



**HR.3.7.2
DEFERRED SALARY LEAVE**

Section: Human Resources (HR)
Subject: Leaves (Paid and Unpaid)
Legislation:
Effective: June 11, 2004
Revision: September 1, 2016 (reformatted)

APPROVED: _____
President and CEO

POLICY

The policy of the Board of Governors is to provide SAIT 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. The deferred salary will be received during the leave of absence period. The funded leave program(s) is intended for the employee’s personal or professional development with the additional understanding that the employee will subsequently return to work at SAIT.

PROCEDURE

GOVERNING PRINCIPLE

The Employee Funded Leave of Absence Program provides all SAIT employees with the opportunity to take a leave with partial pay, financed by deferring salary to the period of leave.

PROCEDURE

A. Description

1. The program offers the advantage of financing a leave of absence by deferring a dollar amount of not less than 10% and not more than 30% from gross basic monthly salary, using before-tax dollars.
2. The terms of a leave under this program (the release period) must be no fewer than six consecutive months and not more than twelve consecutive months, as approved by the participant’s manager. The release period will start on the first day of a month and end on the last day of a month.
3. The contribution period is the period immediately preceding the release period.

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PROPOSED

4. The contribution period and contribution rate must provide for at least 60% regular gross salary during the release period.

B. Eligibility

1. Any permanent SAIT employee may apply to participate in the program.
2. Employees must submit their applications to their immediate supervisor at least three months prior to the proposed commencement in the program. Complete the HR17 Deferred Salary Leave Application form.
3. Applications shall be reviewed by the employer who will notify each applicant at least one month prior to the proposed start of the contribution period.
4. The selection criteria for applicants will be determined by the employer.
5. If the employer approves an employee's application, the employee shall, without undue delay, either sign a contract or withdraw the application. The signed contract will be countersigned by an Employee Services representative on SAIT's behalf and a copy returned to the employee.
6. On the agreed date, following approval of the contract, the employee becomes a participant in the program.

C. Funding

1. Contributions retained by SAIT shall be held in trust and at SAIT's discretion be pooled for investment purposes as stated in policy [FN.9.1 Investment of Funds](#). Monies shall be invested and reinvested by SAIT, at SAIT's sole discretion, in accordance with appropriate legislation.
2. Interest earnings in each calendar year will be paid to the staff member on December 31 as investment income.

D. Contributions

1. Contributions will be determined as a percentage of gross monthly salary.
2. During the contribution period, SAIT shall withhold each month from each participant the amount as agreed upon in the program contract.
3. The contribution rate may be changed once in a calendar year as long as the requirements of paragraph A.4 of this procedure are met.
4. During the contribution period, the reduced gross salary will be reported as employment income.

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E. Release Period Payments

1. During the release period SAIT shall return to each participant the amount contributed in equal monthly installments less normal deductions made by SAIT under Section F of this procedure and any other deductions required by law be made on behalf of the participant.
2. The release period may be postponed on one occasion, for up to one year by the:
 - a) Institute for operational reasons.
 - b) Participant with the approval of the manager.

For any postponement, notice in writing will be required at least four months prior to the commencement of the original release period.

3. A participant may on one occasion request through the participant's manager to interrupt contributions for a period of up to twelve months. Participation in the plan shall be reinstated on the first of the month following the approved interruption period. Notwithstanding an interruption in contributions, in no event will the deferral period exceed six years.
4. Both the timing and the duration of release period are subject to SAIT's approval.

F. Deductions and Benefits

1. During the release period, employees will be entitled to maintain all benefit plan coverage. Salary related benefit plans shall during all relevant times be based on and related to normal gross salary. The employee will continue to pay employee contributions to such plans in effect during the release period through payroll deduction. SAIT will maintain the payment of the corresponding employer contributions, if any, during the release period.
2. Salary before deferral is to be considered the salary for pension purposes for members participating in the Deferred Salary Leave Program.
3. During the contributory period, SAIT shall deduct and remit pension contributions based on gross monthly salary.
4. To meet Local Authorities Pension Plan (LAPP) regulations, contributions will be made during the period of the leave. Upon return to work, if the employee has more than 12

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months leave in the employee's employment history, LAPP will advise the employee of any further contributions owing.

5. During the contributory period, SAIT shall report as employment income a reduced amount determined by subtracting the employee contributions. Income Tax and Canada Pension Plan deductions shall be based on this reduced amount.
6. All payments from the program, except interest, whether release period payments as provided in Section E of this procedure or special refunds as provided in Section G of this procedure, shall be treated as employment income and shall be subject to Income Tax and Canada Pension Plan deductions.
7. During the contributory period, SAIT will deduct Employment Insurance premiums because earnings during the leave period are not insurable.

G. Special Circumstances

1. If a participant dies during the contributory period, SAIT shall pay the named beneficiary the total of the participant's contributions plus interest, within a period of thirty days following proof of death.
2. If a participant dies during the release period, a single payment shall be made to the beneficiary. This payment shall be equal to the balance of the contributions plus interest remaining in the participant's account.
3. Contributions shall continue during any period of casual or general illness leave. Contributions during any period of long term disability shall be at the sole discretion of the employer.
4. A participant who ceases to be employed by SAIT is not eligible to continue in the program. SAIT shall pay such a former participant, by the last day of the month following the date of termination, the total of that participant's contributions plus any interest earned.
5. If participants encounter financial difficulties because of circumstances beyond their control, they may apply to the employer for release of their agreement. Such application shall be in writing to the vice president responsible for employee services and shall outline the circumstances. Upon approval, participation shall be terminated forthwith and SAIT shall pay within thirty days the total of contributions plus any interest earned.
6. If a participant transfers to another school/department at SAIT, that employee will be eligible to continue in the program dependent on the operational needs of the new school/department. If the employee and the employer cannot reach agreement on the employee continuing in the deferred salary leave program, Employee Services will make arrangements for a refund of contributions and any interest earned.

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7. An employee covered under these terms and conditions shall be returned to the employee's former position or be placed in another position at a comparable salary level upon return to work. An employee granted leave under these terms has a return to work commitment equal to the release period.
8. If the release period is not taken as provided under the plan document, all amounts held will be paid in the first taxation year that commences after the end of the deferral period.
9. If taxation modifications occur and these modifications affect the integrity of the program, the program may be terminated.

H. Regulatory Requirements

1. There is a requirement of a return service commitment equal to the length of leave.
2. All amounts held for the employee under the program must be paid to the employee no later than the end of the first taxation year that begins after the last month of contributions.
3. The total elapsed time from the start of the contributory period to the end of the release period must not exceed seven years.
4. The release period must be not fewer than six consecutive months that is to commence immediately after a period not exceeding six years after the date on which the deferrals for the leave of absence commenced.
5. Withdrawal from the program is permissible only for financial reasons beyond the employee's control.
6. The program cannot be combined with retirement options to facilitate early retirement.
7. During the release period, the employee is not permitted to receive salary amounts (other than the deferred earnings, or special allowances and taxable benefits) from SAIT, or a SAIT-affiliated partner.
8. Employment Insurance Regulations dictate that earnings during a leave of absence are not insurable.

I. Other Considerations

1. Any complaint arising out of the above noted terms and conditions shall be referred to the vice president responsible for employee services. The complaint will be reviewed and a final and binding decision will be rendered.

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2. All vacation entitlement for the current year in excess of five days and all overtime shall normally be added to the period of leave at the beginning of the leave of absence. Vacation entitlements do not accrue during leave; therefore, consideration should be given to retain sufficient vacation entitlements to adequately provide for usual vacation in the year following return from leave.
3. Participants will not be eligible for any other paid leave, vacation, or holidays during the release period.
4. Anniversary dates will not be changed by participation in the salary leave plan.
5. If four or more consecutive months have elapsed since the employee's previous performance summary review prior to departure on leave, the employee and the immediate supervisor shall complete a performance summary review.
6. If any provincial or federal act or regulation changes the provisions of the Deferred Salary Leave Program, the program will be adapted to adhere to those changes or shall be cancelled in its entirety and all contributions, plus any interest earned, will be refunded to the contributors.

POLICY/PROCEDURE REFERENCE

- HR.3.7 Employee Funded Leaves policy
- HR.3.7.1 Four for Five Salary Leave procedure

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