

SELF-FUNDED LEAVE PROGRAM POLICY - CATCA



PROGRAM OVERVIEW

The NAV CANADA Self-Funded Leave Program (SFLP) allows employees to defer a portion of their gross salary or wages to fund a period of authorised leave of absence without pay. This program applies to indeterminate employees represented under a collective agreement that permits participation to this program.

Eligible indeterminate employees can defer up to one third of their normal gross job-related income from NAV CANADA (including regular salary, wages and premiums) in order to fund the period of leave and return to their regular employment when the leave is over. During the leave period the employee must be able to sustain a level of remuneration of no less than 60% of their regular salary. The leave period must be at least 6 months but no more than 12 consecutive months in duration, and employees taking SFL must return to their regular work upon completion of the leave for a period not less than the duration of the leave of absence. The employee must request this leave in advance, and approval will be granted based on operational requirements and circumstances.

1.0 Program Conditions Overview

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| 1.1 | In accordance with the Income Tax Regulations, the leave of absence must start within six years from the start of salary deferrals, and immediately after the deferral period. The leave must be continuous. |
| 1.2 | A commitment is required from the employee to return to his/her regular employment with NAV CANADA for a period at least equal to the leave of absence granted. As such, the period of self-funded leave is not for use immediately prior to retirement or resignation. |
| 1.3 | Prior to formally applying for self-funded leave, employees should consult with their manager regarding the operational feasibility and details of the self-funded leave (see section 2 on approval process). |
| 1.4 | The amount of salary or wages deferred in any given calendar year must be a minimum of 10% up to a maximum amount of thirty three and one-third (33 1/3%) of the employee's normal job-related income for that year. The minimum salary deferral period is 18 months. Employees must defer salary within the afore mentioned percentages for a minimum of 18 months. No shorter deferral periods are allowed. Income that may be used for deferral purposes includes regular salary, wages and premiums (ex. bilingual bonus, supervisory differential, Operational Facility Premium, etc). The actual amount deferred will remain the same unless the employee requests a change. |
| 1.5 | During the leave period the employee must be able to sustain a level of remuneration of no less than 60% of their regular salary. For example, if the employee elected to defer 10% of their income, the minimum required deferral period would be 36 months in order to have an income of 60% to fund a SFL of 6 months in duration. |
| 1.6 | There are no restrictions on the activities the employee wishes to pursue during the period of leave, including alternative employment. You cannot, however, work in another NAV CANADA location or for any other party with which NAV CANADA deals on a non-arm's length (e.g., Searidge Technologies Inc.). In all instances, the NAV CANADA Code of Business Conduct provisions must be respected. |
| 1.7 | Participation in the self funded leave program shall be limited to 3 occurrences in an employee's career which may include breaks in employment. Each request will have to be approved as per the approval process in section 2 and will be subject to operational requirements. SFL does not affect an employee's right or entitlement to other types of leave (eg. personal and education leaves). |
| 1.8 | All other conditions and provisions pertaining to "leave without pay for other reasons" involving a period of leave between six and twelve consecutive months also apply in the case of SFL (e.g., collective agreements, pension provisions, benefits provisions, etc.). |

1.9	The employee should consult with a financial planner, Canada Revenue Agency and Human Resources Development Canada to analyze the financial implications of the Self-Funded Leave Program.
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2.0 Approval	
2.1	Prior to formally applying for self-funded leave, the employee should consult with their manager regarding the details of the program and the feasibility of being approved
2.2	Self-funded leave requests must be approved in light of operational requirements and feasibility to find a replacement person for the leave period. Several requests received for the same period might necessitate deferral or rescheduling. In such cases of denial due to operational reasons, consultation shall occur between the national representatives of the union and NAV Canada.
2.3	Self-funded leave is subject to approval by the following individuals: <ul style="list-style-type: none">• Labour and Employee Relations Manager• Employee's Manager• Employee's General Manager
2.4	Self-funded leave is granted in accordance with this Policy, and articles pertaining to Leave for Other Reasons within the employee's current collective agreement

3.0 Application Process

The following step-by-step application process is required to participate in the SFLP.

Step 1 - The applicant must obtain and review thoroughly all the necessary documents (Self-Funded Leave Program Policy, Application for Self-Funded Leave and the Self-Funded Leave Agreement) regarding the SFLP and such matters as disposable income, pensions and other deductions. These documents can be found on the intranet or can be obtained from the employee's Pay & Benefits Advisor.

Step 2 - The applicant may request a Pay Statement Estimate for the period of salary deferral and Self-Funded Leave period by contacting his/her Pay & Benefits Advisor.

Step 3 - The applicant signs the "Application for Self-Funded Leave" form and the "Self-Funded Leave Agreement".

Step 4 - The applicant submits both the signed "Application for Self-Funded Leave" form and the "Self-Funded Leave Agreement" to the Labour and Employee Relations Manager for review and consideration at least 2 months prior to the desired salary deferral period.

Step 5 - If approved, the Labour and Employee Relations Manager signs and forwards the completed "Self-Funded Leave Agreement" and the signed "Application for Self-Funded Leave" to the Employee's Manager for review and consideration. If denied, the forms are returned to the employee.

Step 6 - If approved, the Employee's Manager signs the "Application for Self-Funded Leave" and forwards it and the "Self-Funded Leave Agreement" to the General Manager or to the Director. If denied, the forms are returned to the Labour and Employee Relations Manager who will advise the employee.

Step 7 - If approved, the General Manager signs the "Application for Self-Funded Leave" and forwards it and the "Self-Funded Leave Agreement" to the Labour and Employee Relations Manager. The Labour and Employee Relations Manager advises the applicant and provides the original to the Pay & Benefits Advisor and copies to Representative for their Bargaining Agent, the Tax Analyst Payroll, the General Manager and the immediate manager. If denied, the forms are returned to each manager in the reverse order in which they have been approved.

Step 8 - The Pay & Benefits Advisor reviews the applications to ensure adherence to the SFLP, verifies that the deferral amount falls within the minimum and maximum allowed and that **during the leave period the employee will be able to sustain a level of remuneration of no less than 60% of their regular salary** and then signs the application as receipt confirmation. If errors are found on the application, the Pay & Benefits Advisor will return to the Employee's Manager for correction.

The Pay & Benefits Advisor initiates the salary deduction pay action and advises the Finance Department, who is responsible to administer the funds.

Step 9 - Approximately 4-6 weeks prior to the SFL period, the applicant will receive written communication with the following information from the Pay & Benefits Advisor:

- NAV CANADA Benefits Plans coverage information while on leave
- Impact of SFL on pension contribution/service, leave accruals, deductions etc.

Reference:
Application for Self-Funded Leave
Self-Funded Leave Agreement
Income Tax Act Regulations

4.0 Interest and Pay Administration

- 4.1 The salary deferral amount collected will be administered by NAV CANADA's Finance department. It will generate interest (prime rates as published by the Royal Bank of Canada, less 2 ¼%), which will be paid annually to the employee on:
- a) The December 31st which occurs at the end of the calendar year in which the employee begins his/her salary deferral,
 - b) Each December 31st thereafter, while the employee continues his/her salary deferral; and
 - c) The last day of the period of leave, or when a payment is made due to deferral or withdrawal from the SFLP, or the death of the employee.
- 4.2 The interest paid by NAV CANADA is considered taxable income to the employee and a T4A will be issued. The employee is then responsible for reporting this interest in his or her annual income tax return.
- 4.3 All amounts held for the employee's benefit under this program must be paid to the employee no later than the end of the first calendar year that commences after the end of the deferral period.
- 4.4 During the actual period of leave without pay, the employee will receive payments of the deferred earnings either as a lump sum or on a bi-weekly basis (see Q&A, question 27).
- 4.5 Withdrawing money other than interest from the trust account before it matures may be allowed only in cases of serious financial or other hardship and with the written authorization of the employee concerned, his or her manager and the Labour and Employee Relations Manager.

5.0 Pension & Benefits Implications and Source Deductions

- 5.1 During the period of SFL, the employee is responsible for the employee and the employer share of benefits costs for the period of leave beyond the first three months.
- 5.2 The employee has the option to maintain or opt-out of the following benefit plans during the period of leave: Health Care, Dental Care and Long-Term Disability. Details are contained in the written communication from the Pay & Benefits Advisor and the election must be submitted prior to the departure on SFL.
- 5.3 During the deferral period, all regular benefit deductions will continue based on gross earnings (before deferral payment are deducted), with the exception of income tax and C/QPP. When the funds are released to the employee, statutory deductions will be made for income tax & C/QPP and other statutory deductions in accordance with governing legislation.
- 5.4 During the deferral period, the Employment Insurance Premium and the NAV CANADA Pension Plan contributions will be calculated on the gross earnings (before deferral payments are deducted) and not on the earnings paid. During the period of leave without pay, the employee will not pay Employment Insurance premiums or NAV CANADA Pension Plan contributions. The employee may elect to have all or part of the period of leave counted as pensionable service prior to commencing leave. Details are contained in the written communication from the Pay & Benefits Advisor and the election must be submitted prior to the departure on SFL.

Reference:
Income Tax Regulations
Pension Plan Document

6.0 Modification to Leave Period or Deferral Amount	
6.1	The employee may, no later than six months before the approved leave date, request a <u>change to the leave period</u> provided the leave remains between 6 and 12 months and occurs within 6 years of the start of the salary deferral period. The employee must obtain the approval of his or her Manager and the Manager must advise the Payroll Office of the change.
6.2	An "Amendment to the Approved Self-Funded Leave" form must be completed and approved as per section 3 of this policy document. This form may be obtained through the Payroll Office
6.3	<u>Changes in percentage of salary deduction</u> may be effected by mutual agreement in writing (Application for Self-Funded Leave) provided that such requests are received for approval at least three months prior to the date for which the change is being requested but not later than six months prior to the leave start date. The Pay & Benefits Advisor will action the request on the next possible pay period of salary deferral (a retroactive date will not be accepted).
Reference: Application for Self-funded leave	

7.0 Withdrawal or Death	
7.1	Where an employee can demonstrate to NAV CANADA that continuing with the plan would cause severe financial hardship, or where an employee participating in the plan has been identified as surplus or is laid-off as a result of a work force adjustment, a request may be made to withdraw from SFL and pay the accumulated funds to the employee. Requests for withdrawal (other than for the reason of being identified as surplus or laid-off) must be made by the employee in writing to their Manager explaining the reason(s) for withdrawal. The Manager considers the request and if withdrawal is warranted, sends their recommendation as per the approval process (Section 3). The withdrawal request is then forwarded to Payroll for action. If a postponement is feasible, see Section 8 below.
7.2	Withdrawal of accumulated funds for any reason may have negative tax implications by increasing the employee's taxable income. The financial and tax related implications of withdrawal can best be determined through discussion between the employee and the appropriate local taxation office of Canada Revenue Agency.
7.3	In the event of death prior to the intended commencement of the leave period, or during the actual period of leave, the balance of the funds shall be paid to the employee's estate by no later than the end of the immediately following calendar year.

8.0 Postponement	
8.1	Withdrawal from the program may entail a considerable tax burden for the employee. The employee may therefore request that the planned period of leave be advanced or postponed for up to six months if this will prevent him or her from withdrawing from the program.
8.2	A participating employee's forthcoming period of leave may be postponed when: <ul style="list-style-type: none"> a) Requested by participating employees; approval based upon operational requirements is required. b) Requested by the Employee's manager in those instances where unforeseen and justifiable operational circumstances beyond the manager's control have arisen and where no other feasible option exists.
8.3	The period of leave may not be postponed (at the employee or at the manager's request) for those instances where the employee's salary or wage deferral would exceed the maximum six year limit as specified in the Income Tax Regulations.
8.4	An "Amendment to Approved Self-Funded Leave" form must be completed and approved as per Section 3 of this policy.
Reference: Application for Self-Funded Leave	

9.0 Recall/Denial	
9.1	In rare circumstances, the immediate manager may deny a period of leave or call an employee on SFL back to work to meet unforeseen and justifiable operational requirements.
9.2	Because of the financial implications for the employee, managers will require the written authorization up to Labour and Employee Relations Manager (please refer to Section 3 for application process) to deny a period of leave after the maximum six-year deferral period, or to call an employee on SFL back to work.
9.3	Accumulated funds will be paid on the next available pay period once the employee or manager denies or cancels the request for SFL.

10.0 Transfer/Promotion	
10.1	A transfer or promotion may require withdrawal from the SFLP. Where an employee is appointed to a position other than the one for which self-funded leave was granted, the employee is responsible for receiving approval from the hiring manager to continue participation in the SFLP.
10.2	Should such approval not be granted, or the new appointment is not represented by a collective agreement that permits participation in this program, the employee will be required to withdraw from the SFLP and will be responsible for the financial implications of such appointments (refer to Section 7).

11.0 Return to Work after the Period of Leave	
11.1	In accordance with the Income Tax Regulations, the employee is required to return to regular employment with NAV CANADA for a period of no less than the duration of the leave taken.
11.2	Deferring a return to work date will only be granted under exceptional circumstances, such as sickness or maternity.
11.3	Where an employee does not fulfill the return to work requirements of the SFLP, NAV CANADA must notify the Canada Revenue Agency.

12.0 Responsibilities	
12.1	<p>Employee Responsibilities</p> <p><u>Employees are responsible for:</u></p> <ul style="list-style-type: none"> • Ensuring, prior to requesting/proceeding on self-funded leave, that they understand all of the requirements of the SFLP and that their financial needs during the leave period will be met; • Requesting information/clarification from the Pay & Benefits Advisor concerning self-funded leave and its effects on their pay and benefits; • Seeking advice and approval from the manager authorised to approve self-funded leave; • Completing all required forms and documents; • Informing the authorised manager and the Pay & Benefits Advisor of any change; and • Ensuring that they return to work at NAV CANADA for a period equal to the leave of absence granted.

12.2	<p>Managers Responsibilities</p> <p><u>Managers are responsible for:</u></p> <ul style="list-style-type: none"> • Explaining the intent, application and implications of the SFLP to their employees; • Assessing the operational requirements to ensure that they can be met during an employee's self-funded leave absence; • Consulting with the Pay & Benefits Advisor for clarification of the administration requirements; • Approving/disapproving an employee's request and/or changes; • Informing the employee of decisions; and • Forwarding approved applications for self-funded leave to Payroll Operations.
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13.0 Reference Documents	
<p>This Information Paper references specific documents. The following table details where they can be located.</p>	
Document	Location
Collective Agreements	Portal (Source) > HR Community > Labour and Employee Relations tab
Code of Business Conduct	Portal (Source) > HR Community > Legislated Programs tab
Income Tax Regulations (6801)	http://laws.justice.gc.ca/en/l-3.3/ http://laws-lois.justice.gc.ca/eng/regulations/C.R.C.,_c._945/page-143.html?term=6801#s-6801.Part 6801
Pension Plan Document	Portal (Source) > HR Community > Total Rewards Community > Pensions & Benefits tab
Self-Funded Leave Application Form	Portal (Source) > HR Community > Total Rewards Community > Pensions & Benefits tab
Treasury Board	http://www.tbs-sct.gc.ca/tbs-sct/index-eng.asp