

## **Pre-Paid Leave of Absence**

<b>Reviewed Date</b>		<b>Number</b>	<i>HR0712</i>
<b>Revised Date</b>	<i>November 27, 2019</i>	<b>Approved Date</b>	<i>July 9, 2014</i>

### **Introduction**

In support of employee work life balance, the Simcoe Muskoka District Health Unit (SMDHU) provides the opportunity for a pre-paid leave of absence program for eligible full time and part time non-union employees which is funded solely by the employee. The parameters of the plan for unionized members may be contained within their collective agreement and as such unionized employees are referred to their collective agreement for any pre-paid leave of absence entitlements. Notwithstanding the collective agreement, union member requests by law for such leave must be in accordance with Part LXVIII of the Income Tax Regulations, Section 6801, as amended from time to time, in order to be granted.

### **Purpose**

The SMDHU pre-paid leave plan is available to non-union employees wishing to spread four (4) years' salary over a five (5) year period, in accordance with Part LXVIII of the Income Tax Regulations, Section 6801, to enable them to take a one (1) year leave of absence immediately after the four (4) years of salary deferral.

### **Legislative Authority**

Part LXVIII of the Income Tax Regulations, Section 6801

### **Policy Definitions and Interpretation**

N/A

### **Policy**

The Simcoe Muskoka District Health Unit, subject to operational efficiencies, may provide eligible full and part time non-union employees an employee funded pre-paid leave program in accordance with Part LXV111 of the Income Tax Regulations, Section 6801, as amended from time to time, to enable employees to take a one (1) year leave of absence immediately after four (4) years of salary deferral, as per the procedures outlined herein.

### **Procedures**

1. The employee must make written application to the Service Area Director at least six (6) months prior to the intended commencement date of the program (i.e. the salary deferral portion), stating the intended purpose of the leave.
2. The year for purposes of the program shall be September 1 of one year to August 31 of the following year or such other twelve (12) month period as may be agreed upon

by the employee and the Health Unit. The number of employees that may be allowed off at one time is at the determination of the Service Area Director.

3. Written applications will be reviewed by the Service Area Director in a timely manner. Leaves requested for the purpose of pursuing further formal education will be given priority. Applications for leaves requested for other purposes will be given the next level of priority.
4. During the four (4) years of salary deferral, 20% of the employee's gross annual earnings will be deducted and held for the employee and will not be accessible to her or him until the year of the leave or upon withdrawal from the plan.
5. The manner in which the deferred salary is held shall be at the discretion of SMDHU. However, SMDHU shall pay all interest or other amounts that may reasonably be considered to have accrued on an employee's deferred salary by the end of a year to the employee by the end of each of the deferral period year.
6. All deferred salary and any applicable interest earned, minus any required statutory deductions, shall be paid to the employee at either the commencement of the leave, or in the alternative, in accordance with the SMDHU yearly payroll schedule, but in no event shall the deferred salary be paid to the employee later than the end of the first taxation year that commences after the end of the deferral period.
7. All benefits shall be kept whole during the four (4) years of salary deferral .During the year of the leave, service will accumulate except for the purposes of vacation and salary progression and other benefits where service will only be retained and will not accumulate during the period of leave. Employees shall remain in the extended health and dental benefit plans during the year of leave, and SMDHU will continue to pay the appropriate premiums. Contributions to the Ontario Municipal Employees Retirement System will be in accordance with the Plan. Employees will not be eligible to participate in the Life or LTD benefits coverage. Employees are prohibited from receiving any salary or wages throughout her or his year of leave from any person or partnership which does not deal at arm's length with the Health Unit. It is suggested that staff obtain professional tax advice prior to entering into this program.
8. An employee may not withdraw from the plan at any time once his or her application has been accepted by SMDHU pursuant to subsection (a) above, except in the case of financial or other hardship and only with the permission of the Service Area Director. Deferred salary, if any, will be returned to the employee, within a reasonable period of time provided the employee has withdrawn from the plan in accordance with this subsection.
9. If the employee terminates employment, the deferred salary held by SMDHU, plus any unpaid interest, if any, will be returned to the employee within a reasonable period of time. In the case of the employee's death, such funds will be paid to the employee's estate.
10. SMDHU will endeavour to find a temporary replacement for the employee as far in advance as practicable. If SMDHU is unable to find a suitable replacement, it may postpone the leave. SMDHU will give the employee as much notice as is reasonably possible. The employee will have the option of remaining in the plan and re-arranging the leave at a mutually agreeable time, or of withdrawing from the plan and having the deferred salary paid out to the employee within a reasonable period of time.

11. The employee will be reinstated to her or his former position unless the position has been discontinued, in which case the employee shall be given a comparable position. The employee shall continue her or his employment in her or his former position or comparable position for a period of at least twelve (12) months. If either the employee or SMDHU cannot abide by this provision SMDHU shall terminate the pre-paid leave agreement and all deferred amounts plus interest, if any, shall then be paid to the employee less the applicable withholding tax.
12. Final approval for entry into the pre-paid leave program will be subject to the employee entering into a formal agreement with SMDHU in order to authorize the employer to make the appropriate deductions from the employee's pay. Such agreement will include:
  - i) A statement that the employee is entering the pre-paid leave program in accordance with this policy.
  - ii) The period of salary deferral and the period for which the leave is requested.
  - iii) The manner in which the deferred salary is held.

The letter of application from the employee to SMDHU to enter the prepaid leave program will be appended to and form part of the written agreement.

#### ***Related Policies***

- HR0702 Statutory Holidays
- HR0705 Bereavement Leave
- HR0704 Sick leave
- HR0706 Maternity Leave
- HR0707 Parental/Adoption Leave
- HR0709 Leave of Absence (Unpaid)

#### ***Related Forms***

N/A

***Final Approval Signature:*** \_\_\_\_\_

Review/Revision History:

November 27, 2019 Unionized employees clarification