

Policy Number (if applicable):

Approved by: Presidents and Vice-Presidents

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Position Responsible for Developing and Maintaining the Policy: Assistant Vice-President, Human Resources Services

Contact Department: Human Resources Services, Employee & Labour Relations

A. INTENT

Deferred salary leave affords employees in TMG the opportunity to take a leave of absence funded solely by the employee through the deferral of salary over a defined period, which is then paid over the period of the leave.

B. ELIGIBILITY AND APPLICATION

1) All active continuing employees having three or more years of service with the University are eligible to apply to participate in the deferred salary leave plan.

2) An employee who desires a deferred salary leave will make a request in writing to her/his supervisor at least three months prior to the requested commencement of salary deferral. The supervisor will forward the request to the appropriate Dean or Envelope Manager for approval, and copy the Director of Employee/Labour Relations.

3) The employee will be notified of the granting or denial within one month of submitting the application to their supervisor. Once approved, the employee and supervisor will sign a Deferred salary Leave Agreement.

4) An employee who is appointed to a different department during the period of salary deferral must obtain approval from the new department head for continued participation in the deferred salary leave. Upon the employee requesting continuing participation in the deferred salary leave, the employee shall be provided the prospective manager's approval or denial prior to the employee's acceptance of the appointment. Should continued participation not be approved, the deferral will end according to paragraph 21.

C. DEFERRAL AND LEAVE PERIODS

5) Employees may apply for a leave of absence for periods of six to twelve months, financing such a leave through deferral of salary.

6) Salary may be deferred via the 20% or 25% plans as follows:

(i) 20% of salary deferred each pay and where the duration of the deferral period is 4 times the duration of the leave period, for example:

Deferral of Salary		Leave Period
Percentage	Number of Months	Number of Months
20%	48 months	12 months
20%	24 months	6 months

(ii) 25% of salary deferred each pay and where the duration of the deferral period is 3 times the duration of the leave period, for example:

Deferral of Salary		Leave Period
Percentage	Number of Months	Number of Months
25%	36 months	12 months
25%	18 months	6 months

In the period of the leave, the employer will pay to the employee the total of the deferred salary in equal instalments less statutory deductions conforming to the regular pay periods and bank deposits.

7) The portion of salary that is deferred will be held in a University trust account for each employee. Interest will be credited to the account and paid to the employee annually during the deferral and leave periods. The interest is taxable in the calendar year in which it is earned and will be reported on the appropriate CRA form.

8) Service will continue to accrue during the period of the leave.

D. BENEFIT ELIGIBILITY AND PAYMENT

9) During the salary deferral period, benefit eligibility and calculation are as follows:

Benefit	Entitlement Arrangement
Extended Health	· As normal
Dental	· As normal
Long Term Disability	· Calculated on base salary before deferral as normal
Life Insurance	· Calculated on base salary before deferral as normal
Sick leave	· Calculated on base salary before deferral as normal
Paid Holidays	· Calculated on base salary before deferral as normal
Vacation	· Accrued at normal rate and taken in accordance with deferred salary arrangement
Pension	· Pensionable years of service credited and based upon annual salary before deferral as normal

10) During the leave period, the employee shall continue to participate in the group benefit plans, provided the employee pays employee and employer premiums as follows:

Benefit	Entitlement Arrangement
Extended Health	· Option of benefits *, pending employee's payment of employee and employer premiums.
Dental	· Option of dental *, pending employee's payment of employee and employer premiums.
Long Term Disability	· Employee is not eligible for LTD during leave
Life Insurance	· Based upon base salary before the leave period with continuation of normal cost sharing arrangements.
Sick leave	· No benefit provided
Paid Holidays	· Earned during leave, and considered taken during leave
Vacation	· Earned during leave, and considered taken during leave.
Pension	· Option of pension *, pending employee's payment of employee and employer contributions. · Employees cannot enrol in more than one employer pension plan concurrently.

** Employees must declare their intention to take such an option at least one calendar month prior to the commencement of the leave. Prior to this date the employer will provide on request the estimated costs of these options. If no timely declaration is made it will be deemed an election to decline the option.*

11) While on leave and during the period of deferred salary payment, benefits will be based on the employee's base salary as at the last day of work in the salary deferral period.

12) Employees may apply during the period of salary deferral for an educational or developmental leave to coincide with the period of leave. In the event such an application is granted, the normal cost sharing of benefits will apply.

13) Employee entitlement to Tuition Assistance and the Tuition Bursary for dependents will continue in the period of the leave.

14) Employees will be entitled to access McMaster University's Athletics and Recreation Facilities and Programs at employee rates in the period of the leave.

E. STATUTORY DEDUCTIONS

15) The employer will make the required statutory deductions from the deferred salary payments.

(a) Statutory Deductions While Working and Participating in Salary Deferral Arrangement

- **CPP Premiums:** deductions made on the net salary (base salary + taxable benefits less deferred amount)
- **Income Tax:** deductions made on the net salary (base salary + taxable benefits less deferred amount)
- **EI Premiums:** deductions made on the base salary + applicable taxable benefits

(b) Statutory Deductions Applicable to Deferred Salary Payment While on Leave

- **CPP Premiums:** employee and employer deductions made on the deferred salary payment
- **Income Tax:** deductions made on the deferred salary payment
- **EI Premiums:** no deductions made on the deferred salary payment

(c) T4 Reporting: deferred salary payment is reported in the T4 year in which it is paid to the employee.

F. RETURN TO WORK

16) On return from the deferred salary leave period, the employee's salary will be set in the Band for their position at the same compa-ratio as they held on the last day prior to the leave.

17) Upon completion of the deferred salary leave, an employee will be entitled to return to the position she/he held immediately prior to the commencement of the leave, if that position still exists. If the position no longer exists, the University will endeavour to locate and offer the employee a suitable alternative position if available; if the University determines that a suitable alternative position is not available, the employee's employment will terminate and the employee will be given notice of termination or pay in lieu thereof in accordance with the requirements of the Employment Standards Act, 2000 and will be offered a separation package that the University deems appropriate in all of the circumstances.

18) In accordance with government regulations and the Income Tax Act, upon completion of the leave, an employee must return to the employer for a period equal to or greater than the length of the leave. In addition, during the leave the employee may not receive any salary or wages from the employer, or from any other person or partnership with whom the employer does not deal at arm's length.

G. OTHER PROVISIONS

19) Upon request, employees may have access to their employee e-mail account for the period of the leave, subject to University policies.

20) Under Parking and Transit Services rules and regulations, employees may choose to suspend a parking permit for the period of the leave, and the respective payment for such permit. Employees may resume their parking permit at the end of the leave. Employees are responsible to contact Parking and Transit Services to initiate a change in parking permit status.

21) During the deferral period, employees who are appointed to another position without agreement of the "new" supervisor to continue the deferred salary leave plan, or who are terminated will be required to withdraw from the deferred salary leave. Upon withdrawal, all of the deferred salary and accrued interest shall be paid to the employee. Payment will be made as soon as possible, but no later than sixty days after denial of continuation in the program by the "new" supervisor, or resigning, or receiving notice of termination. Such payment will be subject to required statutory deductions and reporting.

22) A participant may withdraw from the plan at any time up to a date three months prior to the commencement of the leave. Deferred salary and accrued interest will be returned to the participant as soon as possible, but no later than sixty days after submitting his/her notice of withdrawal. Such payment will be subject to required statutory deductions and reporting.

23) The commencement of the leave portion of the deferred salary leave will be postponed for the amount of time equivalent to that of a Pregnancy/Parental Leave, or time away from work due to a workplace injury (WSIB) that occur during the salary deferral period.

24) Should an employee die during the deferral period, the deferred salary and accrued interest will be paid to the estate of the deceased.

25) Participation in a self-funded leave plan could have implications for pension provisions and income tax. Employees are encouraged to become fully aware of the effects of the plan.

26) At the outset of the leave period, payment and benefits will be outlined in a letter to the employee.

27) Other than the foregoing, the employer shall assume no cost other than the administration of the deferred salary plan.