Self-Funded Leave

Policy

Queen's University has established a plan which enables employees to self-fund a leave of absence. All general staff holding a continuing appointment with the University are eligible to enroll in this plan.

The precise terms and conditions governing the plan are set out in a formal agreement which the employee will be required to sign prior to joining the plan. In the event that the self funded leave plan, as described in this document or in the formal agreement with the employee, conflicts with the Income Tax Act or any other legislation, that legislation shall take precedence.

The plan is solely a means to fund a leave of absence. The provisions of the plan do not alter existing policies set out on the Human Resources Website and/or the University Secretariat Website, or the collective agreements between the university and its bargaining units.

Procedures

1. Initial approval to participate in the Self-Funded Leave Plan must be given by the employee's department, and final approval given by the appropriate dean or vice-principal. Denial at either stage shall not be considered a violation of the agreement. However, approval will not be unreasonably denied.
2. Under this plan, a part of an employee's salary entitlement for a specified period would not be paid to the employee, but would be put into an interest bearing bank account. At the end of the specified period, the employee would go on leave of absence and be paid in monthly installments the amount set aside in the interest-bearing bank account. For example, under this plan, an employee may work full time for three years, but receive (and pay tax on) only 75% of their normal salary. The remaining 25% would be held in an interest-bearing bank account for the employee. In year four, the employee would go on leave of absence and receive the amounts which had been set aside in the previous years. (The 75%/25% are used to illustrate how the program works.) The employee has many options for the deferred amount and the length of the leave.

   The tax advantage to this program is that the employee may earn income in one year but not pay tax on that income until a subsequent year. Also, by receiving 75% of full-time salary for four years instead of 100% salary for three years, the employee may possibly end up in a lower tax bracket and pay less total tax on the same total salary.
3. Deferral of salary may not exceed 33% of earned salary. The employee may defer any fraction which is less than this percentage. The deferred amount will be held in a separate bank account by the Bank of Montreal in the name of the employee. Interest, based on the Bank of Montreal Savings Account rate, will be paid to the employee in a lump sum at the beginning of the leave period. The interest received is taxable and the amount will be reported to the individual's personal tax return each year even though they have not received payment. The amount of interest earned will be reported to the employee on a T5 form each year.

4. The leave must be at least six months and no longer than a year. The leave must start within six years of the date of the first deferral.
5. The purpose of the plan is to fund a leave of absence. It is not intended to help fund a retirement or other permanent separation from the University. Upon completing the leave of absence, the employee must return to the University for a period equal to or greater than the duration of the leave.
6. Leaves must be taken at the end of the deferral period. The employee may not, for example, take a leave in year two and then pay the University back over the next three years.
7. During the leave, the individual may not be employed by the University in any capacity even if that employment is casual and unrelated to their normal duties.
8. During the years that an employee is participating in the self-funded leave plan, C.P.P. must be based on actual earnings and EI on non-actual earnings. Life insurance benefits may be based and supported by the University on nominal earnings (100%). Supplementary Medical, Dental and Semi-Private hospitalization, because they are flat rates, will remain the same and will continue to be supported by the University. Long Term Disability benefits will be based on nominal earnings, so that if an individual were to become disabled during the deferral period or their leave, then full salary would be insured. Premiums will continue to be paid in full by the employee. An employee may also have the choice of contributing to the pension plan, based on their nominal or actual salary for the full term of the program (if allowed by Revenue Canada), with continued University support. Arrangements must be made before the leave for an employee to pay their share of the premiums for their chosen benefit coverage.
9. It is expected that an employee will continue to be committed to their plan for self-funded leave. However, in the case of unforeseen or extenuating circumstances, an employee may withdraw from the plan prior to taking their leave of absence provided that they notify the department head and the Plan Administrator in writing. The accumulated salary deferral less required tax withholdings plus current year accrued interest will be returned to the employee upon withdrawal. Withdrawal from the plan does not prevent the employee from entering a new plan at a later date.

Other Matters

1. On return from leave, an employee shall be assigned to the same position, or an alternative position mutually agreeable to the employee and the University at the same level as that held prior to going on leave. An employee participating in this plan will not suffer a penalty in compensation or benefits should a delay be caused by the University in returning the employee to their former position or an alternate position after the completion of their leave.
2. An employee participating in the plan shall be eligible upon return from leave for any automatic increase in salary that would have been received had the leave not been taken. Vacation entitlement shall not accumulate, but credit will continue to accrue during the time spent on leave. If an individual becomes ill, no sick leave will be charged during the duration of the leave - sick leave will commence on the individual's return date.
3. If an individual goes on maternity and/or parental leave prior to taking their self-funded leave, they may opt out of the plan, continue with the plan, remain in the plan but stop contributions while on maternity and/or parental leave and experience a smaller accumulation amount in their account, or they may extend the deferral period.
4. Should an employee die while participating in the plan, any balance in the employee's account at the time of death shall be paid to the employee's estate.

5. An employee shall assume the responsibility of making themselves aware of the implications of the plan related to its effects on pension provisions and income tax. Those wishing to participate in the last 5 years before retirement should take care to look into the implications of doing so.
6. Participation in the plan shall not enlarge or establish any rights to employment with the University which the member did not formerly possess as an employee of the University.
7. The University intends to maintain the Plan in force indefinitely, but nevertheless reserves the right to amend, or discontinue the plan in whole or in part, at any time or times. However, no amendment to the plan initiated by the University shall operate to reduce the benefits accruing to employees who are enrolled in the plan at the time of amendment.
8. This plan is administered by the Human Resources Department. Questions regarding policy and benefits should be addressed to Human Resources and questions regarding pension should be addressed to Pension services.