



INFOSHEET

Programs and Services



Number

9

2016-09-01

Deferred Salary Leave Plan

Eligibility

Tenured teachers are eligible for enrollment in the Deferred Salary Leave Plan. For reasons related to continuity of service, probationary teachers are not able to participate.

Application

Interested teachers must apply to the school district prior to April 30 of the calendar year in which they intend to commence participation in the DSLP. Applications should be sent to the attention of the regional Senior Education Officer for Human Resources. In turn, the school district must notify the teachers by June 15 of acceptance or denial of their request. Approval of DSLP applications is at the discretion of the school district. However, as the collective agreements point out, an explanation must be provided if a teacher's application is denied.

Payment Formula and Leaves of Absence

The plan, as per Article 51 of the Provincial Collective Agreement (Article 57 of the Labrador West Collective Agreement), provides for three leave options: a two over three, three over four, and four over five program. This means, in essence, that depending on the option chosen, a teacher would work on reduced salary for two, three or four years and then be entitled to a leave of absence with accrued monies being paid. In this regard, all monies held back during the initial working years of the plan are held in trust for the teacher and, during the year of leave, the teacher is paid accumulated money plus compounded interest in a manner consistent with the collective agreements.

Labrador Benefits

Pursuant to the provisions of the Labrador Benefits Agreement, teachers in Labrador are not entitled to the

Travel Allowance under that agreement during the year of leave under the DSLP.

Terms of Reference

Upon returning from leave, the teacher shall be given the same or a comparable position in the same school (subject to Article 9 of the Provincial Collective Agreement, Article 47 of Labrador West Agreement), unless it is mutually agreed between the teacher and the employing school district that the teacher return to a particular position.

It is important for teachers to realize that leave under the DSLP shall be credited as teaching experience for the purposes of (a) seniority, (b) sick leave, (c) salary increments, (d) pension and (e) severance. In the event that a teacher, while on Deferred Salary Leave, enters into employment with another school board, there shall be no duplication of the above benefits accruing to the teacher as a result of that employment.

A teacher may withdraw from the plan at any time prior to April 15 of the calendar year in which the leave is to be taken. In such a case, all monies accumulated, plus interest earned, must be repaid to the teacher within 60 days of the notification of withdrawal from the plan. Additionally, in the event that a suitable replacement cannot be hired for a teacher who had been granted leave, the board may defer the year of leave. In this instance, the teacher may choose to remain in the plan or s/he may withdraw and receive monies and interest accumulated to the date of withdrawal. A teacher also has the right to postpone the taking of the year of leave by notifying the employer not later than April 15 of the calendar year in which the leave is to be taken. However, the year of leave must be taken no later than six years from the original date of entering the plan.

Taxes

There are a few points teachers should be familiar with when entering the Deferred Salary Leave Plan. First of all, the funds contributed to the plan are not classified as earned income and will not be included on T4 forms while a teacher is contributing to the plan. During the year of leave, funds withdrawn from the plan will be subject to income tax in the year they are received. Please bear in mind that the total funds withdrawn will be reported as income over the two taxation years; however, only the principal amount invested will be shown on T4's.

The interest earned on DSLP funds accrues daily and is credited to the plan at the end of each month. A T5 will be issued at the end of each year.

Teachers who terminate plans prior to the year of leave should be aware that the principal amount invested will be classified as taxable income in the year of withdrawal. This will likely result in higher taxes being applied since the total income received will increase in that year. Consideration should be given to reducing overall tax payable via deduction/tax credits, for example, an investment such as a Registered Retirement Savings Plan.

Pensions

There is no loss of pensionable service due to participation in the DSLP. Pension contributions are made on the full salary the teacher would have earned had s/he not been enrolled in the plan. Also, all years count as worked years/pension service for the purpose of retirement eligibility.

Group Insurance

Teachers enrolled in the DSLP will maintain coverage and benefits under the NLTA group insurance program. There will be no reduction in protection and coverage for any year in the plan, including the year of leave.

Return to Work and Retirement

Federal taxation legislation requires employees to return to work after the period of leave for a time equal to the leave duration, i.e. in the case of the NLTA plan, one school year. Therefore, teachers are prohibited from taking the year of leave immediately prior to retirement. Since the NLTA plan is registered with the authorities, compliance with the legislation is mandatory. Teachers are advised to plan their program design accordingly.

Variations of Program Design

Once a teacher has selected a DSLP design, it cannot be altered for the duration of the plan. Example: If a teacher initially chooses the 2/3 option, this cannot subsequently be changed to the 4/5 option. With the permission of the employing district, the teacher may defer the year of leave as long as the leave is taken not later than six years after the date on which the teacher entered the plan. In the interim, all deferred monies remain in trust until the actual leave year.

Changing School Boards When Enrolled Under the Plan

If a teacher becomes employed with a different school district while enrolled in a DSLP, the new district must be informed of the teacher's participation in the plan.

Teaching While on the Year of Leave

Federal taxation legislation prohibits individuals from receiving salary from their employer during the leave year. Teachers may, however, enter into employment with another school board if they wish, or they may seek employment in another field. They should, though, inform the new employer of their contractual status with the original board. Teachers who enter into employment with another school board during their year of leave cannot receive pensionable service for both the year of leave and the new teaching contract. Should double premiums be deducted, they would be refunded.

Employment Insurance

The year of leave is not considered "employment" by Revenue Canada for EI purposes, and accordingly, there are no deductions for EI premiums during the leave year. Therefore, in the school year after the year of leave, a teacher will not be eligible for EI benefits unless the teacher has worked in another job during the leave year.

Conclusion

Many teachers find the DSLP to be an excellent means of financing a year of leave to pursue travel, family time, professional improvement, other employment, or really any interest an individual might have.

When considering applying for the DSLP, teachers should look very closely at the detailed provisions that are contained in the collective agreements (Provincial Collective Agreement, Article 51; Labrador West Collective Agreement, Article 57). Application forms are normally available from the school district office but can also be obtained from the NLTA

Employee ID Empl Rcd Effective Date _____
 Social Ins No. mm/dd/yyyy

Employee Name _____
 Address: _____

 District Code
 Location/School

- I wish to:**
- Apply for Deferred Salary - (Complete Section A and sign below)
 - Cancel Deferred Salary - (Complete Section B and sign below)
 - Change/Defer Deferred Salary Options (Complete Section C and sign below)

Section A - Apply for Deferred Salary

School Year of Enrollment / School Year of Leave /

Select Option: A: Two out of Three Years B: Three out of Four Years C: Four out of Five Years

_____ mm / dd / yyyy
 Teacher Signature

_____ mm / dd / yyyy
 District Authorizing Signature

Section B - Cancel Deferred Salary Plan

I wish to cancel my involvement in the Deferred Salary Plan.

_____ mm / dd / yyyy
 Teacher Signature

_____ mm / dd / yyyy
 District Authorizing Signature

Section C- Change/Defer Deferred Salary Options

School Year of Enrollment / School Year of Leave /

Select Option: A: Two out of Three Years B: Three out of Four Years C: Four out of Five Years

_____ mm / dd / yyyy
 Teacher Signature

_____ mm / dd / yyyy
 District Authorizing Signature

_____ mm / dd / yyyy
Workforce Changes Completed By

Teachers Payroll Office Use Only

Deferred Salary Deductions	
Option	Deduction Code
A: Two out of Three Years	E00205 - Deferred Salary (33 1/3 %) TE
B: Three out of Four Years	E00206 - Deferred Salary (25%) TE
C: Four out of Five Years	E00207 - Deferred Salary (20%) TE

_____ mm / dd / yyyy
Payroll Changes Completed By:

DEFERRED SALARY LEAVE PLAN

Schedule G

Memorandum of Understanding

I have read the terms and conditions of the Deferred Salary Leave Plan and hereby agree to enter the Plan under the following terms and conditions:

(1) Enrolment Date

I wish to enroll in the Deferred Salary Leave Plan commencing

(2) Year of Leave

I shall take my leave of absence from the _____

School Board from _____ to _____.

(3) Financial Arrangements

The financing of my participation in the Deferred Salary Leave Plan shall be according to the following schedule:

(a) two out of three years _____

(b) three out of four years _____

(c) four out of five years _____

DATE

TEACHER

WITNESS



Financing a Year of Deferred Salary Leave

by GEORGE TUCKER

“The deadline to apply for enrolment in the DSLP beginning in September is April 30 of the previous school year.”

The Deferred Salary Leave Plan (DSLSP) is available to any tenured teacher in a permanent position covered by the NLTA Collective Agreement. The terms of reference and other details of the DSLSP are set out in Article 51 of the provincial contract (Article 57 of the Labrador West Collective Agreement). Many teachers find the DSLSP an excellent means of financing a year of leave to pursue travel, family time, other employment, further studies, or any interest(s) one might have. Leave under the DSLSP is fully credited for purposes of pension, seniority, severance pay, salary increments, and sick leave. The plan is registered with the Canada Revenue Agency (CRA), which does not allow the year of leave to be taken as the last year before retirement. **The deadline to apply for enrolment in the DSLSP beginning in September is April 30 of the previous school year.** So, a teacher wanting to start paying in to a DSLSP in September 2017 would have to submit his/her application to the school district by the end of April 2017. The application forms and other information can be accessed on the NLTA website at http://files.nlta.nl.ca/wp-content/uploads/public/documents/forms/dsl_application.pdf.

While the DSLSP provides an excellent opportunity for personal and professional rejuvenation, it is important to understand the economic realities of taking a deferred leave. NLTA Administrative Officers in Programs and Services are often asked what the “difference” is in take-home pay while participating in the DSLSP. We cannot provide specific financial details or advice to members because each individual’s situation is different and all financial matters, such as salary levels, income tax rates, CPP and EI contribution rates, etc. are subject to change. Accordingly, the information provided herein contains rough estimates only.

The following comparisons of net salary for a teacher on full salary versus the various DSLSP options are **rough calculations for illustrative purposes only**. Each individual teacher’s situation will be different. The estimates are based on the salaries

that were in effect as of September 2016, as per the collective agreements that are currently in effect. Taxes deducted vary for each teacher and they are approximations only, based on information provided by Teacher Payroll. EI and CPP deductions are based on 2017 formulae. All estimated figures are rounded to the nearest dollar. Teachers participating in the DSLSP continue to pay pension premiums based on the full, unreduced salary. EI premiums are paid on the full salary, but are not paid during the year of leave. Therefore, teachers may not be eligible for EI benefits in the year following the year of deferred salary leave, which may have implications for those wishing to take maternity leave right after a deferred salary leave.

Any further questions on the Deferred Salary Leave Plan should be directed to a NLTA Administrative Officer in Programs and Services at 726-3223 or 1-800-563-3599. Email inquiries sent to mail@nlta.nl.ca will be directed to appropriate Programs and Services staff for a response.

Full Salary			
	Top of V Salary Scale	Top of VI Salary Scale	Top of VII Salary Scale
Salary	70,391	81,531	92,234
Estimated Tax	13,720	17,327	20,879
Estimated EI	836	836	836
Estimated CPP	2,564	2,564	2,564
NLTA Fees	880	1,019	1,153
Pension Deduction	7,989	9,254	10,469
Estimated Net*	44,402	50,531	56,333

* Estimated Net does **not** include an individual’s insurances and other deductions.

2/3 Deferred Salary			
	Top of V Salary Scale	Top of VI Salary Scale	Top of VII Salary Scale
Salary	46,927	54,354	61,489
Estimated Tax	5,841	7,528	9,500
Estimated EI	765	836	836
Estimated CPP	2,150	2,517	2,564
NLTA Fees	587	679	769
Pension Deduction	7,989	9,254	10,469
Estimated Net*	29,595	33,540	37,351

* Estimated Net does **not** include an individual's insurances and other deductions.

3/4 Deferred Salary			
	Top of V Salary Scale	Top of VI Salary Scale	Top of VII Salary Scale
Salary	52,793	61,148	69,176
Estimated Tax	7,464	9,883	12,332
Estimated EI	836	836	836
Estimated CPP	2,440	2,564	2,564
NLTA Fees	660	764	865
Pension Deduction	7,989	9,254	10,469
Estimated Net*	33,404	37,847	42,110

* Estimated Net does **not** include an individual's insurances and other deductions.

4/5 Deferred Salary			
	Top of V Salary Scale	Top of VI Salary Scale	Top of VII Salary Scale
Salary	56,313	65,225	73,787
Estimated Tax	8,554	11,307	14,026
Estimated EI	836	836	836
Estimated CPP	2,564	2,564	2,564
NLTA Fees	704	815	922
Pension Deduction	7,989	9,254	10,469
Estimated Net*	35,666	40,449	44,970

* Estimated Net does **not** include an individual's insurances and other deductions.

George Tucker is an Administrative Officer in Programs and Services at the NLTA.

DEFERRED SALARY LEAVE PLAN

REFERENCE INFORMATION

1. Salary during the year of leave is equivalent to the proportion of gross pay received while contributing to the plan plus accrued interest.
2. Income tax is based on:
 - (a) actual salary received, not the grid salary; and
 - (b) interest earned on all years including the year of leave.
3. Pension premiums and salary related group insurance premiums are paid on the grid salary in all years, not on the actual monies received.
4. In the year of leave, cheques are paid through the school district in the normal fashion.
5. In calculating net monies received per pay period, consideration must be given to the above as well as other deductions which will remain for the most part unchanged, or slightly reduced; i.e. CPP, home/auto premiums, Credit Union deductions, savings bond deductions, etc.
6. During the years of payment into the Deferred Salary Leave Plan, EI premiums are paid on the basis of full salary. However, during the year of leave, no premiums are deducted whatsoever; this year of leave is not recognized as a period of insured earnings.
7. The year of leave is considered a teaching year for all purposes; teachers are still members of NLTA and pay fees on salary received.
8. Teachers must return to their employer after the year of leave for another year of teaching. This means the year of leave cannot precede the first year of retirement. The Income Tax Act stipulates this condition, not the Collective Agreement.

ARTICLE 51: DEFERRED SALARY LEAVE PLAN

(Provincial Collective Agreement Effective September 1, 2012 - August 31, 2016)

51.01 **Eligibility**

Any teacher having tenure with a School Board is eligible to participate in the Plan.

51.02 **Application**

- (a) A teacher must make written application to the Director on or before April 30, requesting permission to participate in the Plan.
- (b) Written acceptance, or denial, of the teacher's request, with explanation, will be forwarded to the teacher by June 15, in the school year the original request is made.
- (c) Approval of individual requests to participate in the Plan shall rest solely with the School Board.
- (d) In the event that a teacher, while on deferred salary leave, enters into employment with another School Board, there shall be no duplication of benefits, as outlined in Clause 51.04(b), accruing to the teacher as a result of that employment.

51.03 **Payment Formula and Leave of Absence**

The payment of salary, fringe benefits and the timing of one (1) year leave of absence shall be as follows:

- (a)
 - (i) During each school year, in which the teacher has participated in the Plan prior to the one (1) year leave of absence, up to a maximum of four (4) such school years (depending upon whether the teacher selects the three (3), four (4) or five (5) year option) the teacher will receive two-thirds (2/3), three-quarters (3/4) or four-fifths (4/5) of his/her annual salary consisting of his/her proper grid salary and applicable allowances. The remaining one-third (1/3), one-quarter (1/4) or one-fifth (1/5) of the annual salary will be accumulated and retained by the Employer, which amount, with interest earned thereon, shall be paid to the teacher during the year of leave.
 - (ii) The monies retained by the Employer in accordance with Clause 51.03(a) (i) together with all monies retained by the Employer for other teachers who are participating in the Plan shall be deposited in an account with the Newfoundland and Labrador Credit Union, any Canadian chartered bank, or any Trust Company authorized to do business in the Province of Newfoundland and Labrador. The interest so earned on monies retained by the Employer in accordance with Clause 51.03(a) (i) on behalf of a participating teacher shall augment such monies.

Each year a Deferred Salary Leave Plan Committee, an equal number of representatives of the Employer and of the Association, shall direct the manner in which the monies are to be invested. In making such determination, the Employer, the Association, and the members of the Committee, shall not be liable to any participating teacher for the investments so specified so long as they are authorized by this Article.

- (iii) The Committee shall make an Annual Report to each participating teacher under this Plan as to the amount of deferred salary together with interest accrued to date. The Annual Report shall be made no later than June 30 of any given year under the Plan.
- (iv) The Board will bear the administrative expenses of the Plan.
- (b)
 - (i) While a teacher is enrolled in the Plan, and not on leave, any benefits tied to salary level shall be structured according to the salary the teacher would have received had he/she not been enrolled in the Plan.
 - (ii) While on leave, any benefits tied to salary level shall be structured according to the salary the teacher would have received in the year prior to taking the leave had he/she not been enrolled in the Plan.
- (c) The leave of absence may be taken in accordance with the Memorandum of Agreement between the teacher

and the School Board.

51.04 **Terms of Reference**

- (a) Subject to Article 9, on return from leave, a teacher shall be given the same position or comparable position in the same school, unless it is mutually agreed between the teacher and the School Board that the teacher return to a particular position.
- (b) Leave under this Plan shall be credited as teaching experience for purposes of:
 - (i) Seniority
 - (ii) Sick Leave
 - (iii) Increment
 - (iv) Pension
 - (v) Severance
- (c) In the event that a suitable replacement cannot be hired for a teacher who has been granted a leave, the Board may defer the year of leave. In this instance, a teacher may choose to remain in the Plan or he/she may withdraw and receive any monies and interest accumulated to date of withdrawal. In the latter case, repayment shall be made within sixty (60) days of the date of withdrawal.
- (d) Teachers who have their contracts terminated in accordance with Article 12 or who are laid off in accordance with Article 9 will be paid a lump sum adjustment for any monies deferred to the date of withdrawal, plus any interest earned, repayment shall be made within sixty (60) days of withdrawal from the Plan.
- (e)
 - (i) For those teachers who enrolled in the Plan following the signing date of this Agreement, pension premiums shall be paid on the salary the teacher would have received had the teacher not entered the Plan or gone on leave. These payments will be made during each year of enrolment including the year of leave and will be the normal contribution rate as required under the Newfoundland and Labrador Teachers= Pension Act. The teacher shall receive pension credits for each year including the year of leave and where applicable the payment of pension benefits shall be based upon the salary the teacher would have received had the teacher not been enrolled in the Plan.
 - (ii) Notwithstanding (i) above, for those teachers who enrolled in the Plan prior to the signing date of this Agreement, the teacher shall continue to pay pension premiums based upon the option previously selected. Those teachers shall receive pension credits for each year enrolled in the Plan including the year of leave. Where applicable the payment of pension benefits shall be based upon the salary the teacher would have received had the teacher not been enrolled in the Plan, including the year of leave.
- (f) A teacher may withdraw from the Plan any time prior to April 15 of the calendar year in which the leave is to be taken.
- (g) Should a teacher die while participating in the Plan, any monies accumulated, plus interest owed at the time of death, will be paid to the teacher=s estate.
- (h) All teachers wishing to participate in the Plan shall be required to sign a Memorandum of Agreement as prescribed in Schedule G before final approval for participation will be granted.
- (i) A teacher participating in the Plan who is subsequently employed by another School Board, shall make the employing School Board aware of his or her participation in the Plan, otherwise the leave shall not be binding on the employing School Board.
- (j) Notwithstanding the initial arrangements undertaken by the teacher and the Employer in accordance with Clause 51.03(a)(i) the teacher shall have the right to postpone the taking of the year of leave, subject to the provisions of the Income Tax Act and regulations, by notifying the Employer not later than April 15 of the calendar year in which the leave is to be taken.