 1st following the date of approval, or a date agreed to by the Superintendent and the eligible employee.
8. Once an application has been approved, it will not be changed except as provided for by this Administrative Procedure.

B. During the Deferral Period

1. During the deferral period, the participant will receive their current compensation amount less the deferred amount which the employee has specified in the Deferred Salary Leave Plan Agreement and less statutory deductions and other withholdings.
2. Income tax and Canada Pension Plan (CPP) withholdings will be based on the salary less the deferred amounts, while Employment Insurance (EI) withholdings are based on the gross salary (salary including deferred amounts).
3. While enrolled in the Plan, any applicable health and welfare benefits calculated with reference to salary shall be structured according to the current compensation amount.
4. The Division will pay its share of applicable health and welfare benefits for a participant during the non-leave school years of the Plan.

Amount Deferred

- During each school year prior to the leave of absence, for a maximum of six school years, the participant will receive the current compensation amount less the amount specified in the Deferred Salary Leave Plan Agreement.
- The amount deferred cannot exceed thirty-three and one third percent (33 1/3%) of the employee's current compensation amount.
- The amount deferred will be retained by the Division for each participant, including interest, and shall be deposited to a trust deposit account of the eligible investor which the Secretary Treasurer chooses. In making such determination, the Division shall not be liable to any participant for any investments made which are authorized by this clause.

Non-Liability of Division

- The Division shall not be liable to any participant or participants for the acts or defaults of each other or for any error in judgment or for any act of omission or commission in the administration or management of the monies retained, provided such monies have been invested in an institution authorized by the provision of this Administrative Procedure.
- The Division shall not be liable to any participant or participants for any loss suffered in respect to any investment or investments of the monies retained, whether complete loss or partial loss, either direct loss or indirect loss, provided the investment or investments were made in an institution authorized by the provision of this Administrative Procedure.

Payment of Accrued Interest

- Accrued interest shall be paid to the participant by December 31st of each year during participation in the Deferred Salary Leave Plan.

Reporting to Participants

- The Secretary Treasurer or designate shall report annually to each participant as to the deferred compensation amount held. The annual report shall be made no later than September 30th of each year.

C. Taking the Leave of Absence

1. The Leave of Absence will normally commence immediately following the Deferral Period.
2. Outstanding vacation credits shall be utilized prior to the commencement of the leave, unless arrangements are approved by the Superintendent.
3. Two months prior to the scheduled Leave of Absence, the participant will provide the Superintendent with written confirmation of their intention to commence the leave on the date specified in the Deferred Salary Leave Plan Agreement.
4. The Division will maintain applicable health and welfare benefit coverage for a participant during the Leave Period, provided the participant assumes the full responsibility of paying the total costs for said benefits.
5. Teachers would not contribute to the Teacher Retirement Fund while on leave unless attending an educational program. Enrollment in a minimum of three courses is required.

Payment During Leave

- Payroll will end the deferral amount on the participant's payroll record and will calculate the amount to be paid in monthly installments to the participant.
- Each installment will be the equivalent of the Deferred Amount, divided by the number of monthly pay periods of the leave. In no event shall payment be made more frequently than monthly.
- The first installment will commence the first month of the leave of absence.
- During the Leave Period, income tax and Canada Pension Plan (CPP) withholdings will be based on the amounts received as per the Canada Revenue Agency (CRA).
- During the period of leave the participant may not receive regular salary, other than the deferred salary from the Division. Sabbatical leave does not constitute regular salary.

Delaying or Failure to Take the Leave of Absence

- The employee or the Division may postpone the Leave Period for one school year as follows:
 - Suitable replacement – if the Division is unable to find a suitable replacement for the participant, the Superintendent or designate may defer the leave of absence for one school year.
 - This decision will be made no later than three months prior to the scheduled leave.
 - The participant may choose to remain in the plan or withdraw.
 - If the participant chooses to withdraw, the Division will pay in one lump sum, the deferred compensation amount. Such payment will be made within 60 days of the date of withdrawal.
 - Leave postponement – participants may request, on one occasion only, to postpone the Leave Period for one school year.
 - Request for leave postponement, with reasons for the postponement, must be submitted to the Superintendent six months prior to the scheduled leave date.

- The Superintendent will review the request and render a decision.
- Due to Income Tax regulations, the Leave Period must start by the end of the sixth year after salary deferral commences.

D. Returning from the Leave of Absence

1. Immediately following the Leave of Absence, the employee will return to regular employment for a service commitment of a period not less than the period of leave.
 - a. The employee will provide written confirmation of their return to work date at least two months prior to the end of the Leave Period.
 - b. The Division will make reasonable efforts to place the participant into a position similar to that held prior to the leave.
 - c. After completion of the Leave Period, salary and benefits will be assigned as follows:
 - Employees governed by the Alberta Teachers' Association (ATA) will receive salary and benefits as outlined in the current collective agreement.
 - All other employees' salary and benefits will be determined by the Division, but will be related to the salary they would have received if the leave had not been taken. No experience increments will be recognized for the year of leave.
 - d. If the employee fails to return to service at the end of the Leave Period, it will be deemed that the employee has abandoned both the position and their contract of employment with the Division. The Division will not be liable for a reassessment of taxes or any other consequences due to the participant's failure to return to work.

E. Withdrawing from the Deferred Salary Leave Plan

1. Withdrawal from the Deferred Salary Leave Plan may occur upon:
 - a. termination of employment. A participant who ceases to be employed by the Division will, within 60 days of termination, receive the Deferred Compensation amount and any outstanding interest in one lump sum payment.
 - b. voluntary withdrawal. A participant may withdraw from the Plan at any time prior to four months before the date on which the leave of absence is to commence. Within 60 days of withdrawal, the Division will pay to the participant the deferred compensation amount and any outstanding interest in one lump sum payment.
2. Should a participant die while contributing to the Deferred Salary Leave Plan, the Division will, within 60 days of receipt of notification of such death, pay the deferred compensation amount to the participant's estate, subject to the Division receiving any necessary clearance and proof normally required for payment to estates.
3. In all cases, the Division shall deduct from the deferred compensation amount, any withdrawal fee as established by the investor.

F. Temporary Suspension and/or Reinstatement in Participation of the Deferred Salary Leave Plan

1. Participants may request, on one occasion only, to temporarily suspend their participation in the Leave Plan for a period of one school year effective September 1st immediately following approval.
2. A participant wishing to temporarily suspend the Deferred Salary Leave Plan must provide written notice to the Superintendent.
3. During the suspension, the Division will pay the participant the current compensation amount as if they were not participating in the Plan. The amounts retained by the Division prior to the suspension, less all interest paid to the employee, will continue to be held by the Division until the Participant withdraws from the Plan or takes the Leave of Absence provided for under the Plan.

4. The participant will be reinstated in the plan following the period of suspension.
5. The Deferral Period may be extended by the period of suspension, but the total of the deferral period and the leave period may not exceed six years.

G. Amendment of the Deferred Salary Leave Plan

1. In the event of a conflict between a provision of the Plan and any applicable legislation, the Plan will be changed to conform to such legislation.
2. In the event of changes to legislation which affects the taxability of benefits under this Plan, the employee will be liable for any tax payable.

Reference

[Canada Income Tax Act](#)

[Income Tax Regulation section 6801](#)

[CRA Prescribed Salary Deferral Plans or Arrangements](#)

[Form 4-27 Deferred Salary Leave Plan Agreement](#)