

EXECUTIVE RETENTION PLAN POLICY

Subject: Remuneration Ref: Administration Code: 18

Date Approved: April 26, 2022 Motion No: 185/26/04/22 Replaces: 1305/12/04/16

The County of Northern Lights recognizes the importance of not only recruiting qualified people into Executive positions but retaining them for the future benefit of the municipality. Retention within these key positions provides the municipality with consistent direction and oversight and helps to ensure that important organizational knowledge is not lost through employee turnover.

The County of Northern Lights developed the Executive Retention Plan Policy to address this need by providing additional incentives linked to Executive's tenure with the municipality.

Signed: 
Chief Elected Official

Signed: 
Chief Administrative Officer

Procedure:

1. This policy currently applies to the Chief Administrative Officer, the Director of Finance and any other position determined by the CAO to be an Executive position. This listing is subject to review and amendments as directed by Council. These positions are considered Executive and will be referred to as "Executives" or "Directors" throughout this policy.
2. This policy is intended to replace any remuneration provided to Executives for long term service that coincides with what is written in the AUPE Collective Agreement for non-excluded employees.
3. Executives will only be entitled to receive the benefits of the Retention Plan policy after completing a minimum service requirement of 5 consecutive years at an Executive level. Employees promoted internally must complete 5 years in a Executive position to be eligible to receive the retention plan benefit. The date when the benefit starts accumulating will be considered the start or anniversary date for purposes of this policy.
4. Only active employment will be used for determining minimum service requirement. Any severance or payment in lieu of notice will not be considered in this determination.
5. Any periods of work where there has been a break in service longer than 1 month cannot be combined to achieve this minimum service requirement.
6. In a given year, if an Executive takes an approved leave of absence without pay that is greater than 15 calendar days, the minimum service requirement will be extended to reflect this reduction in service. A leave without pay of 16-45 days will result in an additional one month of service being required followed by a further one month addition for every 30 day period thereafter.
7. An Executive who terminates employment, either voluntarily or involuntarily, prior to the five-year anniversary date as indicated in Section 3, will forfeit the entire amount accumulated under the retention plan.
8. If after five years, the Executive's employment with the municipality is terminated, either voluntarily or involuntarily (without just cause), the accumulated retention plan amount will be prorated on a monthly basis. If the ending date is the 15th of a month or earlier, that month will not be included in the determination of the benefit to be received. If the termination date is after the 15th of a month, the retention plan accumulation will include the period ending that month. In the event of termination with just cause, no payment shall be made.
9. The retention plan will accumulate on an annual basis at a rate of 4% of the annual salary. The Executive's regular earnings at the end of the year will be multiplied by the rate to determine the amount to be accumulated under the plan for that year. All additional earnings including, but not limited to, sick leave payouts or severance will not be considered for purposes of this calculation.
If an Executive terminates employment prior to the end of the year, his/her regular year to date earnings when employment ceases will be used to calculate the benefit entitlement for that period.

10. If an Executive moves to another Executive position during the year, there will be no prorating or adjustment. The retention plan accumulation for that year will be based on the annual earnings at the end of the year. This will also be considered to be consecutive employment in an Executive position for purposes of meeting the minimum service requirement of this policy.
11. The amount accumulated under the retention plan benefit is considered to be vested after 5 years of consecutive employment. That means that an Executive is entitled to receive a benefit regardless of their length of employment after the minimum service requirement, unless terminated for just cause. In addition to the accumulated retention benefit from the first five years, the Executive is also entitled to receive a prorated benefit based on the eligible earnings after Year 5.
12. The amount calculated by the municipality under the retention plan policy will not earn interest for the benefit of the Executive.
13. A portion of the retention plan accumulated benefit will be paid out after five years of eligible employment and every three years thereafter provided that eligible employment with the municipality continues. Payment of this amount will be issued no later than one month after the respective anniversary date.
14. If an Executive terminates employment after exceeding the minimum service requirement, the amount owing will be calculated in accordance with Sections 5 and will be issued on or before the next pay period following the termination date.
15. The accrued retention plan benefit to be paid out will be determined as follows:
 - a) Under five (5) years of service – the Executive will not be entitled to any amount accumulated in his/her retention benefit plan.
 - b) At five (5) years of service – the Executive will be entitled to receive 50% of the amount accumulated in his/her retention plan.
 - c) In the case of termination after five (5) years of service, but less than eight (8) years of service – the Executive will be entitled to receive 50% of the amount accumulated in his/her retention plan from the beginning of Year 6 to the termination date as per Section 8. The remaining 50% that accumulated from the start date through to the termination date will be forfeited.
 - d) At eight (8) years of service – the Executive will be entitled to receive an amount equal to 75% of the amount accumulated in his/her retention plan from Years 6 through 8 and 50% of the balance remaining from Years 1 through 5.
 - e) In the case of termination after eight (8) years of service, but less than eleven (11) years of service – the Executive will be entitled to receive 75% of the amount accumulated in his/her retention plan from the beginning of Year 9 to

the termination date as per Section 8. The remaining 25% that accumulated from the start date through to the termination date will be forfeited.

- f) At eleven (11) years of service – Executive will receive 100% of amount accumulated from Years 8 through 11 and all remaining amounts from Years 1 through 8.
 - g) In the case of termination after eleven (11) years of service – the Executive will be entitled to receive 100% of the amount accumulated in his/her retention plan from the beginning of Year 12 to the termination date as per Section 8. Such amount shall be paid out in full every 3 years until termination.
16. Any amount paid out will be subject to the regular Payroll deductions including, but not limited to, income tax, Canada Pension Plan and Employment Insurance. The Executive may have the option of transferring the accumulated benefit directly into an RRSP for tax sheltering purposes. This election must be made in writing no later than 3 days after the retention plan benefit becomes due and payable. The Director of Finance will provide direction on the process that will be followed.
17. Any benefits received through this policy are not considered pensionable earnings.
18. An annual statement will be provided to Executives that detail the amount accumulated under the retention benefit plan, the vesting date and the amount they would be eligible to receive as of the statement date.