



Deferred Salary Leave Program

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Finance and Treasury Board



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1. Introduction

The Government of New Brunswick introduced the Deferred Salary Leave Program (DSLPL), on January 1, 1990. It is designed to allow you to finance a leave of absence for any reason, subject to the approval of your employer and the terms and conditions of the program.

The key aspects of the program, as outlined in this booklet, will provide an overview and address common questions you may have regarding the program.

The information contained in the following pages is meant as a summary only. Should additional information be required, please contact your Human Resources Team or the Employee Benefits Services unit of the Department of Finance and Treasury Board.

2. Program Summary

The program is designed to help you finance a leave of absence for any reason, whether you elect to continue your educational studies, travel or pursue some other interest.

The program offers you the advantage of financing your leave of absence by deferring a maximum of 33 ⅓ % of your gross salary (before deductions). To offer this advantage, the program must comply with Revenue Canada regulations and the *Income Tax Act*. While you are making contributions to the program, income tax is payable only on that portion of salary which you actually receive.

The period, over which you defer your salary, cannot be less than one (1) year, and may not exceed six (6) years. While you are deferring a portion of your salary to fund a leave of absence, your contributions are deposited into an account with the NBTA Credit Union Ltd. This account accrues compounded interest monthly and must be included as income in the year in which it is earned.

The minimum period of leave is six (6) months, the maximum is twelve (12) consecutive months and will normally commence as soon as the deferral period expires. You are required to return to work for a period equal to the duration of your leave, and as such, the program cannot serve as an early retirement program.

You may choose to participate in the program in accordance with the options below:

	Contribution Period	Timing of Leave
Option 1	2 years	3 rd year
Option 2	3 years	4 th year
Option 3	4 years	5 th year
Option 4	5 years	6 th year
Option 5	6 years	7 th year

3. Enrolment

To enrol in the program, you must become familiar with the terms and conditions of the program and discuss your proposed participation with your supervisor. You must make written application to the Deputy Minister or the Chief Executive Officer at least six (6) months in advance, requesting permission to participate. Entry date into the program for deductions will be either January 1st or July 1st of a given year. You will find an application form at the end of this booklet.

You will receive written approval or denial (with explanation) of your request from your supervisor within three (3) months of your written application. Approval of your request will be dependent upon finding a satisfactory replacement during the period of absence.

4. Eligibility

You are eligible to apply for the program if you fulfill the following qualifications:

- you are an employee of the Government of New Brunswick as defined under the *Public Service Labour Relations Act*;
- you have at least twelve (12) months of continuous service; and
- you are an approved non-bargaining employee in Part I or Part III or a member of an approved bargaining group.

To determine if your bargaining group has been granted approval to participate in this program, please consult your Human Resources Team, the Employee Benefits Services unit of the Department of Finance and Treasury Board, the Administration Manual Policy AD-2408 or your Collective Agreement.

This policy does not apply to:

- unionized employees of Part II or III, unless listed above or negotiated. Refer to the appropriate collective agreement, or related approval documents;
- individuals employed on a casual/temporary basis;
- individuals employed on personal service contract.

5. Salary Deferral Period

While you are deferring a portion of your salary to the program, you will continue to receive your normal salary, LESS the amount you have chosen to contribute to the program. Contributions for the Canada Pension Plan (CPP) and Income Tax will be deducted from the actual amount received (salary less DSLP deduction).

Employment Insurance and Pension Plan contributions during each year of the deferral period shall be made based on what your salary would have been had you not entered the program. All other premium deductions for insured benefits (for example: Group Life Insurance, AD&D, Health, Travel, Dental and LTD) shall continue as usual.

The custodian of your trust account is the NBTA Credit Union Ltd.

6. Salary During Leave Period

During your leave of absence period, your gross annual salary will consist of the sum of the contributions that you made to the program during your deferral period plus the accumulated interest on that amount. Income slips for completion of your tax return will reflect the amount of your payments only, as interest income information slips will be issued yearly by the NBTA Credit Union Ltd.

You will receive your salary through your normal payroll procedures. During your leave period, income tax and contributions to the Canada Pension Plan (CPP) will continue to be deducted at a rate that corresponds to your earning levels.

During the leave period, your status will be that of an employee on leave without pay (LWOP). As such, the provisions and cost-sharing arrangements with respect to insured benefits will be consistent with employer policy or Collective Agreements. Generally, pension plan documents allow for the purchase of a leave period upon your return to work. Inquiries related to the purchase of service for pension credit should be directed to your Human Resources team immediately upon your return.

7. Income Tax Implications

Some basic income tax issues pertaining to the program are outlined below for your information.

During your deferral period, income tax will be deducted at the rate in effect for your reduced income level. During your leave of absence, similar income tax deductions will be made in accordance with your salary level at that time (exclusive of interest payments).

During both your deferral and leave periods, your employer will continue to deduct contributions for the Canada Pension Plan (CPP) and Income Tax. You should be aware that during your deferral and leave periods, you will be continuing to contribute to these two programs on your reduced salary. In many cases reduced earnings will still exceed maximum earnings under the Canada Pension Plan. Employment Insurance will not be deducted during the deferral period.

While you are on your leave of absence, Revenue Canada will not allow you to receive salary amounts, other than your deferred earnings, from your employer.

8. Withdrawal from the Program

Once approved for participation in the program, you will be permitted to withdraw prior to the leave period, only under exceptional circumstances as outlined below:

- extreme financial hardship (requires three (3) months' notice);
- termination/resignation;
- death;
- total and permanent disability;
- transfer to another position where continuation in the program is not approved; or
- layoff.

Upon receipt of permission to withdraw from the program, you will receive a refund of your contributions plus accrued interest. This refund will be made as soon as possible, but not later than 90 days from approval to withdraw.

9. Administrative Expenses

There are no administrative expenses associated with your participation in this program.

10. Return from Leave

On return from leave, you shall be assigned to the same or equivalent position held immediately prior to going on leave. You will be eligible for the same step in the salary scale, in accordance with the leave without pay policy.

11. Effect on Related Benefit Programs

Benefit Program	Status During Deferral Period	Status During Leave Period
Pension	Contribution required on same basis as employees not in the program (i.e.: on full salary, not salary received).	No contributions are paid during the leave period. Employees can apply to purchase the leave period upon return to work. Refer to pension plan document.
Health and Dental Plans	Employer cost-sharing arrangement as usual.	Coverage continuation is optional for up to a maximum of 12 months. Employee is responsible for full cost of premium payments. Coverage cannot change during the leave period.
Group Life Insurance	Coverage based on full salary, not salary received. and premium payments continue as usual. <ul style="list-style-type: none"> • Basic Life - Employer pays full cost of premium. • Optional Life - Employee pays full cost of premium. • Dependent Life - Cost sharing arrangement as usual. 	Coverage continuation is optional for up to a maximum of 12 months. Employee is responsible for full cost of premium payments. Coverage cannot change during the leave period.
Accidental Death and Dismemberment Insurance (AD&D)	Coverage based on full salary, not salary received and premium payments continue as usual. <ul style="list-style-type: none"> • Basic AD&D - Employer pays full cost of premium. • Optional AD&D - Employee pays full cost of premium. • Voluntary AD&D - Employee pays full cost of premium. 	Coverage continuation is optional for up to a maximum of 12 months. Employee is responsible for full cost of premium payments. Coverage cannot change during the leave period.
Long Term Disability Insurance (LTD)	Coverage and premiums based on full salary, not salary received. Employee pays full cost of premium.	Coverage continuation is optional for up to a maximum of 12 months. Employee is responsible for full cost of premium payments. Coverage and premiums reflect full salary immediately prior to commencement of leave.
Union Dues	Payable	Not payable during leave period.
Income Tax	Payable on the portion of salary actually received.	Payable only on the portion of salary actually received.
Canada Pension Plan (CPP)	Payable on the portion of salary actually received.	Payable only on the portion of salary actually received.
Employment Insurance	Payable on full salary, not only on the portion of salary actually received.	Not payable during leave period.

12. Deferment Worksheet

The following will assist you with the financial planning of your leave of absence.

Deferral Period: _____

Leave Period: _____

Deferral Period	Number of pay periods over which salary is being deferred in calendar year	Basic salary per pay period	Percentage of basic salary to be deferred ¹	Annual Contribution(s)
1. Entry Year	(X)	\$) X	% ¹ =	\$ _____
2. Number of years being deferred (not to exceed 6 years)				X _____
3. Total contribution(s)				= \$ _____
4. Number of pay periods during the leave period				÷ _____
5. Income per pay period (before tax & deductions) during leave ²				= \$ _____ ²

Notes:

- 1. Cannot exceed 33 1/3 %.
- 2. This is calculated at entry-year dollars as it is assumed the interest rates will compensate for salary increases.

Please see example on the following page.

13. Deferment Calculation Example

Deferral Period: 4 years

Leave Period: 1 year

Deferral Period	Number of pay periods over which salary is being deferred in calendar year	Basic salary per pay period	Percentage of basic salary to be deferred ¹	Annual Contribution(s)
1. Entry Year	(26 X	\$ 1,404.00) X	20% ¹ =	\$ 7,300.80
2. Number of years being deferred (not to exceed 6 years)				X 4 years
3. Total contribution(s)				= \$ 29,203.20
4. Number of pay periods during the leave period				÷ 26
5. Income per pay period (before tax & deductions) during leave ²				= \$ 1,123.20 ²

Notes:

1. Cannot exceed 33 1/3 %.
2. This is calculated at entry-year dollars as it is assumed the interest rates will compensate for salary increases.

14. Frequently Asked Questions for Prospective Participants

1. What is the maximum amount of salary I can defer?

The maximum amount of salary which can be deferred is 33 ⅓ % of the gross salary based upon your classification and level.

It is recommended that employees defer a sufficient amount to sustain an average level of remuneration just prior to the leave; for example, if you deferred 15% of salary, you would retain 85% of your salary prior to the leave, and you should plan to contribute three (3) years to sustain an equivalent payment from the trust account for a six (6) months self-funded leave period.

2. Is there any particular time when applications must be submitted?

Entry into the program will take place on either January 1st or July 1st of each year, and applications for such must be submitted six (6) months in advance.

3. I can only afford to put 15% of my salary aside. Can I still participate?

Yes, you may participate by deferring 15% of your salary. However, you would need to defer this amount for approximately six (6) years in order to sustain a level or remuneration equivalent to 85% of your pre-Leave Salary, to fund a leave for twelve (12) months.

4. May I take up other employment during my leave?

You may be employed while on leave; however, it cannot be with the New Brunswick Provincial Government. Also, bear in mind that while on leave from the Public Service, you are still expected to respect the Conflict of Interest policy with regard to accepting alternate employment.

5. What if I am unable to take leave as planned?

If you are unable to proceed on leave at the precise time requested, you may seek your manager's approval, on one occasion only, to advance or delay your leave by up to six (6) months.

A subsequent inability to proceed on leave would necessitate withdrawal from the program.

Withdrawal from the program prior to taking leave will result in a higher marginal tax for most employees and consequently a higher amount of income tax to pay.

6. Can my manager refuse to allow my participation in the program?

Managers must review applications in light of operational feasibility. Most requests will be approved with the exception of multiple requests for a single time frame, which may require review and deferral to a subsequent date. All conditions being equal among the applicants for such leave, seniority will be taken into consideration for approval.

7. Can my manager cancel or delay my scheduled leave?

Your manager may, where significant unforeseen operational circumstances occur, delay your leave by up to six (6) months. In as much as the Deferred Salary Leave Program provides for ample lead time for planning, such instances should be rare exceptions.

8. Can I be laid-off while participating in the Deferred Salary Leave Program?

Deferred Salary Leave Program participants will normally return to their substantive positions on return from their leave. Nevertheless, participation in the program provides no guarantee that work force adjustment will not have an effect on positions over time. An employee participating could, in effect, be laid off and subsequently be placed on a redeployment list -- the same as if they were actively at work.

9. What if I am unable to return to work after my leave?

Your return to work is agreed to as part of your participation in the Deferred Salary Leave Program. Should you transfer to another government department or another employer on completion of your leave, your return to work commitment will be deemed to have been fulfilled. Similarly, if you become disabled or too ill to return to work, this provision will be waived.

10. What happens should I die while enrolled in the program?

A term of the agreement states that the deferred salary plus the compounded interest total will be paid to the estate of the participant.

11. As a leave without pay, how does the program affect continuous employment for the purpose of calculating retirement allowance, vacation leave, sick leave, and pay increments?

Please refer to the appropriate Personnel Policies or relevant articles in your Collective Agreement.

12. How will my money be administered by the NBTA Credit Union Ltd.?

Your trust account will be set up by the custodian as an interest-bearing savings account. Options to the method of investments may be made available as the program matures, but no change will be made without your written permission.

13. How is interest credited to my account and how will I know how much has accumulated?

All deferred salary shall be forwarded to the custodian, NBTA Credit Union Ltd., and shall accumulate interest calculated on the minimum accumulated monthly balance.

The interest paid shall be calculated by averaging the interest rates in effect on the last business day of each month for: a true savings account; a one (1) year term deposit; a three (3) year term deposit; and a five (5) year term deposit. The rates for each of the accounts identified shall be those quoted by the Prospect Street Branch of the Bank of Montreal in Fredericton New Brunswick. Interest shall be deposited to the appropriate account on the last day of each month.

Note: *You will be taxed on a current basis on the interest or other amounts that accrue while you are in the program.* Statements showing all receipts, disbursements, interest credited, and all other pertinent information will be issued annually to all participants, prior to the end of January. At the same time, you will receive all information statements required by Revenue Canada with respect to *reporting of interest income.*

Application for the Deferred Salary Leave Program

To:

**Deputy Minister / Chief Executive Officer
or designate**

Department / Institution or Agency

From:

Surname

Given Name

Middle Name

Social Insurance Number

Date of Birth

Home Phone

Address:

Street

City

Province

Postal Code

Work:

Work Location

Street

City

Province

Postal Code

Classification

Bargaining Group

Work Telephone

Please accept my application to enter the Deferred Salary Leave Program as outlined in the regulations governing the program (see the *Administration Manual – Policy AD-2408*). My application is submitted under the following conditions:

1) **Effective Year of leave:** _____

a. I wish to enroll in the Deferred Salary Leave Program with the first deferment commencing with the first pay period in (*select one*):

- January 1st** _____ **Year** **July 1st** _____ **Year**

b. My contribution period is as follows (*select one*):

	Contribution Period	Timing of Leave	Portion of Salary to be Deferred
<input type="checkbox"/>	2 years	3 rd year	_____ %
<input type="checkbox"/>	3 years	4 th year	_____ %
<input type="checkbox"/>	4 years	5 th year	_____ %
<input type="checkbox"/>	5 years	6 th year	_____ %
<input type="checkbox"/>	6 years	7 th year	_____ %

