



Procedures for Deferred Salary Leaves

| | | | |
|---------------------|--|------------------------|------------|
| Parent Policy: | <i>Deferred Salary Leave Policy</i> | | |
| Procedure Reference | DFSPR_2603N_AD/VPC | | |
| Procedure Sponsor: | CFO & Vice President, Corporate Services | | |
| Procedure Contact: | Director, Financial Services | | |
| Applies to: | Eligible Employees | | |
| Approved by: | Executive Team | | |
| Approval date: | March 9, 2026 | | |
| Effective Date: | March 15, 2026 | | |
| Last reviewed: | February 2026 | Scheduled review date: | March 2031 |

1. Purpose

Okanagan College (OC) established the deferred salary leave plan (Plan) to allow Eligible Employees to fund a future leave of absence for educational, recreational or other purposes. This Plan is separate from existing contractual assisted leave programs.

Plan Participants may defer receiving a portion of their Current Salary for not less than two years and up to five years – this is the Deferral Period. This deferred portion of salary will then be paid over the Leave Period before returning to their regular employment when the leave is over. An advantage to Plan Participants is that the deferred portion of their salary is not taxed until it is paid.

2. Scope and Application

- 2.1 These procedures apply to Eligible Employees and Plan Participants as defined in the Deferred Salary Leave Policy.
- 2.2 To participate in the Plan, an employee must have successfully completed a probationary period and have been continuously employed at OC for five years effective January 1st of the first year of participation in the Plan.
- 2.3 The Plan is authorized by Canada Revenue Agency (CRA) under Section 248 of the *Income Tax Act* and the broad guidelines under which such a Plan may operate are contained therein.
- 2.4 A Plan Participant may re-enroll in the Plan after their return from a Leave Period under the Plan.

- 2.5 In the event the provisions of the Plan conflict with the provisions of the relevant collective agreement or the Exempt Terms and Conditions Policy, the provisions in this Policy and Procedures shall prevail.
- 2.6 In the event there is a conflict between the provisions of the Plan and the provisions of the relevant collective agreement and the conflict cannot be resolved, then the affected employee must withdraw from the Plan within thirty (30) days of the notice of conflict. Within sixty (60) days of such withdrawal, OC shall pay to the employee the Deferred Compensation Amount.

3. Procedures

Overview

- 3.1 An Eligible Employee will apply through their Supervisor and Dean or Director for permission to take a leave that concludes no later than seven (7) calendar years from start of participation in the Plan. The Eligible Employee will identify the duration of the leave and the Contribution Rate of Current Salary to be saved (before tax) in the Plan, over a maximum Deferral Period of five (5) years. The minimum Contribution Rate in any calendar year is 16.67% of Current Salary while the maximum Contribution Rate is 33.33%.
- 3.2 The Participant will go on unpaid leave subject to conditions contained in the Plan and will receive either:
 - a) on a monthly basis, the total amount of their deferred salary contributions is divided by the months of leave of absence; or
 - b) on a semi-annual basis, the total amount of their contributions is divided by two (2).These payments will be paid through the OC payroll system.
- 3.3 On completion of the leave of absence, the Plan Participant shall return to the position they occupied prior to the leave. If the position is no longer available due to a reduction of positions, the Plan Participant shall be entitled to exercise their right under the relevant collective agreement where applicable.

Duration of Leave

- 3.4 CRA regulations state that a Leave Period under the Plan must be of a minimum of six months and maximum of twelve months duration and must be completed by December 31 of the seventh year of enrolment in the Plan. Otherwise, the balance of the Deferred Compensation Amount will be paid out by the Trustee by the last day of the Leave Period and will require it to be accounted for as income by the employee.
- 3.5 OC has adopted a twelve-month duration of leave (Leave Period) and will review requests on a case-by-case basis for leaves less than twelve months, and greater than or equal to six months.
- 3.6 Any Leave Periods shall immediately follow the Deferral Period.

Application to Participate in the Plan

- 3.7 During the period February 1st to March 24th each year, applications to participate in the Plan may be submitted by the Eligible Employee to the Payroll department to validate eligibility. Payroll will submit the validated application forms to the Eligible Employee's Supervisor by April 1st for consideration and approval.
- 3.8 The Eligible Employee must include the precise dates of the proposed leave and select a Plan option with the corresponding Contribution Rate. Applications should be submitted on the *Deferred Salary Leave Plan Application Form* available online in myOkanagan>Finance Resources>Payroll.

- 3.9 The Supervisor or their delegate reviews and submits approved applications to their respective Dean/Director for consideration and approval by April 15th.
- 3.10 The Dean or Director or their delegate reviews and submits approved applications to their respective Vice President or Executive member for consideration and approval by May 1st.
- 3.11 The approval of each application made shall rest solely with a Vice President or Executive member; and for Executive member requests, President approval is required. The Vice President, Executive member, or President shall, at least one (1) month prior to participation in the Plan, or at a date otherwise set by OC, advise each applicant of their approval or disapproval of their application, and if the latter, provide an explanation thereof.
- 3.12 Approved applications shall be submitted to the Payroll office by May 31st.
- 3.13 Participation in the Plan will begin on July 1st.
- 3.14 Subject to compliance with CRA guidelines and the provisions of the Plan, OC will endeavour to grant the application. Only in rare cases where the leave creates significant operational difficulty will an approval not be granted. Such cases may include a proposed leave coinciding with a unique operational need for the Eligible Employee to be present at OC or where an unreasonable number of simultaneous leaves in the same department are proposed. Such a situation would result in discussion with the Eligible Employees to resolve the matter.
- 3.15 In all applications or Leave Deferrals, the approval decisions of the Vice Presidents, Executive members or President are final.

Deferral of Leave

- 3.16 A one-time deferral of the planned Leave Period is permitted and may be requested by the Plan Participant or by OC in exceptional circumstances and will not be unreasonably refused by the other party. Any Leave Deferral will be arranged to allow completion of the Leave Period within seven years of enrolment in the Plan.
- 3.17 Leave Deferrals must be approved by a Vice President or Executive member.

Acceleration of Leave

- 3.18 Acceleration of the proposed leave (i.e., moving up the start date of the Leave Period to an earlier time than originally planned) is not provided for in the Plan.

Resignation from the Plan

- 3.19 Resignation from the Plan is permitted in the following circumstances:
 - a) death of the employee;
 - b) employee ceases to be employed by OC;
 - c) voluntary resignation; or
 - d) extenuating circumstances.
- 3.20 A Plan Participant who ceases to be employed by OC or voluntarily resigns from OC must withdraw from the Plan. Within sixty (60) days OC shall pay the Plan Participant the Deferred Compensation Amount.
- 3.21 In extenuating circumstances, such as financial hardship, and with the consent of OC, a Plan Participant may withdraw from the Plan upon giving not less than six (6) months' notice of intent to do so. The notice of withdrawal must be given to, and approved by, the Vice President or President prior to the date on which the Leave Period is scheduled to commence. Approved withdrawals are to be sent to Payroll. Within sixty (60) days of such withdrawal the College shall pay the Plan Participant the Deferred Compensation Amount.

Savings Plan (i.e. Deferral Period)

- 3.22 The Deferral Period will not be less than two years and will not normally extend beyond June 30th the fifth year of enrolment in the Plan, unless a one-time interruption of savings (to a maximum of one year) is requested by the Plan Participant.
- 3.23 A percentage to be contributed each year, between 16.67% and 33.33%, will be identified on the application form and the aggregate of percentages may not exceed 100% in any case.
- 3.24 Assisted or unassisted leaves available to Plan Participants under the relevant collective agreement or *Exempt Employee Terms and Conditions Policy* will not constitute interruption of employment as far as the Plan is concerned but may have an effect on the Plan.
- 3.25 Changes to Deferral Periods, Leave Periods, and/or Contribution Rates (i.e. extension, increase/decrease) will only be enacted on July 1st of each year and must be requested by the Plan Participant, in writing to their Supervisor and Payroll, by January 1st of the year.
- 3.26 The Trustee will cause appropriate investments to be made over the Deferral Period. Earned interest from the investments will be paid to the Plan Participant on an annual basis. This earned interest cannot be banked and is taxable for the year in which it is received.

Plan Interruption

- 3.27 For any reason, a Plan Participant may request, in writing to both their Supervisor and Payroll, that the Deferral Period be interrupted for a maximum period of one year. However, such action may limit the right to defer the leave to ensure it is completed within seven years.

Employment Status During Leave

- 3.28 During the Leave Period under this Plan, the leave of absence shall be defined as leave without pay. During the Leave Period the Plan Participant may not receive any remuneration from OC. This is an *Income Tax Act* regulation.
- 3.29 Leave Periods are treated the same as leave without pay regarding seniority, vacation, sick leave, and increments in the employee's applicable collective agreement (both local and common agreements), or as outlined in the Exempt Terms and Conditions Policy.
- 3.30 Pension Plans – Pension credit will not be earned nor deductions made during the Leave Period. Full pension credit will be given and full deductions made from gross salary before deferral during the Deferral Period. See 3.48 for more details.

Payments During Leave Period

- 3.31 On, or before the last business day of each month of the Leave Period, the Plan Participant shall receive a monthly payment from OC using OC's payroll system.
- 3.32 Each payment shall be approximately equal to the amount of the monies retained by OC by the Trustee divided by the number of months in the Leave Period.
- 3.33 Payments shall not be made more frequently than monthly; however, an option is available to Plan Participants to select two semi-annual lump sum payments rather than monthly payments.
- 3.34 The funds retained by OC during the Deferral Period are not subject to statutory deductions when collected. Statutory deductions will be withheld from the funds paid to the Plan Participant during the Leave Period.
- 3.35 Payments made to a Plan Participant shall be reduced by any such monies required by law to be paid by OC for or on behalf of a Plan Participant.

Employment Insurance (EI)/Canada Pension Plan (CPP) Contributions

- 3.36 EI premiums calculated in the Deferral Period are based on the Plan Participant's gross salary.
- 3.37 EI premiums are not withheld from the amounts paid to the Plan Participant during the Leave Period. (Revenue Canada Ruling, Dec.12/89 & BCTF, Oct.1/90)
- 3.38 CPP premiums are calculated based on the salary the Plan Participant receives during both the Deferral Period and the Leave Period. As a result, during the Leave Period both the Plan Participant and the College will cover their respective portions of CPP.

Tax Implications

- 3.39 Income tax during the Deferral Period will be based on the Plan Participant's reduced salary.
- 3.40 Deferred earnings will accumulate interest which will be paid annually to the Plan Participant by the Trustee. The Trustee will issue a tax form for income tax purposes. The interest earned and paid by the Trustee must be included as part of the Plan Participant's taxable income each year.
- 3.41 In the event of an approved early withdrawal from the Plan, the Deferred Compensation Amount must be paid out in the same calendar year as the withdrawal occurs subject to full income tax deduction and reported as taxable income in the year received. Any other deductions as may be required under the Canada Pension Plan, the *Employment Insurance Act* and any other applicable legislation will be deducted as applicable.
- 3.42 OC is not responsible for providing tax advice. Eligible Employees and Plan Participants are expected to seek advice with respect to any tax concerns from the Canada Revenue Agency or professional tax consultants.

Benefits

- 3.43 Benefit premiums for Accidental Death & Dismemberment, Life Insurance, Long Term Disability, Extended Health, Dental Health, Optional Life Insurance, and Voluntary Accidental Death & Dismemberment benefits are the sole responsibility of the Plan Participant if the Plan Participant chooses to maintain these benefits during the Leave Period. The payments for any health and welfare benefits the Plan Participant chooses to remain covered for will be deducted from the payments to Plan Participants during the Leave Period.
- 3.44 People Services will issue a letter to Plan Participants prior to the Leave Period to outline the options and costs to maintain benefits during the Leave Period.
- 3.45 Out-of-country benefit coverage for the Medical Services Plan (MSP) cannot exceed six (6) months. MSP requires that they be notified of details concerning your absence from Canada.
- 3.46 Continuation of Extended Health and Dental coverage is limited to twelve (12) months for Plan Participants who are considered on leave without pay.
- 3.47 RRSP contribution limits calculated by CRA are based on the net earnings figures reported on a member's T4 and not on the gross figure before Deferred Salary Leave Plan contributions (MacKichan, Investors Group, December 1989).

Pension Deductions During Deferral Period

- 3.48 Contributions to the Municipal Pension Plan and/or the College Pension Plan are based on gross earnings before contributions to the Deferred Salary Leave Plan.

Pension Contributions for the Leave Period

- 3.49 Plan Participants shall contact the Pension Corporation (<https://www.pensionsbc.ca/>) to determine if or how pensionable service can be purchased.

- 3.50 Plan Participants should note there are specific timelines that need to be adhered to and that those timelines may change. It is recommended to discuss options with the Pension Corporation immediately upon returning from the Leave Period.

Beneficiary

- 3.51 A beneficiary cannot be named for the Deferred Compensation Amount. Upon receipt of a death certificate, the Deferred Compensation Amount will be paid to the Plan Participant's estate within 60 days of receiving the death certificate.

Trustee

- 3.52 All contributions to the Plan will be transferred by OC to a Trustee, which will not form any part of the revenue or assets of OC.
- 3.53 The Trustee will cause contributions made to the Plan to be invested in accordance with the participating investment trust agreement between OC and the Trustee. OC shall not be liable to any Plan Participant for any investments made which are authorized by this clause.
- 3.54 On an annual basis, interest will be paid to the Participant on their accumulated investment directly from the Trustee. All interest paid to a Participant is included as income on a tax form issued by the Trustee.
- 3.55 The Trustee will provide an annual statement to each Participant detailing the principal amount accumulated in the Plan including any interest not yet paid.
- 3.56 During a Plan Participant's Leave Period, the Trustee will cause the accumulated principal amount to be remitted to the Plan Participant through the OC payroll system in a form and frequency to be agreed between the two parties. A T4 form will be issued by OC to each Plan Participant at the end of each calendar year in which leave is taken.

4. Related Acts and Regulations

College and Institute Act
Income Tax Act
Income Tax Regulation 6801

5. Supporting References, Policies, Procedures and Forms

Deferred Salary Leave Plan Application Form
Code of Conduct Policy
Signing Authority Policy
Exempt Terms and Conditions Policy
Relevant Collective Agreements

History / Revisions

| Date | Action |
|------------|---|
| 2026-03-09 | <i>New Procedure Approved by CFO & VP Corporate Services: Procedures for Deferred Salary (DFSPR_2603N_AD/VPC)</i> |
| 2005-04-27 | <i>Deferred Salary Leave Plan Schedules A & B (2005)</i> |