

Policy Title: Prepaid Leave Plan
Policy Approver: President's Office
Policy Holder: Human Resources
Category: Operational
Original Date: October 1992
Last Revised: May 2021
Next Review: May 2023

Approval Statement

With the approval of the President of Yukon College, this policy is hereby deemed in effect the 14th day of May, 2010.

May 14, 2010

President, Yukon College

Date

1. Purpose of Policy

Any salaried staff member of the University with two years of continuous employment is eligible to participate in a prepaid leave plan subject to the conditions that:

- leave, as planned, can be granted to the staff member and the subsequent return accommodated without distress;
- the staff member makes bi-weekly contributions, as per prior agreement, to be accumulated in a trust;
- the rate of bi-weekly contributions shall not exceed one-third of normal gross salary;
- contribution period shall not exceed five years;
- the period of leave should not normally be less than 6 months or over one year;
- accumulated contributions will be paid in approximately equal bi-weekly payments over the leave period;
- the staff member is eligible to continue normal employment benefits during the leave period, except for leave accruals and performance increases;
- withdrawal from the plan will be permitted only for financial reasons beyond the control of the staff member;
- the staff member's right to return to his/her normal position prior to leave is protected, while a return service commitment is required; and
- all Revenue Canada requirements are fulfilled.

2. Governing Legislation and Relevant Documents

Board Policies as outlined in the Board Policy Handbook

Yukon University Strategic Plan

Article 41 (Prepaid Leave) of the Collective Agreement between Yukon University and the Public Service Alliance of Canada.

University Act

3. Procedures

3.1. Definition

A **Prepaid Leave Plan** is a salary deferral plan, whereby a staff member makes regular bi-weekly contributions to be accumulated in an employee account held in trust and

available for withdrawal in bi-weekly installments during the period of leave. The period of leave should not normally be less than six (6) months or more than one (1) year in duration.

3.2. Eligibility

Any salaried staff member of the University with two (2) years of continuous employment is eligible to participate in the plan.

3.3. Application Procedures and Conditions of Participation

3.3.1. Application/Acceptance

- Staff member shall apply to the Dean/Director by May 1 of each year. The Dean/Director will sign the application as supported or denied and communicate this to Human Resource Services. All applications which are supported at the Dean/Director level require the final approval of the President.
- Approval of Prepaid Leaves are subject to the general condition that the staff member can be released, and their subsequent return accommodated without distress. Such approval shall not be unreasonable withheld.
- A written response of acceptance or denial will be provided by Human Resource Services on or before June 1.
- Successful applicants will be required to sign an agreement before contributions can begin.

3.3.2. Contributions

- Subject to prior approval and agreement, the staff member makes bi-weekly contributions (deferral of salary) to be accumulated in trust. The rate of bi-weekly contributions shall not exceed one-third of normal gross salary (not including overtime shift differential, acting pay, or other extraordinary earnings). Contributing period shall not exceed five years including any extensions or deferrals.

3.3.3. Salary, Interest Income and Benefits

- Interest shall be earned at the Daily Interest Savings Rate and credited to the staff member's account. The interest accrued on annual contributions is paid out to the staff member via regular payroll by December 31st of that year.
- The contributions will not be subject to Income Tax or Canada Pension Plan (CPP) deductions at the time of deferral. These deductions will be assessed when the accumulated contributions and earned interest are paid out during the period of leave (or on early withdrawal).
- During the leave period, the salary payments will be in accordance with the leave agreement, and normal deductions and withholdings will apply including, Income Tax, CPP. For example, if the leave period is 12 months the salary payments will be approximately 1/26 of the accumulated contributions and interest earned.
- During the contributing period and during the leave period the reduced gross salary will be reported as employment income.
- During the leave period the staff member is eligible to continue normal employment benefits except that time spent on leave shall not count for pay increments or leave accruals (such as vacation and sick leave).
- To maintain benefit coverage during the leave period the staff member is responsible for both the staff member and employer share of premiums/contributions and prepayment of the premiums, either by monthly post-dated cheques or as one lump-sum payment is required. Premiums are payable directly to payroll and are not deducted from the deferred salary. Subject to plan limitations benefits shall be based on normal salary, not the reduced salary.
- If the staff member so chooses, she/he may elect to have the period of leave credited as pensionable service. If this option is exercised, she/he shall pay both the staff member and employer shares of the contributions to the Pension Plan for the leave period. The contribution will be based on the full salary amount. Contributions are payable directly to payroll and are not deducted from the deferred salary.
- All normal pay arrangements (such as direct deposits) will remain in effect during the leave period.

3.3.4. Deferral and Withdrawal from the Plan

- A staff member may withdraw from the plan only for financial reasons beyond the control of the staff member and provided notice is given at least ninety (90) calendar

days prior to the date on which the leave was to have commenced. (See regulatory requirements 3.6)

- Withdrawal is automatic on cessation of employment at Yukon University.
- Should a staff member die while participating in the Plan, any monies accumulated, including interest accrued at the time of death shall be paid to the staff member's estate.
- At withdrawal, a lump sum payment equal to contributions and interest accrued in the current year will be paid to the former participant or his/her estate within sixty (60) calendar days of withdrawal from the Plan.
- The leave may be postponed for one year by the University for operational reasons provided the staff member is advised not later than ninety (90) calendar days prior to the date the leave was to have commenced and the postponement will not move the commencement of leave beyond six years from the enrolment date. The staff member must take his/her leave at the end of the postponement or withdraw from the plan.

3.3.5. Return to Position

- A staff member who is granted leave under this Plan shall have the right to return to his/her former position upon termination of such leave. The staff member must commit to return service at least equal to the length of the leave granted.
- The staff member shall confirm return date at least two weeks before his/her return.

3.3.6. Regulatory Requirements

The following conditions are dictated by Revenue Canada and/or Pension Plan requirements:

- A return service commitment equal to the length of leave is required.
- All amounts held for the staff member under the plan must be paid to the staff member no later than the end of the first taxation year that begins after the last month of contributions.
- Withdrawal from the plan is permissible only for financial reasons beyond the control of the staff member.
- The plan cannot be combined with retirement options to facilitate early retirement.

- During leave the staff member shall not receive any other salary or wages from Yukon University (or other organizations with which Yukon University does not deal at arms' length).

4. Other Related and/or Accompanying Documents

B. FORM (attached):

Yukon University Prepaid Leave Plan Application

Yukon University Prepaid Leave Plan – Agreement

Prepaid Leave Calculations

YUKON UNIVERSITY PREPAID LEAVE PLAN

APPLICATION

(To Be Completed by Applicant)

APPLICANT INFORMATION:

Name: _____ Division: _____
Present Position: _____

I wish to apply for enrolment in the Prepaid Leave Plan with leave to begin on _____
_____ and end on _____

Date: _____ Signature: _____

REVIEWS

(To be completed by Reviewers)

Staff members in this Division enrolled in the Prepaid Leave Plan (including this applicant).

<u>Name</u>	<u>Release Month/Year</u>	<u>Length of Leave</u>
_____	_____	_____
_____	_____	_____
_____	_____	_____

Support current request: _____ Date: _____

Do not support current request: _____ Date: _____

Reasons: _____

Final Approval _____ Date _____

YUKON UNIVERSITY PREPAID LEAVE PLAN - AGREEMENT

I have read the terms and conditions of the Yukon University Prepaid Leave Plan. I understand the same and agree to participate in the plan under the following terms and conditions:

1. Participation Date: I shall become a participant effective _____ in accordance with clause 6(b) of the Prepaid Leave Plan.

2. Release Period: My release period (period of leave) shall be from _____ to _____.

3. Contributions: In accordance with clause 6(a), I authorize that the percentage amounts as set out in this clause be withheld from my current Compensation Amount with respect to my participation in the Plan for the following years:

First Year	_____ %
Second Year	_____ %
Third Year	_____ %
Fourth Year	_____ %
Fifth Year	_____ %

4. Release Payment: During my release period, Yukon University will pay me a salary through payroll equal to the accumulated contributions and interest (the amount to be determined just before the release period) less any required deductions and withholdings.

5. Withdrawal: Withdrawal is subject to ninety (90) calendar days' notice by me and is only permitted for reasons of demonstrated financial hardship.

6. Return Commitment: I understand that I am obliged to return to Yukon University for a period of service equal to the length of leave taken under this plan.

7. Special Conditions: Federal legislation may alter the conditions of the plan. Yukon University will not be held responsible for any financial loss resulting from regulatory changes.

Signed this _____ day of _____, 20____.

Applicant's Signature: _____

Applicant's Name: _____

Director of Human Resources' Signature: _____

President's Signature: _____

PREPAID LEAVE CALCULATIONS (EXAMPLE)

Scenario: Contribute to prepaid leave plan for 4 years (25% reduction) and take 5th year off, taking 12 months of leave.

Assumptions:

Initial Salary: \$97,035.00
 Contribution 25%: \$935.66

1.	Current Bi-weekly Pay	Adjusted w/ Prepaid?	Current Pay w/Prepaid Contribution
Basic pay	3,742.50	Yes	2,806.84
CPP	197.61	Yes	146.62
UIC	59.13	No	59.13
Fed. Tax	652.91	Yes	376.89
LTD	18.04	No	18.04
Life	29.02	No	29.02
Union	61.93	No	61.93
Pension	<u>434.15</u>	No	<u>434.15</u>
Net Pay	2,289.71		1,681.06
2.	Current annual pay		After Prepaid Contribution
Gross	97,305.00		72,977.84
Net	59,532.46		43,707.48
Prepaid Contribution per pay	935.66		
Interest rate assumed	2.5%		
Total interest earned (4 years)	5,099.13	* accrued annual interest is paid to employee on Dec 31 each year	
3.	Balance saved at start of leave (end of year 4) \$97,308.64		
Bi-weekly earnings during leave year			Annual Earnings
Basic Pay	3,742.64		97,308.64
CPP	196.64		
UIC	0.00		
Fed. Tax	801.29		
LTD (optional to continue)**	0.00		
Life (optional to continue)**	0.00		
Union	0.00		
Pension (optional to continue)**	<u>0.00</u>		
Net Pay	2,744.71		71,362.46

**** If the employee elects to maintain any benefits (Health, Dental, Life, LTD) and/or pension during the prepaid leave, both the employee and employer costs are paid by the employee and are paid separately directly to payroll, they are not deducted from the bi-weekly prepaid leave salary.**