

Leave of Absence

(Buying Leave)

How will taking leave affect your pension?

Leave is referred to as optional service. When you buy optional service, you increase your total years of pensionable service.

By increasing your total pensionable service, you increase your pension benefit. You may also fulfill the necessary requirements to retire early on a full (unreduced) pension sooner.

How do you buy leave?

You are buying leave when you pay the Local Authorities Pension Plan (LAPP) for a leave period. If you continue to contribute to LAPP while you are on leave, you are buying the leave during your absence. If you stop contributing while on leave, you can decide when you return to work whether or not you want to make up the lost contributions.

The maximum leave without salary you may take that will be considered pensionable service is five years plus up to three years of parenting leave.

Leave is usually taken without salary. If you take leave with partial salary, you must continue to make regular contributions to LAPP. Leave taken with full salary is rare; you must continue to contribute if you have a leave with full salary. Leave with full salary is not included in the allowable leave limit.

When you take leave without salary

You arrange with your employer to continue contributing to LAPP (interest is not charged).

or

You may defer payment until you return to work (interest will be charged).

Deferred Payment

If you don't make contributions to LAPP while you're on leave, when you return to work you can decide if you want to buy that leave. You have until April 30 of the year following the year your leave ended to make a written agreement with your employer to buy the leave.

Basically, the cost to purchase a leave is the amount of contributions you would have paid had you been contributing during the leave period, plus interest. If you have had more than one year of leave, you would also be required to pay the employer share of contributions and interest. However, if you miss the time limits, the cost will be calculated on an actuarial reserve basis. This means the amount you pay for the service will cover the cost of the future benefit you will receive from that service. **This may cost much more than if you had bought the service within the time limits.**

Your employer gives Alberta Pensions Administration (APA) Corporation the salary and service details of your leave. Then APA Corporation sends your employer a *Leave Notice of Cost* that gives you the cost to buy the leave, and explains available payment methods. All payments are made through your employer.

- If you decide to buy the leave at the end of your leave, the cost includes interest based on the annual interest rate of the year that you were on leave.

- If the cost of your leave is less than \$500, you must pay the amount in a single payment.
- If the cost is greater than \$500, you can either pay as a single payment or by instalments of at least \$50 a month.
- If you pay by instalments, you will also pay interest on the balance owing until you have completed payment.
- If you don't return to work after your leave, or if you return to a non-participating position, you have 30 days from your last day of employment in a participating position to apply through your employer to purchase the leave.

Who pays employer contributions?

As long as you apply for, and begin to pay for your leave within the time limits, your employer will pay the employer costs of the first year of your leave. After the first year of leave, you are responsible for paying both the employee and employer contributions

Note: If you leave the pension plan after having paid for more than one year of leave, the amount of employee and employer contributions **you paid** will be refunded or transferred with interest. It's not included in the calculation of your commuted value.

When does leave not count towards the maximum leave limit?

Leave does not count toward the maximum allowable leave period when it is

- taken with full salary, or
- a period of time during which you received:
 - benefits under a long-term disability plan (approved by APA Corporation for pension purposes),
 - temporary benefits under the Workers' Compensation Board, **or**
 - benefits under a short term disability plan treated by the employer as pensionable.

In those cases, you and your employer are required to continue payments to the LAPP as if you were working.

Need information?

Contact APA Corporation if you have any questions about how taking and purchasing leave affects your pension. Your employer would also be able to help.

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