



Public Service Alliance of Canada
Alliance de la Fonction publique du Canada

Treasury Board bargaining

20 mai 2011

PSAC update on severance payouts

Background

- Since the signing of the PA, SV and EB collective agreements, PSAC has pressured Treasury Board and Public Works to prepare for implementation of payments in lieu of severance pay.
- We have strongly encouraged early, thorough and full communication by Treasury Board. While some departments have issued bulletins, central communication has been slow.

Information on payment process

- Within the next few weeks, the employer will inform all employees about the payment process. It is possible your employer has already contacted you. Here is the latest information from PSAC about the payments in lieu of severance pay:

Compensation Advisors will play a key role

- The federal government's compensation advisors will be the main point of contact for employees receiving severance payouts. They will use an "automated severance pay calculator" to generate personalized forms for most employees.
- These forms will show:
 - Years of continuous employment
 - Pay as of the second day of the contract
 - An estimate of gross severance pay
- This form will be used by employees to make their choice on how to receive payment in lieu of severance pay. Completed forms will be returned to your compensation advisor.

Streamlined process to roll-over immediate payments into RRSP

With the full encouragement of PSAC, Treasury Board has arranged a blanket tax waiver with the Canada Revenue Agency, for those rolling over \$10,000 or less into their RRSP.

- The employer will provide all employees with a copy of this form to complete and return to the employer if they wish to go ahead with this roll-over.
- For employees wanting to roll over more than \$10,000 into an RRSP, they will need to contact the Canada Revenue Agency (and Revenu Québec if applicable) and request a tax waiver **as quickly as possible**.
- The following are the federal and provincial income tax forms you need to complete to request a reduction in tax deductions:

- T-1213 – Federal: request to reduce tax deductions
- TP-1016 -Provincial (Québec)
- After completion of the form, you will receive confirmation from CRA/Revenu Québec. Attach a copy of this confirmation to the personalized form your compensation advisor provides you.

You will be entitled to request that all, or just some, of your immediate payout to be put into an RRSP.

Protection for employees on maternity, parental and other leaves without pay

- At the request of the PSAC, a special arrangement has been put in place for employees who are on leave without pay where they may be in receipt of EI Benefits. This includes maternity and parental leave, illness, relocation of spouse and compassionate care. This arrangement was put in place because the payments in lieu of severance pay could impact Employment Insurance benefits.
- If you are on one of these types of leave, you will be able to defer your choice of payout option you wish to receive. If you defer, you will have to make your choice within three months after the end of your leave without pay period, or three months after your Employment Insurance benefits cease, whichever comes first.

Newly-hired indeterminate employees (less than one year)

- Treasury Board's interpretation of the newly negotiated language is that employees with less than one year of service are not entitled to payments in lieu of severance.
- This is not our interpretation. Our understanding and reading of the negotiated clause of the severance pay article (PA:63, SV:61, EB:24) is that indeterminate employee with less than one year of service are entitled to a partial year of service.
- The employer has refused to agree to this interpretation. PSAC has filed a policy grievance to resolve the issue.

Additional questions and answers

Q: How and when can I let my employer know what choice I want to make?

A: On or before the deadline of June 1 (PA and EB) or July 6 (SV), you will be provided with a personalized form from your compensation advisor indicating your level of continuous employment, and estimating your severance payment. Fill out that form to make your choice and return it to your compensation advisor.

Q: What are my choices again?

A: There are three choices:

- 1) immediately cash out the severance you have accumulated, or
- 2) keep the accumulated severance and have it paid out when you actually resign or retire, or
- 3) immediately cash out part of the accumulated severance and keep the rest of it to be paid when you resign or retire.

Q: When do I have to make my choice?

A: The deadline for making your choice is 6 months following the date of signing:

- PA: August 31, 2011
- EB: August 31, 2011
- SV : October 5, 2011

Q: What happens if I do not make my choice by the deadline?

A: Employees who do not make their choice by the deadline will be deemed to have chosen option 2 (payout when you retire or resign).

Q: I am asking for all or some of my payment to be made this year. When will I be paid?

A: The sooner you make your choice, the sooner you will be paid. The employer and PWGSC will make every effort to issue payments in a timely fashion. We have sought guarantees that the payments will all be issued in 2011, but the employer says that this will depend on how quickly employees make their choice and the volume received on a department by department basis.

Q: I want to place all or some of the money into my RRSP? What do I do?

A: The employer will be providing detailed information on this. If you wish to place \$10,000 or less into your RRSP, ensure you have unused RRSP contribution room and fill out the form provided by the Employer. If you want to place more than \$10,000 in an RRSP, you will need to request a Tax Waiver Form from the Canada Revenue Agency or Revenu Québec. Either form must be attached to your options sheet when you return it to your compensation advisor. If you do not attach one of these forms, the employer is required to withhold income tax based on the value of the severance payment.

Q: I want to roll-over more than \$10,000 into a RRSP and understand I have to contact the Canada Revenue Agency for a Tax Waiver Form. When should I do this?

A: If you think you want to rollover more than \$10,000 and have unused RRSP contribution room, you should apply to CRA **immediately**. It can take several weeks for CRA to issue the forms, and it could take much longer given the expected volume. Residents of Quebec may also have to fill out a separate form for Revenue Quebec.

- T-1213 - Federal: request to reduce tax deductions
- TP-1016 -Provincial (Québec)

Q: What if I want to use some of my severance payout to buy-back pensionable service?

A: Employees wishing to purchase prior service are to contact the Public Service Pension Centre who will advise employees on the required forms.

Q: I want to place money into a Tax Free Savings Account. What do I do?

A: Contributions to a TFSA are not tax deductible. Any contribution to a TFSA must be made using net income.

Q: Can a member defer their payment to the 2012 taxation year especially for those who may be doing a deferred leave?

A: No, they cannot defer to 2012. That being said, someone choosing very late in the process (e.g. on August 31) may not get their pay until 2012, depending on how quick the government processes the

payments.

Q: An information session about "PSAC Severance payments" is being put on by our local bank. Is the PSAC co-sponsoring this event?

A: No. We are aware that a number of financial institutions are doing information sessions aimed at PSAC members. Some banks are actually using "PSAC" on the poster. The union is not co-sponsoring any events with banks. We encourage members looking for advice on what to do with the severance payout to contact a financial advisor.

Q: I disagree with the calculation of my period of continuous employment provided by the Employer. What do I do?

A: Contact your compensation advisor. If the issue is simply one of missing information, the problem should be resolved at that level. If you think there is an error based on misinterpretation of the rules regarding continuous employment calculations, contact your local shop steward for assistance.

Q: When do the negotiated pay increases take effect?

A: The 2011 pay increase of 1.75% takes effect the first day of the contract, i.e. June 21 for PA, July 1 for EB and August 5 for SV.

Q: Will I be getting retro pay?

A: Because contract negotiations were concluded prior to the expiry of the old collective agreement, increases will take effect on the first day of the contract. There will be no retroactive pay increases.

Q: Is the payment in lieu of severance based on acting pay or the pay of my substantive position?

A: Substantive. As shown in the ratifications kits for the PA, SV and EB votes the clause of the severance pay article in the new collective agreement (PA:63, SV:61, EB:24) specifies that payments will be made based on the salary of your substantive position.

Q: Is the bilingual bonus calculated as part of the salary for the severance payment?

A: The bilingual bonus does not count as part of salary for severance payment. See the directive: <http://www.njc-cnm.gc.ca/directive/index.php?vid=1&lang=eng>

Q: I have a question that is not answered above, what do I do?

A: First of all, carefully read the materials provided by the employer. You can also review the materials on the PSAC web site:

- [Ratification kits](#)
- [Former Q+A questions](#)
- The letter accompanying your form will contain a list of places to go for more information. You should contact your compensation advisor with any routine questions. [You can also contact your union via PSAC regional offices](#)

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