

Policy Name: **Sabbatical Leave**

Policy Number: HR-8

Policy Monitor: Director, Human Resources

Policy Approver: Senior Leadership

Approval Date: December 5, 2017

Purpose

A sabbatical leave provides eligible employees the opportunity to take leave from the Northwest Territories Power Corporation (NTPC) and finance this leave through a deferral of a portion of their bi-weekly salary in the years immediately prior to the leave period.

Policy Statement

When the sabbatical leave period commences, the deferred portion of salary monies are repaid to the employee as an allowance on a bi-weekly basis. The monies are non-taxable when being deferred but become taxable when paid to the employee. This policy applies to all indeterminate, full-time employees.

Guidelines

- Employees are eligible to apply after a minimum of 2 years of service.
- A sabbatical leave approval is subject to operational requirements. Directors, along with support of the President & CEO, must ensure that approved sabbatical leave does not impair the future operation of NTPC.
- During the sabbatical leave period, employees may engage in whatever activities they wish, with the exception that during the leave period the employee is ineligible for employment in the Public Service. Employment with the Public Service effectively terminates the leave, voids the self-funded leave plan and has income tax implications. Participants on sabbatical leave must adhere to the Code of Ethics.

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- Participation (deferral and sabbatical leave periods) can begin at any time during the year.
- There is no maximum number of NTPC employees allowed to participate at one time.
- There are two options for sabbatical leave:
 1. Participating employees may choose to defer ten per cent (10%) of their salary for four and one half years, followed by six months leave. This agreement is a period of five and one half consecutive years consisting of the following:
 - a) The first four and one half consecutive years during which the employee draws 90% of salary earned and defers the remaining 10%;
 - b) The remaining six months of the fifth consecutive year in which the employee takes the sabbatical leave, and is paid an allowance from the amounts deferred above;
 - c) Immediately following the completion of the sabbatical leave period, the employee must return to employment with NTPC for a minimum of six months.
 2. Participating employees agree to defer twenty per cent (20%) of their salary for four consecutive years. NTPC agrees to grant the employee leave in the fifth year and use the amounts deferred in the previous four years to pay the employee an allowance during the leave period. The

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individual agreement for each participating employee is a period of six consecutive years consisting of the following:

- a) The first four consecutive years during which the employee draws 80% of salary earned and defers the remaining 20%;
 - b) The fifth consecutive year in which the employee takes the sabbatical leave, and is paid an allowance from the amounts deferred above;
 - c) Immediately following the completion of the sabbatical leave period, the employee must return to employment with NTPC for a minimum of one year.
- Depending upon the agreement selected, either a 10% or 20% deferral deduction is made from the employee's gross salary earnings each pay. This includes all regular time and leave only. Income tax is based on the net amount after the deferral deduction has been made.
 - During the deferral period the Employer shall provide employee benefits (with the exception of pay) at a level equivalent to 100% of salary.
 - During the sabbatical leave period, a participant's employment status will remain Active. An employee's sabbatical leave allowance (gross annual salary) will consist of the sum of the contributions made during the deferral period. The allowance will be provided through the normal NTPC payroll process.
 - Any applicable Superannuation (pension), Manulife Health and Dental and Life, Supplementary Death Benefits (SDB), Public Service Management Insurance Plan (PSMIP) and Disability Insurance/Long Term Disability (DI/LTD) coverage

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are still in effect during the leave period. All employee premiums are automatically deducted from the allowance.

- During the sabbatical leave period income tax will be deducted in accordance with the provisions of the *Income Tax Act* and its regulations.
- No annual leave, sick leave or special leave will be credited while employees are on the leave period. The leave period, however, will not be considered a break in service.
- Should the employee choose to withdraw from the agreement, they will take a refund of the total amount in their deferred salary account.
- The Employer will cancel participation in the agreement and will refund, within 30 days, the total of the deferred salary plus interest, if:
 - a. the employee dies;
 - b. the employee has been dismissed;
 - c. the employee has resigned from NTPC; or
 - d. the employee is laid off from NTPC.
- Upon withdrawal from the sabbatical leave agreement, whether by resignation, death, dismissal or request, all monies deferred and the applicable accrued interest in the account will be refunded to the employee (or employee's estate) within 30 days of the notification of withdrawal. Withdrawal from the agreement may substantially affect an employee's personal tax status in the year in which the deferred funds are received and entail a considerable tax burden for the employee.

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- NTPC shall be in no way responsible for any liability including any charges, costs or unforeseen expenses that an employee may incur as a result of participation in salary deferral and sabbatical leave.
- An employee who withdraws from the sabbatical leave agreement is required to wait a minimum of 12 months before applying again.
- An employee who completed participation in the sabbatical leave is eligible to reapply for sabbatical leave upon return to work. When operational circumstances permit, such leave may be approved on more than one occasion.
- Income Tax Regulations require that at the end of the leave period employees return to the Employer under whom they participated in the sabbatical for at least the same amount of time as the leave period. As such, a sabbatical leave cannot serve as an early retirement program.

Procedures

- Employees must make a written application to their Director at least 10 weeks prior to the start date of deferral periods beginning. Employees complete one of the following:
 - a. **Sabbatical leave agreement** – 6 months (4.5 year deferral; 10%)
 - b. **Sabbatical leave agreement** – 1 year (4 year deferral; 20%)
- The Director will review the application and the requirements of the Division. The Director will notify the employee's manager and the Human Resources Division at least six weeks prior to the start of salary deferral period.

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- The Human Resources Division initiates the salary deduction pay action, updates the employee's record and processes the information for payment.
- Upon return from leave, the Director will, wherever possible, place the employee in either their former position or an agreed upon equivalent position.
- After completion of the sabbatical leave, employees are required to return to their regular work with the Division for a period equivalent to the period of leave. If the employee fails to complete the return to service commitment, they will repay all Employer contributions made on their behalf during their leave period.

Definitions

Deferral Period is the period of time during which participating employees defer a portion of their salary.

Sabbatical Leave is the period of time, immediately following the deferral period, during which participating employees are on a leave of absence from work.

Allowance means the sum of the contributions made during the deferral period.

Authorities and Reference

Collective Agreement

Income Tax Act

Sabbatical leave agreement – 6 months (4.5 year deferral; 10%)

Sabbatical leave agreement – 1 year (4 year deferral; 20%)

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Policy History

Date	Revision #	Description of Change
December 5, 2017	1	Defining salary deferral parameters and sabbatical leave options.
August 14, 2000		Original policy

SABBATICAL LEAVE AGREEMENT - SIX MONTHS

Employee's Name:	
Employee No.:	Position Title:
Director's Name:	Division:

I have read the terms and conditions of the Sabbatical Leave Policy (HR-8). I agree, understand and apply to participate on the following basis:

1. My requested enrolment date for salary deferral is: _____.
2. I request sabbatical leave for a six-month period (dates should be confirmed within three months of proceeding on leave): Start Date: _____ End Date: _____.
3. In accordance with the Sabbatical Leave Policy (HR-8), 10% of my salary will be deferred for each of four and one half years and used to fund the leave granted under #2 (above).
4. I cannot accept any other employment within the Public Service during the period of my leave.
5. As a Northwest Territories Power Corporation (NTPC) employee, I remain subject to the Code of Ethics during my leave.
6. I agree to return to the Public Service of NTPC for a period of six months following my leave.
7. I understand that if I do not return to the Public Service of NTPC following the six months of my sabbatical leave there may be tax implications and I would need to contact the Canada Revenue Agency for further information.
8. I agree that NTPC shall be in no way responsible for any liability including any charges, costs or unforeseen expenses that I may incur as a result of deferring my salary and / or taking my sabbatical leave.

Employee Signature:	Date:
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I approve the application for salary deferral and sabbatical leave as applied for above, and agree to return the applicant to their current or equivalent position following leave.

Director Signature:	Date:
Director, Human Resources Signature:	Date:
President & CEO Signature:	Date:

Upon President & CEO signature, please return this form to an HR Specialist for processing.

HR Division Use Only

Received by:	Date Received:
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SABBATICAL LEAVE AGREEMENT - ONE YEAR

Employee's Name:	
Employee No.:	Position Title:
Director's Name:	Division:
<p>I have read the terms and conditions of the Sabbatical Leave Policy (HR-8). I agree, understand and apply to participate on the following basis:</p> <ol style="list-style-type: none"> 1. My requested enrolment date for salary deferral is: _____. 2. I request sabbatical leave for a one-year period (dates should be confirmed within three months of proceeding on leave): Start Date: _____ End Date: _____. 3. In accordance with the Sabbatical Leave Policy (HR-8), 20% of my salary will be deferred for each of four years and used to fund the sabbatical leave granted under #2 (above). 4. I cannot accept any other employment within the Public Service during the period of my leave. 5. As a Northwest Territories Power Corporation (NTPC) employee, I remain subject to the Code of Ethics during my leave. 6. I agree to return to the Public Service of NTPC for a period of one year following my leave. 7. I understand that if I do not return to the Public Service of NTPC following the one-year of my deferred salary leave there may be tax implications and I would need to contact the Canada Revenue Agency for further information. 8. I agree that NTPC shall be in no way responsible for any liability including any charges, costs or unforeseen expenses that I may incur as a result of deferring my salary and / or taking my sabbatical leave. 	
Employee Signature:	Date:
<p>I approve the application for salary deferral and sabbatical leave as applied for above, and agree to return the applicant to their current or equivalent position following leave.</p>	
Director Signature:	Date:
Director, Human Resources Signature:	Date:
President & CEO Signature:	Date:
Upon President & CEO signature, please return this form to an HR Specialist for processing.	
HR Division Use Only	
Received by:	Date Received: