

# DEFERRED SALARY LEAVE PLAN GUIDE for NSTU Members



*Information From the NSTU*



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## **1. PURPOSE OF PLAN**

The Deferred Salary Leave Plan affords members the opportunity of taking a one (1) year or the equivalent of a six (6) month leave of absence and, through deferral of salary, finance the leave.

## **2. ELIGIBILITY REQUIREMENTS**

Any member who has a permanent contract with an RCE/CSAP/APSEA is eligible to participate in the plan. The permanent contract does not have to be a 100% position. *Canada Revenue Agency* requires employment by the RCE/CSAP/APSEA (Employer) for a minimum of five years.

## **3. IMPORTANT DATES AND PROCEDURES**

**March 1** – Withdrawal date from plan

**April 30** – Application deadline

**June 15** – Notification deadline for acceptance or rejection for teachers

### ***Deferred Salary Leave Plan Procedures***

#### **1. Step One**

Obtain information booklet entitled *Deferred Salary Leave Plan Guide for NSTU Members* from the NSTU (1-800-565-6788) or also on-line at [www.nstu.ca](http://www.nstu.ca). This booklet contains specific information concerning the plan.

#### **2. Step Two**

Teachers interested in participating in the plan, make application to the Regional Executive Director/Superintendent by April 30th in the year prior to commencement of the plan. Official application forms are available from the RCE/CSAP/APSEA (Human Resources Department).

#### **3. Step Three**

By June 15th of the application year, the applicant will receive written acceptance or denial of the request. If denial is received, the application cannot be pursued as decisions of the RCE/CSAP/APSEA (Employer) are final and non-grievable.

#### **4. Step Four**

If granted, the member finalizes all financial arrangements in consultation with staff of the *Teachers' Plus Credit Union* and staff of the RCE/CSAP/APSEA (Employer).

#### **5. Step Five**

Arrange with RCE/CSAP/APSEA's (Employer's) Payroll Department for payment of premium costs of all insurance benefits and pension deductions prior to entering the year of deferred leave.

### **4. DEFINITION OF TERMS**

*Source – Canada Revenue Agency ATR39 Deferred Salary Leave Plan*

**“Eligible Employee”** means a full-time member who has been employed by the employer for a minimum of five years.

**“Leave of Absence”** means the twelve (12) month period commencing at the beginning of the school year. At no time shall the Leave of Absence be less than six (6) consecutive months.

**“Deferred Compensation Amount”** means the portion of the Current Compensation Amount which is retained by the employer for the Participant in each year.

**“Deferral Period”** means the number of years for which compensation is deferred.

**“Participant”** means an eligible employee who has completed a Memorandum of Agreement and whose application for participation in the Plan has been approved by the employer.

**“Current Compensation Amount”** means the total compensation payable by the employer to the participant for the year, in accordance with the current collective agreement in force between the Employer and the Provincial Teachers' Association.

### **5. FEDERAL GOVERNMENT REGULATIONS**

- The year of deferral cannot commence more than six (6) years from the date of entry into the plan. This permits, at most, a 6 over 7 plan.

- Amount deferred in a year cannot exceed thirty-three and one-third percent (33 1/3%) of salary.
- To maintain enrolment in the plan, a minimum contribution of 5% of annual salary must be made.
- No salary is received from the Employer during the leave of absence. Members cannot substitute teach with the Employer.
- Interest is taxed in the year it is received and paid during the year of leave over the appropriate number of pay periods.
- A member must return to work for the same Employer or one who participates in the same or similar arrangement for time equal to the period of deferral (i.e. 6 months or 1 year).
- A member who ceases to be employed must withdraw from the plan and all accrued monies, including interest, must be paid to the member in one lump sum.
- If a member ceases to be employed and is employed by another Employer, all accrued monies, including interest must be transferred to the more recent Employer.
- A period of leave is not counted as insured employment with respect to salary received from the Employer. Members on a one (1) year plan are not eligible for maternity sub plan benefits the year following their year of leave. Members on a six (6) month deferred salary leave plan should check with the Employment Insurance office to ensure eligibility.
- All funds deferred must be paid to the member by the end of the first taxation year commencing after the end of the deferral period.

*Source – ATR39 – Deferred Salary Leave Plan, Canada Revenue Agency*

## **6. BENEFITS TO PARTICIPANTS**

- Income tax is paid on the amount deferred in the year received.
- Pension benefits continue to accrue during the period of leave.

## **7. APPLICATION PROCEDURE**

- A teacher must make written application to the Regional Executive Director/Superintendent or designate on or before April 30th of the school year prior to the school year the salary deferment plan is to commence, requesting permission to participate in the plan.
- Written acceptance or denial of the member's request, with explanation, shall be forwarded to the member by June 15th in the school year the request is made.
- Approval of individual requests to participate in the plan shall rest solely with the Employer and a refusal by the Employer to approve an application shall be final and non-grievable.

## **8. CONTRACT BENEFITS STATUS**

- While a member is enrolled in the plan, and not on leave of absence, any benefits tied to salary level shall be structured according to the salary the member would have received had they not been enrolled in the plan.
- A member's insurance benefits will be maintained during the leave of absence; however, the premium costs of all insurance benefits shall be paid by the member during the leave of absence period. Arrangement to be made with the RCE/CSAP/APSEA (Employer).
- Sick leave credits shall not accumulate and cannot be used during the period spent on leave.
- Pension deductions shall be continued during the leave. The leave shall count as pensionable service.
- Pension deductions shall be made on the salary the member would have received had the member not entered the plan or gone on leave.
- Effective April 2, 2009, a member is eligible to apply for Professional Development grants.
- On return from leave, a member shall be assigned to the same position, or, if due to declining or changing FTE, member shall be governed by the appropriate terms of their Regional Agreement.

## 9. DEFERRED SALARY LEAVE PLAN CONTRACT

- All members wishing to participate in the plan shall be required to sign a contract before final approval for participation is granted. Contract forms are available from the RCE/CSAP/APSEA (Employer).
- Once entered into, the contract provisions concerning percentage of salary and year of leave may be amended by mutual agreement between the member and the RCE/CSAP/APSEA (Employer). Such amendments shall be within the boundaries of the legislation governing the plan.

### Members enrolled in a one (1) year plan

#### The following will be forwarded to the Employer:

- January of each year of deferral, T4-A for interest for the preceding calendar year

#### At commencement of Leave of Absence

Statement sent from *Teachers' Plus Credit Union* to your RCE/CSAP/APSEA (Employer) will indicate:

- Amount deferred
- Accrued Interest (paid over 26 pay periods)
- Total in Fund (total amount deferred plus accrued interest)
- Taxable amount per payment (amount of deferred less interest)
- Non-taxable amount per payment (interest included in cheque)

#### January during the leave of Absence Year

- "Cheque" for interest – August to December (pay-down interest)
- T4-A for interest – January to December (includes pay-down interest from August – December)

#### August following the Leave of Absence Year

- "Cheque" for interest – January to July

*(\*this amount should not appear on T4 issued to the member by the Employer)*

## **January following the Leave of Absence Year**

- T4-A for interest – January to July

## **Members enrolled in a six (6) month leave plan**

### **(a) If you take your leave of absence starting in August:**

The *Teachers' Plus Credit Union* will send the RCE/CSAP/APSEA (Employer) 13 payments to include:

- Amounts Deferred
- Accrued Interest to August
- Taxable amount of “cheque” (deferred amount less interest)
- Non-taxable amount of “cheque” (Interest included in “cheque”)

### **January During Leave of Absence Beginning in August:**

T4-A for interest from January to December (January to August on amounts in deferred account; August to December on interest earned on the amount left in the deferred bank account)

### **March immediately following leave of absence beginning in August**

Payment for interest earned on the amount left in the deferred bank account from August until February

### **January following Leave of Absence Period**

T4-A for interest earned on the amount left in the deferred bank account for January and February

### **(b) If you take your leave starting in February:**

### **January prior to leave of absence**

T4-A for interest earned from January to December

### **At commencement of Leave of Absence in February**

- 13 payments
- Statement showing total amount in deferred fund including accrued interest
- Taxable amount (deferred amount less interest)
- Non-taxable amount (interest only)

### **August following period of leave**

- “Cheque” for interest from February to August

### **January following Leave of Absence period**

- T4-A for interest from January to August (January and February for amounts deferred and interest earned on the amount left in the deferred bank account from February to August)

## **10. EXTENSION REQUEST**

If a member wishes to extend the *Deferred Salary Leave Plan* beyond the time frame originally agreed upon, that member must request the extension in writing from the Employer. If the extension is granted a teacher must pay a minimum 5% of annual salary to maintain enrolment in the plan.

## **11. WITHDRAWAL FROM THE PLAN**

- A teacher may withdraw from the plan any time prior to March 1st of the calendar year in which the leave is to commence. Any exception shall be at the discretion of the RCE/CSAP/APSEA (Employer).
- Members may, under exceptional circumstance such as serious illness, death, resignation or early retirement, withdraw from the plan at any time during the year(s) of deferral provided the withdrawal is approved by the RCE/CSAP/APSEA (Employer). Such approval shall not be unreasonably withheld.
- If a member withdraws, the member shall be paid a lump sum adjustment equal to any monies deferred plus accrued interest. Repayment shall be made as soon as possible within sixty (60) days of withdrawal from the plan.
- If a member withdraws from the plan any time during their period of leave, an administration fee of \$500.00 shall be applied by the *Teachers' Plus Credit Union*.

## 12. FINANCIAL INFORMATION

### A. CALCULATION OF INTEREST

1. The number of interest calculations in a year will equal the number of pay periods in a year (26).
2. The rate is determined on the last day of each month by taking the average of the Plan 24 savings account at *Teachers Plus Credit Union*, and a one, three and five year non-redeemable term deposit. The rates for term deposits shall be the average of those quoted by *Teachers Plus Credit Union*, Royal Bank, Scotia Bank, CIBC, TD Canada Trust, and Bank of Montreal.
3. The interest rate is then applied to the balance in the member's account on the day prior to each payday. The balance includes both the salary deferred and the interest earned.

#### One Year Leave

- Interest will also be earned on the pay-down of deferred amounts during the period of leave.
- Members' T4-A slips are sent to the RCE/CSAP/APSEA (Employer) by the *Teachers' Plus Credit Union* and in turn forwarded to the member.
- Interest, however, remains in the account with the whole amount divided into 26 pay periods for a one year of leave and 13 pay periods for a six (6) month leave.
- A statement is sent to the RCE/CSAP/APSEA (Employer) when the member begins the leave. The *Teachers' Plus Credit Union* makes the Employer 26 or 13 payments depending on the length of leave requested.
- For members enrolled in a one (1) year leave plan, pay-down interest is paid in August immediately following the year of leave.
- A T4-A will be issued for pay-down interest and interest earned from January to August will be issued in January during your year of leave and January following your year of leave.

## **Six Month Leave Plan**

- Interest remains in the account with the whole amount divided into 13 pay periods for a six (6) month leave. This will include amounts deferred from August until February for those taking their leave from February to August.
- For members enrolled in a six month leave plan, who are taking their leave in August, the pay-down interest for the period from August to February is paid in one cheque on the 1st of March.
- For members enrolled in a six month leave plan, who are taking their leave in February, the pay-down interest for the period from February to August is paid in one cheque on August 1.
- For those on a six (6) month leave beginning in August, they will receive a T4-A in January for interest on the pay-down period from August to December and another T4-A in January following the period of leave for pay-down interest for January and February.
- For those on a six (6) month leave plan beginning in February, they will receive a T4-A in January prior to taking their leave for interest accumulated on amounts deferred from January to December and another T4-A the January following their leave for interest accumulated in January and February and pay-down interest from February to August.

## **INTEREST IS TAXABLE IN THE YEAR IN WHICH IT IS EARNED**

### **B. DEDUCTIONS**

*Assume: Member Deferring 20%*

<b>Deductions</b>	<b>Years of Deferral</b>	<b>Year Leave</b>
EI	100%	0
CPP	80%	Deferred Amount
TPP	100%	100%
Union Dues	\$850.00	\$850.00
Income Tax	80%	Deferred Amount

## C. PAYMENT OF FUNDS FOR WITHDRAWAL

### ***Total in Fund:***

This includes amounts deferred and accrued interest (*only the amount deferred is to be taxed by the RCE/CSAP/APSEA (Employer).*

January following withdrawal, the member receives a T4-A for interest from January until the time of withdrawal.

## D. SALARY PAYMENTS FOR THE LEAVE OF ABSENCE

- (a) On July 31, the total deferred amount plus accrued interest to the credit of the member is divided by the number of pays according to the duration of the plan. This determines the salary for each pay.
- (b) Interest continues to accumulate on the pay-down and is credited to the member's account the day prior to each pay day.
- (c) Pay-down interest earned for those taking a one (1) year leave shall be paid in two installments: one in January of the year of leave and one in August following the year of leave.
- (d) Pay-down interest earned for those taking a six (6) month leave starting in August shall be paid in one cheque on March 1st.
- (e) Pay-down interest earned from those taking a six (6) month leave starting in February shall be paid in one cheque on August 1st.

## 13. COMMON QUESTIONS

**Q. *When does my leave of absence commence if I enrol for six (6) month leave of absence.***

**A.** There are two possible periods of leave. You can leave August 1 or February 1. However, you must include either July or August in your six (6) month leave of absence period.

**Q. *Am I permitted to retire immediately following a deferred leave of absence?***

**A.** No. The plan is not to provide for benefits on retirement. A member must return to employment for a period of time equal to the length of the leave.

**Q. *How long do I have to be teaching before I can enrol in the deferred salary plan?***

**A.** You must hold a permanent contract and be employed for a five (5) year period. The five years can include employment with Employer as a term contract teacher or substitute but you must have permanent contract at time of application.

**Q. *I am currently enrolled in a one (1) year deferred salary plan. Can I switch to a six (6) month leave plan?***

**A.** Yes. You must make application to your Regional Executive Director/ Superintendent (Employer) requesting an amendment to your plan. This must be done at least 6 months prior to the beginning of the school year in which you are scheduled to take your leave of absence.

**Q. *Am I an active member of the Nova Scotia Teachers Union while I am on leave of absence.***

**A.** Yes, as you pay full dues during your leave of absence.

**Q. *Do I have to study during the leave of absence period?***

**A.** No you can study, travel, work or just sit and watch the time go by.

**Q. *Do I have to tell the RCE/CSAP/APSEA what I intend to do?***

**A.** No, but it probably would be wise to do so. Consider the following. There are two members in the science department, both apply for leave, one gives the reason, one does not. Both applications cannot be accepted as it would wipe out the department. Whose application is likely to be approved, the one who gave the reasons or the one who did not?

**Q. *Can the RCE/CSAP/APSEA reject the plan?***

**A.** No, the plan is provincial and in the Teachers' Provincial Agreement. The RCE/CSAP/APSEA must consider each application and act upon it. The RCE/CSAP/APSEA can accept or reject an application but not the plan.

**Q. *Is the leave of absence period pensionable time?***

**A.** Yes, the period of leave will count as pensionable time.

**Q. *In the leave of absence period, is the interest paid out as salary or as interest earned?***

**A.** The interest comes to you as salary received and not as interest earned.

**Q. *Do I receive interest on the depreciating balance for the leave of absence period?***

**A.** Yes, it is calculated in exactly the same manner as in the years of deferral.

**Q. *Is there a minimum amount which can be deferred?***

**A.** Yes, the percentage of annual salary deferred in any one (1) year shall not be less than 5%.

**Q. *Is there a maximum amount which can be deferred?***

**A.** Yes, 33 1/3% of salary in any year.

**Q. *What is the difference between salary earned and salary received?***

**A.** The salary earned is 100% of salary before deferral takes place. The salary received is the reduced amount after deferral.

**Q. *Do I have income tax and other deductions taken from 100% of salary or the reduced amount during the period of deferred leave?***

**A.** During the period of deferral, Income Tax and Canada Pension Plan contributions are paid on the reduced salary. Long Term Disability and Teachers' Pension Plan contributions are based on 100% of salary.

During the leave of absence period, Income Tax is paid on the deferred amount received less interest. Canada Pension Plan contributions are based on the salary received and Salary Continuation and Teachers' Pension Plan contributions are based on 100% salary.

**Q. *What about Employment Insurance deductions?***

**A.** During the period of deferral, deductions are based on 100% of salary. However, no deductions are made during the actual leave of absence. Therefore, the leave of absence is not counted towards insured employment for EI purposes.

**Q. *Are members on deferred salary leave eligible for EI benefits under the maternity sub-plan?***

**A.** The *Canada Revenue Agency* does not recognize the year of deferred leave as a leave of insurable earnings for Employment Insurance benefits. Therefore, a member would not be eligible for maternity leave sub plan benefits the year immediately following the year of leave until the member has worked 600 insurable hours in the previous 52 weeks. By agreement with the NSTU, each RCE/CSAP/APSEA reports that members work an eight (8) hour day for EI purposes.

Employment Insurance Regulations do not allow a member under contract to collect EI benefits excepting maternity, parental and sick leave benefits. However, it does allow a member on the year of deferred leave to open a claim during a non-teaching period. Once a claim is opened it remains open for a fifty-two (52) week period.

Female members in the year of the leave of absence may wish to open a claim during the Christmas break of that year. This would allow female members to be eligible for EI benefits and Maternity Sub Plan benefits during the August 1 to December 31 period of the year returning from the leave of absence.

It is important to note that a member's eligibility for EI benefits and the Maternity Sub Plan would expire on December 31 of that year and eligibility would not be restored until the member has worked 600 insurable hours in the year following the leave of absence.

Members who, in a leave of absence, work for another employer would accumulate insurable hours and provided they have worked 600 insurable hours would be eligible for EI benefits and Maternity Sub Plan benefits in the year returning from the leave of absence.

- Members on a six (6) month leave of absence should contact their local EI office to determine eligibility.

**Q. *What happens if I am going on maternity and parental leave and I am enrolled in a deferred salary leave plan?***

**A.** Members are required to contribute at least 5% in each year of the plan prior to the year of leave. Therefore, a member on maternity and parental leave may need to amend the agreement to make sure the member contributes at least 5% during the regular salary period or from the maternity top up in any one school year. Mutual agreement between the member and RCE/CSAP/APSEA is required in order to amend the Agreement.

**Q. *Can I remain in the plan if I take a full year leave of absence when I am required to be deferring salary into the plan?***

**A.** No, if you are a public school teacher or APSEA teacher you must withdraw from the plan because you are unable to make the minimum 5% contribution. Canada Revenue Agency allows a person to suspend contributions for one year but the contract does not permit it.

**Q. *May I arrange to have premium costs for insurance benefits deducted from my direct deposit during my period of leave?***

**A.** Yes, provided you give the Employer at least sixty (60) days notice prior to commencement of the leave.

**Q. *May I withdraw from the plan?***

**A.** A member may withdraw from the plan at any time prior to March 1st of the calendar year in which the leave is to commence.

Members may, under exceptional circumstances such as serious illness, death, resignation, or early retirement, withdraw from the plan at any time during the year(s) of deferral provided the withdrawal is approved by the Employer. Such approval shall not be unreasonably withheld.

## **REFERENCES**

- A. Article 39: Deferred Salary Leave Plan – Teachers’ Provincial Agreement**
- B. Appendix B, Teachers’ Provincial Agreement**
- C. Article 38: Deferred Salary Leave Plan – APSEA Collective Agreement**
- D. Appendix B, APSEA Collective Agreement**

Further information may be obtained by contacting:

**Member Services Department**

Nova Scotia Teachers Union

3106 Joseph Howe Drive

Halifax, NS B3L 4L7

1-800-565-6788

[www.nstu.ca](http://www.nstu.ca)







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