

## **Educational Salary Advance Program Policy**

*Revision Date: November 5, 2020*

### **Program Description:**

The purpose of the Educational Salary Advance Program is to allow employees to finance a planned leave of absence, of between six and 24 months, to complete an education program on a full-time basis. Employees may advance a portion of their salary (before deductions) during the leave of absence, and repay the advance over a specified timeframe upon returning to work.

### **Scope:**

Employees may finance a planned leave of absence by advancing a maximum of 66.6 per cent of their salary (before deductions) in a Taxation Year. This Salary Advance is contingent upon signing a Service Agreement that includes a service obligation with two components: a Repayment Period and Worked Service commitment.

The Educational Salary Advance is intended to support recruitment and retention in an identified area of need. This may include situations where vacancies and recruitment challenges exist in a position/facility/region; or where such challenges are anticipated to occur as a result of a future vacancy or otherwise. Prior to entering into a service agreement, the regional health authority (RHA) will clearly identify the position(s) and/or area(s) of need suitable for fulfilling the Worked Service commitment. The agreed upon position(s) and/or area(s) of need will be clearly stated in the service agreement. In all cases, the employee must complete the worked service commitment in a position that maximizes the use of knowledge and skills acquired through the post-secondary education program. No subsequent changes to the agreed upon position(s) and/or area(s) of need shall be effective unless made in writing and signed by the RHA and the employee.

All positions will be awarded in accordance with the provisions contained within applicable collective agreement. RHAs may identify potential candidates for the Educational Salary Advance Program in conjunction with the competition process, or other process that is deemed fair and equitable (e.g. expression of interest). Approvals for the Educational Salary Advance are subject to operational requirements and a satisfactory record of employment.

### **Definitions:**

Appropriate Deductions: Statutory deductions from pay, including but not limited to income tax, Canadian Pension Plan and Employment Insurance.

Default: Failure to complete the service obligation, in part or in whole, or failure to comply with any term or condition of the Service Agreement.

Interest: A fee paid by the recipient who Defaults on his/her Service Agreement that is calculated on the unfulfilled portion of the service obligation.

Leave Period: That period of time (six to 24 months) during which participating employees are on a leave of absence from work and receiving the Salary Advance.

Prime Rate: The rate that is posted by the Bank of Canada as the prime rate shall be the base Interest rate for calculating repayment.

Receivable: The money that an organization has a right to receive because it had provided customers with goods and/or services. In this case, the Receivable is the portion of salary (before deductions) that is advanced to the employee to finance a leave of absence; this portion of salary is to be repaid over several Taxation Years after returning to work from the planned leave of absence.

Regional Health Authority (RHA): Corporations established under the *Regional Health Authorities Act*, SNL 2006, c R-7.1 responsible for providing the delivery and administration of health and community services in the health regions in Newfoundland and Labrador. There are four RHAs: Eastern Health, Central Health, Western Health and Labrador-Grenfell Health.

Repayment Period: That period of time during which participating employees repay the portion of their salary that was advanced.

Service Agreement: An agreement entered into by a recipient and a RHA, setting out the terms and conditions of the service obligation.

Salary Advance: A loan given to an employee from the employer that comes from wages that would have been paid to the employee in the future.

Taxable Benefit: A payment from an employer to an employee that is considered a positive benefit and can be in the form of cash or other type of payment. A loan offered to an employee by an employer with an Interest rate below the prescribed rates in effect (or no Interest rate) is a taxable benefit that must be claimed on the employee's tax return.

Taxation Year: Based on a calendar year January 1 to December 31 (inclusive).

Worked Service: Hours worked by the Recipient in accordance with the following:

- (i) actual hours worked (excluding overtime);
- (ii) approved paid leave, vacation leave, compensatory time or compressed time;
- (iii) approved special paid leave (jury/court leave, family leave, paid educational leave, paid union leave, paid government appointed committee leave) pursuant to the provisions of the collective agreement or other agreement, as the case may be, where applicable;
- (iv) statutory holidays;
- (v) paid sick leave and workers' compensation benefits, to a maximum of three weeks cumulatively; and
- (vi) compassionate or bereavement leave

**Eligibility:**

Permanent employees with a minimum of 12 months' continuous service with the RHA may apply for enrolment in the Educational Salary Advance Program. Casual and temporary employees are not eligible for participation in this program. Employees must be enrolled in an education program on a full-time basis.

**Amount and Disbursement:**

A maximum of 66.6 per cent of an annual salary (before deductions) may be advanced directly to the Recipient on a bi-weekly basis for a period of six to 24 months depending on the length of the educational program as specified in the Service Agreement. The amount advanced to the recipient is considered an Interest-free loan by the Canadian Revenue Agency, and not income. As such, there are no deductions for income tax, pension, or unemployment insurance. However, the Canada Revenue Agency considers the waived Interest to be a Taxable Benefit, and the RHA will include this benefit on T4 taxation forms at the end of the calendar year.

**Service Agreement Provisions, Default and Repayment:**

1. Service Agreements are legally binding contracts.
2. The Service Agreement will include a service obligation with two components: a Repayment Period and Worked Service commitment.
  - a. The service obligation includes a Repayment Period over which employees must repay the Salary Advance that will be not less than the length of the Leave Period for which the Salary Advance was received and not more than twice the length of the Leave Period for which the Salary Advance was received.
  - b. The service obligation includes a Worked Service commitment equivalent in length to the Repayment Period, and in a position of employment, on a temporary or permanent basis, that maximizes the use of knowledge and skills acquired through the post-secondary education program.
3. A Service Agreement is not an offer or promise of employment.
4. Failure to comply with any term or condition of the Service Agreement constitutes a Default of the Service Agreement. Further Defaults include:
  - a. Having made a materially misleading or inaccurate statement in the Service Agreement;
  - b. Purporting to confirm statements in the Service Agreement as being true when they are not in fact true;
  - c. Failure to graduate from the educational program as specified in the Service Agreement;

- d. Failure to maintain full registration with the regulatory body, as applicable, for the duration of the service obligation;
  - e. Failure to complete the service obligation; and
  - f. Termination of the Service Agreement, for any reason, by the recipient.
5. Recipients must notify, in writing, the RHA of the decision to terminate the Service Agreement (i.e., to Default) at least three months prior to the termination date and arrange for repayment of the Salary Advance in accordance with the Service Agreement. The RHA will notify the Department of Health and Community Services within five days in writing once a Default occurs. Group Insurance coverage can continue during the three (3) month notice period provided the appropriate premiums continue to be remitted by the recipient.
6. In the event of a Default of this Service Agreement, the Recipient agrees to immediately repay the RHA in accordance with the Collection Policy – RHA Receivables.
7. Where the Recipient Defaults on the Service Agreement, the RHA will meet with the Recipient (either in-person or via telephone) within five business days of Default notice. The Recipient will, upon demand by the RHA, within 30 calendar days, repay to the RHA the total Receivable owing based on the balance of the Salary Advance to be repaid (the “Defaulted Amount”), together with Interest as defined in the Service Agreement. For the purposes of calculating the portion of the term for which payments were made to or on behalf of the Recipient, the Recipient will be credited for the amount of the Salary Advance repaid to date.
8. In all instances where the Recipient will be charged Interest under this Service Agreement, Interest on the Defaulted Amount to be repaid by the Recipient will be calculated on the balance of the Salary Advance to be repaid.
9. Interest on the Defaulted Amount to be repaid by the Recipient will be calculated retroactively from the date of each payment advanced to or on behalf of the Recipient, and will compound on the outstanding balance as of the end of each month.
10. The Interest rate will be the Prime Rate posted by the Bank of Canada in effect on the first day of January preceding the date of Default plus two percentage points.
11. An administrative charge of \$2,500 per year that the Salary Advance was received will be payable by the Recipient to the RHA should the conditions of the Worked Service commitment not be met. The administrative charge will be prorated and decreased accordingly for each month of the Worked Service commitment that is completed.
12. The Recipient agrees that following a Default on this Service Agreement, he/she shall be liable to reimburse the RHA in respect to any and all costs and expenses, including but not limited to all legal fees which the RHA incurs in relation to attempts by the RHA, or another party on the RHA’s behalf, to collect the Defaulted Amount.
13. The service obligation for the Educational Salary Advance Program as specified in the Service Agreement will be served concurrently to all other service obligations for bursaries and grants associated with the completion of the same educational program.

For example, recipients who signed a Service Agreement for a Nurse Practitioner Bursary of \$5,000 with a service obligation of 1,950 hours and who also receive an educational Salary Advance with a service obligation of 7,800 hours will have a total service obligation of 7,800 hours.

14. The Service Agreement may be extended for maternity, adoption or parental leave or other matters approved by the RHA.

**Benefits:**

1. The benefits to employees participating in the Educational Salary Advance Program are as follows:

<b>Benefits / Deduction Program</b>	<b>Benefits During Leave Period</b>	<b>Benefits During Repayment Period</b>
Income tax	No deductions are made, as payment from the employer is not considered income.	Payment based on normal gross salary.
CPP	No deductions are made, as payment from the employer is not considered income.	Payment based on normal gross salary.
Provincial Pension	No pension payments will be deducted during the Leave Period.	Contributions based on normal gross salary.
Group Life Insurance / Health Insurance/Dependent life	Coverage continuation is optional; the recipient is required to pay full cost of premiums while on leave. Coverage will be terminated for non-payment.	Coverage and premiums based on normal gross salary; employer cost-sharing will resume.
Voluntary Accident Insurance / Dental Insurance/Critical Illness	Coverage continuation is optional; the recipient is required to pay full cost of premiums while on leave. Coverage will be terminated for non-payment.	Participation is optional. Employee pays full cost of premium.
Long Term Disability Insurance	No coverage available during the Leave Period.	Coverage and premiums based on normal gross salary.
Union Dues	Payable based on union constitution.	Payable on that portion of salary actually received or based on union constitution.
Unemployment Insurance	No deductions are taken as there are no insurable earnings during the Leave Period.	Payment based on normal gross salary.
Annual Leave	No accrual during the Leave Period. Time accrued prior to the Leave Period may be taken, subject to approval, before the Leave Period begins or after the Leave Period ends.	Normal accrual rates apply.
Sick Leave	No accrual during the Leave Period. Sick leave will not be paid during the Leave Period.	Normal accrual rates apply.
Paid Leave	No accrual during the Leave Period. Time accrued prior to the Leave Period may be taken, subject to approval, before the Leave Period begins or after the Leave Period ends.	Normal accrual rates apply.

Benefits / Deduction Program	Benefits During Leave Period	Benefits During Repayment Period
Pay Increments	Step progression delayed by the length of the Leave Period.	Normal application.

2. Employment status during the Leave Period will continue to be that of leave without pay. While on leave without pay, no payments will be made for the following:
  - Overtime
  - Call back
  - Standby
  - Automobile allowance
  - Labrador allowance
  - Family responsibility leave
  - Statutory holiday
  - Market adjustment
  - Any other monetary compensation provided to employees who are at work.
3. Upon return to work, employees may have the period of leave credited for pension purposes. Employees who elect, within 90 days, may purchase the period of leave by paying contributions that would have been paid had the employee not gone on leave. The Employer will match this amount. Employees who elect to purchase after 90 days will be required to pay the full actuarial cost of the service.
4. While on leave, an employee shall retain and continue to accumulate service for seniority purposes only.
5. Employees who have been granted leave in accordance with this policy will have their positions protected for the period of the approved leave up to a maximum of twenty-four (24) consecutive months unless the position is abolished. Where the position has been abolished the employee's classification and salary will be protected for the period of the approved leave.

**RHA Responsibilities:**

The RHA responsibilities include the following:

1. Establishing a written Service Agreement with the recipient that includes a service obligation outlining both a Repayment Period and Worked Service commitment.
2. Securing a position of employment for the recipient within 60 days of graduation from the post-secondary education program or full registration of the recipient with the appropriate regulatory body, as required. The position of employment, on a temporary or permanent basis, will maximize the use of knowledge and skills acquired through the post-secondary education program as outlined in the Service Agreement. The RHA reserves the right to release a recipient from the Worked Service commitment component only of the Service Agreement, if deemed necessary.
3. Issuing bi-weekly payments of the Salary Advance to the recipient.

4. Tracking the fulfillment of the service obligation specified in the Service Agreement.
5. Notifying HCS – Health Workforce Planning Division of Defaults.
6. If applicable, obtain a continuation of benefits form from the recipient, calculate the appropriate premiums, collect premiums during the leave period, terminate coverage for non-payment and recovery any losses to the group insurance plan.
7. Preparing the appropriate T4A/T4 for recipients annually.

### **Recipient Responsibilities:**

The recipient responsibilities include the following:

1. Reviewing and complying with the terms and conditions of the Service Agreement, which must include completion of an accredited post-secondary educational program, on a full-time basis, in a health-related field and registration/licensure with the corresponding regulatory body within 60 days of graduation, where applicable, as a requirement to practice in Newfoundland and Labrador with the RHA.
2. Repaying the total amount advanced through payroll deductions over the Repayment Period as specified in the Service Agreement or through other means regardless of the recipient's employment status or location.
3. Providing a service obligation that includes a Worked Service commitment equivalent to the Repayment Period, and not less than the length of the Leave Period for which the Salary Advance was received and not more than twice the length of the Leave Period for which the Salary Advance was received, to the RHA, in a position of employment, on a temporary or permanent basis, that maximizes the use of knowledge and skills acquired through the post-secondary education program as specified in the Service Agreement; and, on the terms and conditions then applicable to such position.
4. Making the necessary contacts with the Human Resources Department to continue to participate, at their own expense, in the group insurance programs to which they are entitled during the Leave Period, if desired. Completion of the necessary continuation of benefits form within the 31 days required and pay the premiums as specified by the RHA. Recipients are required to review their responsibilities under the group insurance plan and coverage will be terminated for non-payment.
5. Making the necessary contact with the Human Resources Department to have the period of leave credited for pension purposes, if desired.
6. Notifying the RHA in writing if he/she is unable to fulfill the Service Agreement at least three months prior to the termination date of the Service Agreement and arranging for repayment of the Defaulted Amount in accordance with the Service Agreement and the *Collection Policy – Regional Health Authority Receivables*.
7. Notifying the RHA of any change in contact information such as name, address, and phone number provided at the time of signing the Service Agreement within five days of the change in contact information.