



## LETTER OF UNDERSTANDING

Between

**McMaster University**  
(Hereinafter referred to as the 'Employer')

And

**McMaster University Staff Association (MUSA)**  
**CLC Local 2003-1**  
(Hereinafter referred to as the 'Association')

### **Re:Deferred Salary Leave**

The Deferred Salary Leave plan affords Employees the opportunity to take a one (1) year leave of absence funded solely by the Employee through the deferral of salary over a defined period, which is then paid at the time of the leave.

1. Employees may apply for a leave of absence for one (1) full year, financing such a leave through deferral of salary.
2. Salary may be deferred either:
  - (i) over a four (4) year period by the Employee's deferral of twenty percent (20%) of their base salary in each of four (4) years; or
  - (ii) over a three (3) year period by the Employee's deferral of twenty-five percent (25%) of their base salary in each of three (3) years.

The deferred salary is payable in the fifth year in option (i) or the fourth year in option (ii), during the period of leave.

3. All active continuing Employees having three (3) or more years of service with the Employer are eligible to apply for a Deferred Salary Leave.
4. An Employee who desires a Deferred Salary Leave will make such a request in writing to their Supervisor at least three (3) months prior to the requested commencement of the Deferred Salary Leave plan. The supervisor will forward the request to the appropriate Dean/Manager, and a copy to the Director of Employee/Labour Relations.

5. The Employee will be notified of the granting or denial with explanation within one (1) month of submitting the application to their supervisor. Granting of permission will not be unreasonably withheld provided that the leave can be reasonably accommodated.
6. An Employee who is appointed to a different department during the period of salary deferral must obtain approval from the new Department Head for continued participation in the Deferred Salary Leave. Upon the Employee requesting continuing participation in the Deferred Salary Leave, the Employee shall be provided the prospective Manager's approval or denial prior to the Employee's acceptance of the appointment. Should continued participation not be approved, paragraph 21 shall govern.
7. The portion of salary that is deferred will be held in a University trust account for each Employee. Interest will be credited to the account and paid to the Employee annually during the deferral and leave periods. The interest is taxable in the calendar year in which it is earned and will be reported on the appropriate CRA form.
8. During the salary deferral period, benefit levels are as follows:

<b><u>Benefit</u></b>	<b><u>Entitlement Arrangement</u></b>
Extended Health	<ul style="list-style-type: none"> <li>• As normal</li> </ul>
Dental	<ul style="list-style-type: none"> <li>• As normal</li> </ul>
Long Term Disability	<ul style="list-style-type: none"> <li>• Based upon base salary before deferral</li> </ul>
Life Insurance	<ul style="list-style-type: none"> <li>• Based upon base salary before deferral</li> </ul>
Sick leave	<ul style="list-style-type: none"> <li>• Based upon base salary before deferral</li> </ul>
Paid Holidays	<ul style="list-style-type: none"> <li>• Based upon base salary before deferral</li> </ul>
Vacation	<ul style="list-style-type: none"> <li>• Accrued at normal rate and taken in accordance with deferred salary arrangement</li> </ul>
Pension	<ul style="list-style-type: none"> <li>• Pensionable years of service credited and based upon annual salary before deferral</li> </ul>

9. During the leave period, the Employee shall continue to participate in the group benefit plans, provided the Employee pays Employee and Employer premiums

<b><u>Benefit</u></b>	<b><u>Entitlement Arrangement</u></b>
Extended Health	<ul style="list-style-type: none"> <li>• Option of benefits*, pending Employee's payment of Employee and Employer premiums.</li> </ul>
Dental	<ul style="list-style-type: none"> <li>• Option of dental*, pending Employee's payment of Employee and Employer premiums.</li> </ul>
Long Term Disability	<ul style="list-style-type: none"> <li>• Employee is not eligible for LTD during leave</li> </ul>
Life Insurance	<ul style="list-style-type: none"> <li>• Based upon base salary before deferral pending continuation of normal cost sharing arrangements.</li> </ul>
Sick leave	<ul style="list-style-type: none"> <li>• No benefit provided</li> </ul>
Paid Holidays	<ul style="list-style-type: none"> <li>• Earned during leave, and considered taken during leave</li> </ul>
Vacation	<ul style="list-style-type: none"> <li>• Earned during leave, and considered taken during leave.</li> </ul>

Pension	<ul style="list-style-type: none"> <li>• Option of pension*, pending Employee's payment of Employee and Employer contributions.</li> <li>• Employees cannot enroll in more than one Employer pension plan concurrently.</li> </ul>
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*\*Employees must declare their intention to take such an option at least one calendar month prior to the commencement of the leave. Prior to this date the Employer will provide on request the estimated costs of these options. If no timely declaration is made it will be deemed an election to decline the option.*

10. Employees may apply during the period of salary deferral for an Educational or Developmental Leave under Article 28.03 of the Collective Agreement to coincide with the period of leave. In the event such an application is granted, the benefit provisions of Article 28.03 shall apply.
11. Employee entitlement to Tuition Assistance, and the Tuition Bursary for dependents will continue in the year of the leave.
12. Employees will be entitled to access McMaster University's Athletics and Recreation Facilities and Programs at Employee rates in the year of the leave.
13. Upon request, Employees may have access to their Employee e-mail account for the period of the leave, subject to University policies.
14. Under Parking and Transit Services rules and regulations, Employees may choose to suspend a parking permit for the period of the leave, and the respective payment for such permit. Employees may resume their parking permit at the end of the leave. Employees are responsible to contact Parking and Transit Services to initiate a change in parking permit status.
15. In the year of the leave, the Employer will pay to the Employee the total of the deferred salary in equal installments conforming to the regular pay periods in accordance with the Collective Agreement and bank deposit requirements.
16. The Employer will make the required statutory deductions from the deferred salary payments.

(a) **Statutory Deductions While Working and Participating in Salary Deferral Arrangement**

- CPP Premiums: deductions made on the net salary (base salary + taxable benefits less deferred amount)
- Income Tax: deductions made on the net salary (base salary + taxable benefits less deferred amount)
- EI Premiums: deductions made on the base salary + applicable taxable benefits

(b) **Statutory Deductions Applicable to Deferred Salary Payment While on Leave**

- CPP Premiums: Employee and Employer deductions made on the deferred salary payment
- Income Tax: deductions made on the deferred salary payment
- EI Premiums: no deductions made on the deferred salary payment

(c) **T4 Reporting** Deferred salary payment reported in the T4 year in which it is paid to the Employee.

**(d) Other Deductions**

**Union Dues:** deductions will be made on the reduced level of salary during the deferral period and during the leave period.

5. While on leave and during the period of Deferred Salary Payment, benefits will be based on the Employee's base salary as at the last day of work in the salary deferral period.

Upon return to work from a Deferred Salary Leave, an Employee will resume their former position with full salary and benefits. The Employee will move to any applicable Step increase in their grade they would have received if they had not been on the leave.

Article 17, Redundancy - Layoff and Recall shall apply while the Employee is on leave during the period of salary payment. Deferred Salary Leave is considered an authorized leave of absence for the purposes of 17.04 (b) except as specifically modified herein. The Employee will provide contact information of where she can be reached in the event of layoff, and to allow her to exercise her rights under Article 17 of the Collective Agreement. While an Employee is on the period of the leave, notice under 17.04(b) will be delivered via registered mail to the Employee, who will elect one of the following options in writing by registered mail to the Employer within ten (10) days of receipt of the Notice of Layoff:

- a) Elect to accept the Notice of Layoff immediately, with it being understood that notice begins on the date the notification is received by registered mail, and choose from the Article 17 options outlined in her letter; or
- b) Elect to defer the Notice of Layoff with it being understood that notice begins on the date the Employee is scheduled to return to work following her Deferred Salary Leave. In the event that the Employee has deferred the Notice of Layoff, she will be required to select, from the options available to her under Article 17, no later than ten (10) days prior to the elected effective date that notice is to begin.

An Employee in receipt of a Notice of Layoff who does not notify the Employer of their election will be deemed to have selected option (b) above. An Employee under option (b) above who does not notify the Employer of their selection in a timely manner will be treated as an Employee who has chosen not to participate in priority placement as set out in 17.06(f) of the Collective Agreement.

3. Service and seniority will continue to accrue during the period of the leave.
4. In accordance with government regulations and the Income Tax Act, upon completion of the leave, an Employee must return to the Employer for a period equal to or greater than the length of the leave. In addition, during the leave the Employee may not receive any salary or wages from the Employer, or from any other person or partnership with whom the Employer does not deal at arm's length.
5. During the deferral period, Employees who are appointed to another position without agreement of the 'new' supervisor to continue the Deferred Salary Leave program, or are terminated under Article 14.04 of the Collective Agreement will be required to withdraw from the Deferred Leave Program. Upon withdrawal, all of the deferred salary and accrued interest shall be paid to the Employee.

Payment will be made as soon as possible, but no later than sixty (60) days after denial of continuation in the program by the 'new' supervisor, or resigning, or receiving notice of termination. Such payment will be subject to required statutory deductions.

6. A participant may withdraw from the plan at any time up to a date three (3) months prior to the commencement of the leave. Deferred salary, and accrued interest will be returned to the participant as soon as possible, but no later than sixty (60) days of notice of withdrawal.
7. The commencement of the leave portion of the Deferred Salary Leave program will be postponed for the amount of time equivalent to that of a Pregnancy/Parental Leave, or time away from work due to a Workplace Injury (WSIB) that occur during the salary deferral period.
8. Should an Employee die during the deferral period, the deferred salary and accrued interest will be paid to the estate of the deceased.
9. Participation in a self-funded leave plan could have implications for pension provisions and income tax. Employees are encouraged to become fully aware of the effects of the plan.
10. At the outset of the leave period, payment and benefits will be outlined in a letter to the Employee, and copied to the Association.
11. MUSA will be advised of those Employees who have been approved for participation in the deferred salary leave plan, and of those who are on such a leave.
12. Other than the foregoing, the Employer shall assume no cost other than the administration of the deferred salary plan and shall be saved harmless from any additional liability.

**Signed this 6th day of October, 2004.**

For the Employer

**Murray C. Lapp**

For the Association

**Mina Dizdarevic**