PEPP *Talk* . . .

on Leave of Absence

This issue of PEPP *Talk* provides members of the Public Employees Pension Plan (PEPP) with information on the process and options available when returning from an employer-approved leave of absence.

The Options – To contribute or not to contribute . . .

A Leave of Absence (LOA) is time away from your position that is *approved* by your employer. It is assumed that you will return to your original position at the end of the leave.

If you take an employer-approved leave of absence (such as education leave, maternity leave or parental leave), you have the option to make contributions to the Plan for the period of your leave. You must be an active[1] member to contribute for a leave and your payments must begin within 90 calendar days of your return to work.

Your employer will provide you with a *Leave of Absence (LOA) - Contribution Options* form upon your return to work. You must complete this form whether or not you choose to contribute for the period of leave.

You may elect not to contribute for the period of leave. Once your employer has received your decision not to contribute for the period of leave it *cannot be revoked.*

Within 90 days from the date you return to work:

- you must decide if you are going to make contributions for your period of leave; and
- contribution payments must begin.

If the 90-day period lapses, you cannot make contributions for the leave at a later date.

If you elect to contribute for a period of leave you can use one or a combination of the payment methods discussed later in this issue of PEPP *Talk*:
- payroll deduction;
- RRSP transfer; or
- personal cheque.

[1] Pension plans can only accept contributions as a result of a leave of absence from active (employed and contributing to PEPP) members.

Points to Consider…

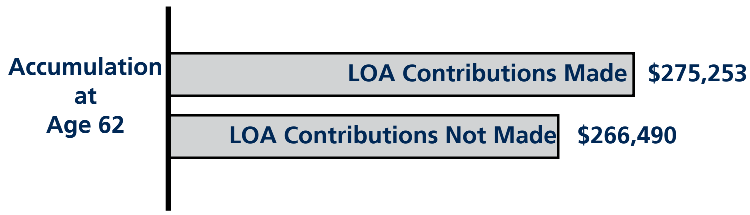
The choice to contribute or not to contribute is yours. Points to consider include:

❶ Can you afford to miss the opportunity to contribute given your retirement objectives?

This chart compares the total accumulation for a member who joined the Plan at age 22 and retired at age 62 and

- took two leaves of six months one at age 28 and one at age 33
- had earnings of $36,000 per year (monthly contributions of $150 from the member and $150 from the employer).

Assuming that investment returns were three per cent each year:



As shown, making contributions (and receiving matching employer contributions) can make a difference in the accumulation at the end of a career. This is an illustration only. Actual results are affected by your age; when the leave occurs; your earnings; return on investment, and your contribution rate.

❷ If you decide to make contributions for a period of leave, you also receive the employer's share of contributions. If you elect not to contribute for the period of leave, your employer is not required to contribute to the Plan on your behalf. Your employer is required to contribute to the Plan on the same schedule you choose (if you contribute for the period of leave in a lump sum, your employer must also contribute in a lump sum).

❸ You may be granted a leave of absence from one PEPP employer, but continue to work in another position or for another PEPP employer. You and your new PEPP employer will make contributions based on your salary in the new position. You **do not** need to complete a *Leave of Absence (LOA) - PEPP Contribution Options* form because payments to PEPP continued to be made by you and your employer.

❹ If you are working for an employer who does not participate in PEPP while on your leave, you may have the option to contribute to that employer's pension plan. Upon returning to work with the PEPP participating employer, check the termination benefits and transfer provisions you received from the non-PEPP employer - you may be able to transfer your pension contributions to PEPP. See the online issue of PEPP *Talk* on *Transferring Money into PEPP* for more information.

❺ Electing to not contribute for an approved leave of absence affects your contributory service. Contributory service is not a factor in your retirement benefit, but it may be used for an age plus service calculation should your employer offer an early retirement program.

So, you've decided to contribute . . .

Upon returning to work you should receive a *Leave of Absence (LOA) - Contribution Options* form, with section A completed, from your employer. If not, contact them and request the form. You must begin to contribute for your leave within 90 days of your return to work. Once the 90-day period has lapsed, you cannot contribute to PEPP for that period of leave.

If section A of the form has not been completed by your employer, contact your Payroll Branch to request a calculation of your PEPP contributions for the period of leave. This amount is based on the salary you were earning before you went on leave and the contribution rate(s) in effect during your leave.

Complete Section B of the *Leave of Absence (LOA) - Contribution Options* form - choose a method of payment or a combination of any of the payment methods. You have until December 31 the year after your leave ends, or the length of your leave–whichever is shorter–to repay your contributions for the period of your leave. PEPP begins measuring your contribution period from the date you make your first contribution for the leave. Return the completed original *Leave of Absence (LOA) - Contribution Options* form to your employer within 90 days of returning to work.

Contributions by Payroll Deduction

You are responsible for forwarding a completed and signed *Leave of Absence (LOA) - Contribution Options* form to your Payroll Branch. The Payroll Branch is then responsible for sending the contributions to PEPP. Contributions must begin within 90 days of your return to work. These contributions are in addition to your regular current contributions that are deducted each pay period.

Contributions by payroll deduction can be made in one lump sum, or spread over several consecutive pay periods. You have until December 31 the year after your leave ends, or the length of your leave–whichever is shorter–to repay your contributions for the period of your leave. Measurement begins the date you make your first contribution for the leave.

Although you have 90 days after returning to work before contributions must begin, delaying contributions may affect how long you can take to make the contributions, especially if you return near the end of the year. This could cause a significant increase in payment amount when paying the contributions by payroll deduction.

Examples

Adira takes a three month leave, ending on February 1, 2009 and makes her first contribution for the leave on April 17, 2009. She has until July 17, 2009 to make her last contribution for the leave (three months after the first contribution for the leave). She contributes at a rate of seven per cent on a $65,000 salary.

Date leave ends	Date contributions begin	Date final contribution is due
February 1, 2009	April 17, 2009	July 17, 2009
Length of leave	**Time to pay additional contributions**	**Additional contributions per pay period**
Three months	Three months - seven pay periods	$162.50

An employee takes an 18-month leave, ending July 20, 2009. He makes his first contribution for the leave September 18, 2009. He must make the final contribution for the leave by December 31, 2010 (December 31 of the year after the leave ended). He makes seven per cent contributions on a $65,000 salary.

Date leave ends	Date contributions begin	Date final contribution is due
July 20, 2009	September 18, 2009	December 31, 2010
Length of leave	**Time to pay additional contributions**	**Additional contributions per pay period**
18 months	15 months - 34 pay periods	$200.74

An employee takes a one year leave, ending on December 13, 2008, and makes his first contribution on February 20, 2009. His final contribution for the leave must be made by December 31, 2009 (December 31 of the year after the leave ended). Because the one-year mark of contributing for the leave is after December 31 the year after the leave ended, all payments must be made by December 31, 2009. He makes seven per cent contributions on a $65,000 salary.

Date leave ends	Date contributions begin	Date final contribution is due
December 13, 2008	February 20, 2009	December 31, 2009
Length of leave	**Time to pay additional contributions**	**Additional contributions per pay period**
12 months	10 months - 23 pay periods	$197.83

Contribution by RRSP Transfer

Contact PEPP for a Canada Revenue Agency (CRA) T2033 form. PEPP will complete Area II (PEPP agrees to accept the funds) and forward the form to you.

You must complete Area I of the CRA form. You should then take the form to the financial institution that administers the RRSP. The financial institution will complete Area III and forward the CRA form and the funds to PEPP.

PEPP will complete Area IV of the CRA form after receiving the funds, and send a copy to you and the financial institution to confirm the funds were received. Any funds transferred in excess of the amount required will be invested as voluntary contributions. Your employer is not required to match any voluntary funds.

PEPP will send a memo to the employer advising that PEPP has received the employee share by RRSP transfer and the employer portion of the contributions can be forwarded to PEPP.

Contribution by Personal Cheque

Complete Section B of the *Leave of Absence (LOA) - Contribution Options* form and give it to your employer along with a cheque made payable to PEPP. The cheque must be received by PEPP within 90 days of your return to work.

PEPP will send you a receipt for income tax purposes, a letter confirming the cheque was received and notification that the employer contributions have been requested.

Maximum Leaves of Absence

The *Income Tax Act* (Canada) limits the total amount of leave for which you may make contributions. You may contribute for a maximum of five years of accumulated leaves of absence. In the case of maternity or paternity leaves, the maximum is increased by an additional three years (eight years in total).

There are no rules regarding a minimum period for a leave of absence.

Questions

For further information about contributions with respect to leaves of absence, contact:

Public Employees Pension Plan (PEPP)
c/o Public Employees Benefits Agency (PEBA)
1000 - 1801 Hamilton Street
REGINA SK S4P 4W3

Phone: 306-787-5442, in Regina
or toll free at 1-877-275-7377 (from outside the Regina calling area)

FAX: 306-787-0244

Email: pepp@peba.gov.sk.ca

The information contained in this issue of PEPP *Talk* does not replace or supersede *The Public Employees Pension Plan Act* or *The Pension Benefits Act, 1992* or related regulations. In the event of any misunderstanding or conflict, the Acts and Regulations will prevail. Please contact PEPP if you are or were working outside Saskatchewan. Your pension may be subject to the legislation of another province.

The Public Employees Pension Plan produces issues of PEPP *Talk* as a service to its members. These documents provide information on specific provisions of the Plan. Plan information is available in a variety of other forms including: issues of PEPP Talk on other topics; our newsletter, *Pension Perspectives*; PEPP Member Booklet; and the PEPP home page www.peba.gov.sk.ca/pensions/pepp/home.html

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