Prince Edward Island Teachers' Federation
October 2023

Deferred Salary Leave Plan

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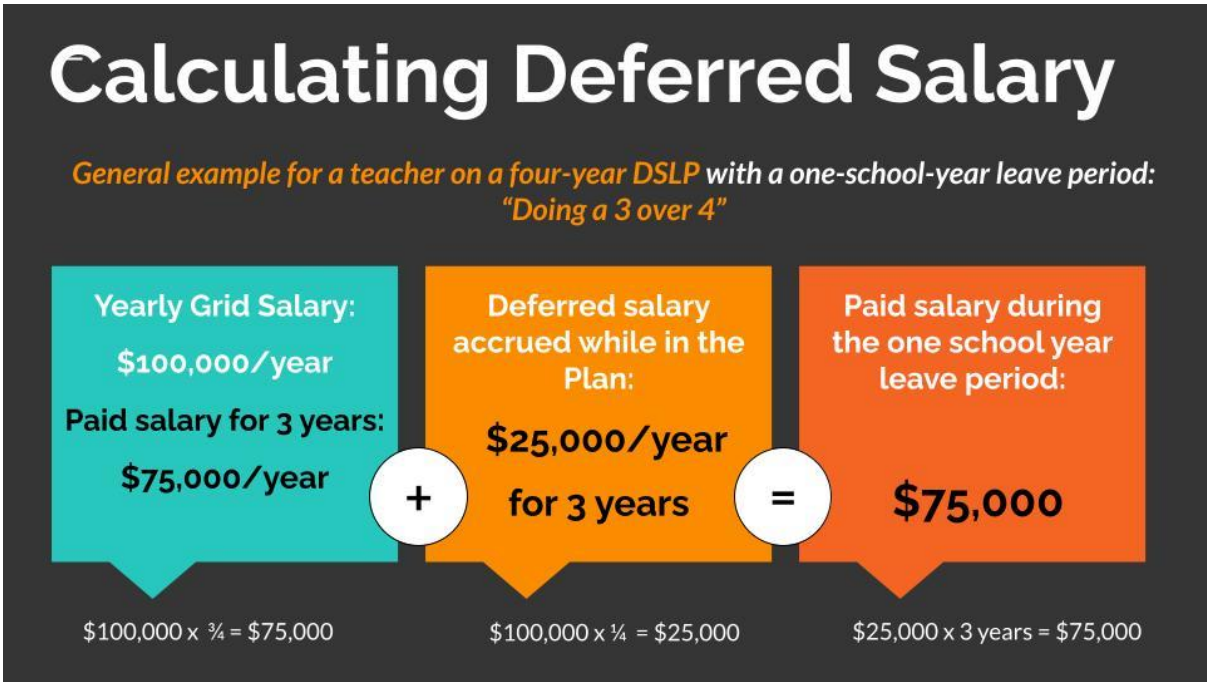
How it Works

A Deferred Salary Leave Plan (DSLP) is a process that affords PEITF members the opportunity to take a leave and finance the leave through a deferral of salary.

In each year of participation in the Plan preceding the period of leave, a member is paid a reduced, agreed-upon percentage of both the regular grid salary and any applicable allowances.

The remaining percentage is deferred. This amount, plus accumulated interest earned, is then used to pay the member during the period of leave.



Eligibility

Any PEITF member who holds a permanent contract is eligible to participate in the Plan.

Application and Approval

A DSLP is a mutual agreement between an employee and the Employer, but approval of an individual's request to participate in a DSLP rests solely with the Employer.

A member must apply in writing to the Employer before February 1 of the School Year prior to the School Year in which the deferment is to commence. Under special circumstances, the Employer may waive the February 1 deadline.

Written acceptance, or denial, of a request, with explanation will be forwarded to the applicant by April 30th in the School Year the original request is made.

Before final approval of a DSLP is granted, a contract must be signed.

Benefits during Leave

The Employer will maintain a member's benefits during their leave of absence.

Sick leave credits do not accumulate during the leave period.

Pension Options and Considerations

While participating in a DSLP, a member has options to consider regarding their pension contributions.

In each year of participation in the Plan preceding the period of leave, the member can opt to have pension payments deducted on:

1. The reduced percentage of salary received; or
2. The full salary earned.

During the period of leave, the member can opt for one of the following options:

1. Pension payments deducted on the salary the Teacher would have received had they not entered the Plan or gone on leave. This is OPTION 1(A) on the DSLP application form and is the most financially advantageous in the long-term.
2. No pension payments deducted.
3. Pension payments deducted on the deferred salary plus interest earned.

Under Section 12 (1)(b) of the *Teachers' Superannuation Act*, a teacher may only buy up to five years of non-teaching service for pension purposes. An additional three years may be purchased for maternity or parental leave purposes.

Payment during Leave

During the period of leave, the member is paid via the same regular pay period instalments as set forth in Section 10 of our Memorandum of Agreement. A member may request, at the commencement of the leave period, to be paid in one or two lump sums.

Returning from Leave

Generally, the member will return to a position in the school where they taught prior to the leave, except in those instances where the member and the Employer agree to an alternate assignment or if subject to extenuating circumstances outlined in article 28:02 (a) of the Memorandum of Agreement.

Regulations

A DSLP falls under Section 81(1)(s) of the *Income Tax Act* and is explained in Section 6801 of the *Income Tax Regulations.* Some of the conditions outlined are as follows:

- A written agreement must be made between the employee and Employer.
- The purpose of the leave must be to fund a leave of absence.
- The period of leave cannot be taken immediately before retirement.
- The member must return to work after the leave for a period that is not less than the length of the leave.
- A maximum of 33.3% of a member's gross salary may be deferred in one year.
- The leave period must begin no later than six years after the date on which the DSLP begins.
- During the leave period, the member cannot receive any additional salary or wages from the Employer beyond what is already established in the Plan agreement.
- The leave of absence must not be less than six consecutive months unless it is for the purpose of permitting full-time attendance at a designated educational institution, in which case the leave period must not be less than three months. July or August can be used to meet the minimum six month leave requirement.

Deferral and Withdrawal

The deferral period can be suspended or interrupted during a maternity, parental, or adoption leave provided that the deferral period plus the interruption time does not exceed six years in total.

In the event that a suitable replacement cannot be obtained for a member who has been granted leave, the Employer may defer the period of leave. In this instance, a teacher may choose to remain in the Plan or withdraw and receive all the deferred salary plus accumulated interest to the date of withdrawal.

A member may voluntarily withdraw from the Plan any time prior to April 15th of the calendar year prior to the period in which the leave is to be taken.

Upon withdrawal, all the deferred salary plus accumulated interest shall be paid to the member within 60 days of notification of withdrawal from the Plan. Any withdrawal payout will result in full taxation of deferred salary plus all other income in the taxation year of the withdrawal.

Should a teacher die while participating in the Plan, all the deferred salary plus accumulated interest at the time of death shall be paid to the Teacher's estate.

Deferred Salary Leave Plan Examples

Length	Pay Rate	Deferral Rate	Work Period	Leave Period
1.5 over 2	75%	25%	1.5 years	.5 years
2 over 3	66.66%	33.33%	2 years	1 year
2.5 over 3	83.33%	16.66%	2.5 years	.5 years
3 over 4	75%	25%	3 years	1
3.5 over 4	87.5%	12.5%	3.5 years	.5 years
4 over 5	80%	20%	4 years	1 year
4.5 over 5	90%	10%	4.5 years	.5 years
5 over 6	83.33%	16.66%	5 years	1 year
5.5 over 6	91.66%	8.33%	5.5 years	.5 years
6 over 7	85.71%	14.29%	6 years	1 year

Additional Information

This document provides only a general overview of the Deferred Salary Leave Plan. Members should review Article 23 of the Memorandum of Agreement as well as the *Income Tax Act* and *Income Tax Regulations* for additional provisions and the most up-to-date information. The *Income Tax Act* and regulations can change at any time.

Please note that the amount of income deferred is not counted as earned income for the purposes of calculating your RRSP contribution limit and may result in a decrease in your RRSP contribution room for the year or subsequent year. A DSLP may also have an impact on future CPP benefits since contributions are based on the reduced pay rate. Consider consulting a financial planner to determine whether a DSLP is right for you.

To discuss the Deferred Salary Leave Plan in more detail, please contact Ryan Keliher at (902) 569-4157 or ryan.keliher@peitf.com.

In the event of any discrepancy, the applicable legislation or Memorandum of Agreement is the final authority.