

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 During the year of leave, funds withdrawn from the plan will be subject to income tax in the year they are received. Please bear in mind that the total funds withdrawn will be reported as income over the two taxation years; however, only the principal amount invested will be shown on T4's.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