

Questions and answers on severance

The new provisions of the tentative agreement related to severance for retirement or resignation will require all FB members to make an important decision in the coming year. Cashing out your severance pay now or later will have important savings and tax implications. The following questions and answers will help you understand this change and guide you in making the right decision on cashing out your severance.

Key points on severance:

- If the tentative agreement for the FB group is ratified, severance pay **for retirement or resignation** will cease to accumulate for employees in this bargaining unit as of the official date of signing of the collective agreement.
- Everyone, including term workers, with at least one year of continuous employment will be entitled to one week's pay for each completed year of continuous employment. Indeterminate employees will also be entitled to a pro-rated week for a partial year of employment.
- Everyone, including term workers, with at least one year of continuous employment will be able to choose what to do with their accumulated severance:
 1. immediately cash out the severance they have accumulated, or
 2. keep their accumulated severance and have it paid out when they actually resign or retire, or
 3. immediately cash out part of the accumulated severance and keep the rest of it to be paid when they resign or retire.
- No one has to resign or retire to receive the cash out right away.
- Everyone has time to decide. Once the collective agreement is signed, employees will have six months to decide which of the options they will choose – cash it all out, bank it until they resign or retire, or cash out some now and bank the rest to cash out when they resign or retire.
- No one will be forced to take the cash out immediately. But if you decide to cash out all of your severance right away, you will not receive a payment when you resign or retire later.
- Accumulated severance that is banked and not cashed out immediately will be paid at the salary rate that applies when you actually resign or retire.
- Under the new agreements severance pay will no longer accumulate in the case of resignation or retirement.
- Severance pay will continue to accumulate for employees who are forced to leave the public service due to layoff, death, termination on probation or because of incapacity or incompetence.

Q. What did we get in exchange for severance?

A. The bargaining teams fought hard to ensure that the trade-off for severance was fair. The increased wages will accumulate as pensionable earnings and employees will enjoy the benefits of that when they retire.

These wage increases benefit everyone equally and because salaries are compounded over time, the increase in wages will have an upward effect on pensions and overtime. The Union also negotiated an annual allowance of \$1,750 for uniformed officers and an annual allowance of \$1,250 plus a 500\$ lump-sum payment for non-uniformed officers. In addition, some concrete victories on longstanding demands were also achieved, including seniority rights for all shift workers, protections in the context of the arming initiative, increased bereavement leave, and more flexibility to access family-related responsibility leave.

Q. Who brought the issue of severance pay to the bargaining table?

A. Treasury Board.

The value of wage increases compared to the value of severance

Q. I am an FB-3 currently making \$66,564 a year and plan on staying in the federal public service for another 20 years. People are telling me that I will lose over \$25,600 in severance pay if this agreement is accepted. Is that true?

A. If this agreement is accepted, the accumulation of future severance for resignation or retirement will end as of the official date of signing of the collective agreement. Under the current contract, if you were to stay until you retire, you would earn one week of pay for each year of continuous employment (up to a maximum of 30 weeks). That would be about \$1,280 per year based on your current salary. But if you resigned under the current agreement you would have been entitled to one-half week's pay per year - or \$640 per year - provided you have at least 10 years of continuous employment.

In considering the overall value of the contract, however, you need to consider that the wage increases alone compound to 5.3% of salary. If you are currently making \$66,564 a year, then by the third year of the contract you'll be making \$70,120 (excluding the annual allowances for Uniformed and Non-Uniformed officers) - an increase of \$3,556. That's a lot more than the \$640-\$1,280 per year of continuous employment than the severance is worth. Before even considering future increases, that multiplies out to more than \$71,000 over 20 years - far more than the value of what your

severance would have been. Furthermore, the wage increase turns into increased overtime rates and higher pensionable earnings.

Q. I've been told that severance pay is worth 2% of my salary. Is that true?

A. No. For employees who know they will stay until they retire, current severance pay is worth 1 week per year of continuous employment (up to a maximum of 30 weeks). That calculates to be 1.9% of pay (1 week divided by 52.176 weeks per year) - provided you retire before reaching the 30 year maximum.

Employees who resign after more than 10 years of continuous employment receive one-half week's pay for each year of continuous employment, or 0.95% of pay, under the current agreement. Employees who resign prior to 10 years of continuous employment receive no severance pay. Current statistics show that one federal employee resigns for every two or three who retire.

The overall cost of severance as a percentage of pay across the bargaining unit is estimated to be **1.3%**.

Impact of part-time employment on severance benefit

Q. I have been working half time for 10 years but worked full-time for 16 years before that. Will my severance be calculated as half-time employment or will my past full-time years be taken into account?

A. For part-time employees, the years of continuous employment are calculated in such a way that they total full time equivalent. This is covered by Article 60 – Part-Time Employees in the collective agreement.

In this case, with 16 years of full-time employment and 10 years of half-time employment, you would have your continuous employment calculated at 16 years + 5 years (1/2 x 10 years) = 21 years.

If this was your status on the official date of signing of the collective agreement, you would be entitled to a severance benefit of 21 weeks to be paid at the rate of your substantive classification at the rate effective on the official date of signing of the collective agreement if you cash it out immediately, or at the rate of your substantive position when you retire if you choose to bank your accumulated severance. The weeks would be multiplied by the full-time salary to determine the benefit.

Retirement - Resignation

Q. Why did the PSAC agree to give up severance for retirement and resignation?

A. In the fall of 2010, when the PA, SV and EB bargaining units reached collective agreements, it was clear that the employer wanted to save money by ending the accumulation of severance for retirement or resignation. In this context, PSAC worked hard to ensure that the employer agreed to some of our longstanding demands and to fair wage increases for employees. Since that time, all collective agreements reached by all Unions in the core public administration have given up severance pay. The FB bargaining unit is the last one to reach a new agreement in this round of bargaining, so a clear precedent has already been established.

Q. What does this mean for employees who were thinking of resigning?

A. Under the current contract, employees who resign before reaching 10 years of employment are not entitled to a severance payout. Those with between 10 and 26 years of employment are entitled to only a ½ week of pay for each year of employment. We negotiated that all employees with at least one year of employment would receive a cash out of one week of pay for each year of employment. For employees with 10 years or more who would have resigned before retirement, this represents a doubling of their accumulated entitlement.

Q. Does the timing of my retirement or resignation make a difference?

A. If the tentative agreement is ratified, the accumulation of severance for resignation or retirement ends effective on the official date of signing of the collective agreement. Until that time, the current contract provisions remain in place.

There is no reason to delay retirement until the new provisions are in place because severance pay for retirement is paid on the basis of one week for each year of employment.

However, an employee who is considering resignation will benefit from waiting until after the official date of signing of the collective agreement. Currently, the severance pay for resignation provides for no severance if you resign before 10 years, and one-half week pay for each year of employment if you have between 10 and 26 years of employment. Therefore, waiting to resign until after the official date of signing of the collective agreement increases your severance pay to one week per year of employment.

Q. Is early retirement considered as a resignation or as retirement under the new severance provisions?

A. There is no difference if you resign or retire. Under the new agreement, as long as you have at least one year of continuous service, you are entitled to one week's pay for each year of continuous employment for all years up to the official date of signing of the collective agreement. The one week's pay per year of continuous employment applies to both resignation and retirement.

Cash out

Q. What are my options for the severance cash out?

A. Every employee with at least one year of continuous employment will have three options for the cash out of accumulated voluntary severance calculated at the rate of one week of pay for each year of employment:

1. Immediately cash out their severance at their substantive position rates of pay.
2. Retain the accumulated weeks of severance with a payout on termination or retirement at their exit substantive position rate of pay.
3. Cash out some of their severance (a "round" number of weeks) at their substantive position rate of pay, with the remainder to be paid upon termination or retirement at their exit rate of pay.

Q. What is the value of the cash out for me?

A. The monetary value of the severance cash out varies considerably from person to person, depending on their years of employment, their career plan, and the option they choose for their cash out. Under what PSAC has negotiated, all employees (including term employees with at least one year of continuous employment) will have a calculation made of total years of continuous employment as of the official date of signing of the collective agreement. The following chart shows the before tax value of the cash out by years of continuous employment and annual salary.

Years of continuous employment	Annual salary											
	30,000	35,000	40,000	45,000	50,000	55,000	60,000	65,000	70,000	75,000	80,000	85,000
1	575	671	767	862	958	1,054	1,150	1,246	1,342	1,437	1,533	1,629
2	1,150	1,342	1,533	1,725	1,917	2,108	2,300	2,492	2,683	2,875	3,067	3,258
3	1,725	2,012	2,300	2,587	2,875	3,162	3,450	3,737	4,025	4,312	4,600	4,887
4	2,300	2,683	3,067	3,450	3,833	4,216	4,600	4,983	5,366	5,750	6,133	6,516
5	2,875	3,354	3,833	4,312	4,791	5,271	5,750	6,229	6,708	7,187	7,666	8,146
6	3,450	4,025	4,600	5,175	5,750	6,325	6,900	7,475	8,050	8,625	9,200	9,775
7	4,025	4,696	5,366	6,037	6,708	7,379	8,050	8,720	9,391	10,062	10,733	11,404
8	4,600	5,366	6,133	6,900	7,666	8,433	9,200	9,966	10,733	11,500	12,266	13,033
9	5,175	6,037	6,900	7,762	8,625	9,487	10,350	11,212	12,075	12,937	13,799	14,662
10	5,750	6,708	7,666	8,625	9,583	10,541	11,500	12,458	13,416	14,374	15,333	16,291
11	6,325	7,379	8,433	9,487	10,541	11,595	12,649	13,704	14,758	15,812	16,866	17,920
12	6,900	8,050	9,200	10,350	11,500	12,649	13,799	14,949	16,099	17,249	18,399	19,549
13	7,475	8,720	9,966	11,212	12,458	13,704	14,949	16,195	17,441	18,687	19,933	21,178
14	8,050	9,391	10,733	12,075	13,416	14,758	16,099	17,441	18,783	20,124	21,466	22,807

15	8,625	10,062	11,500	12,937	14,374	15,812	17,249	18,687	20,124	21,562	22,999	24,437
16	9,200	10,733	12,266	13,799	15,333	16,866	18,399	19,933	21,466	22,999	24,532	26,066
17	9,775	11,404	13,033	14,662	16,291	17,920	19,549	21,178	22,807	24,437	26,066	27,695
18	10,350	12,075	13,799	15,524	17,249	18,974	20,699	22,424	24,149	25,874	27,599	29,324
19	10,925	12,745	14,566	16,387	18,208	20,028	21,849	23,670	25,491	27,311	29,132	30,953
20	11,500	13,416	15,333	17,249	19,166	21,082	22,999	24,916	26,832	28,749	30,665	32,582
21	12,075	14,087	16,099	18,112	20,124	22,137	24,149	26,161	28,174	30,186	32,199	34,211
22	12,649	14,758	16,866	18,974	21,082	23,191	25,299	27,407	29,515	31,624	33,732	35,840
23	13,224	15,429	17,633	19,837	22,041	24,245	26,449	28,653	30,857	33,061	35,265	37,469
24	13,799	16,099	18,399	20,699	22,999	25,299	27,599	29,899	32,199	34,499	36,799	39,098
25	14,374	16,770	19,166	21,562	23,957	26,353	28,749	31,145	33,540	35,936	38,332	40,728
26	14,949	17,441	19,933	22,424	24,916	27,407	29,899	32,390	34,882	37,374	39,865	42,357
27	15,524	18,112	20,699	23,287	25,874	28,461	31,049	33,636	36,224	38,811	41,398	43,986
28	16,099	18,783	21,466	24,149	26,832	29,515	32,199	34,882	37,565	40,248	42,932	45,615
29	16,674	19,453	22,232	25,011	27,791	30,570	33,349	36,128	38,907	41,686	44,465	47,244
30	17,249	20,124	22,999	25,874	28,749	31,624	34,499	37,374	40,248	43,123	45,998	48,873

Here are some examples:

- An employee that would have resigned after 9 years would have received zero severance pay. Under these payout provisions, if that employee is making \$70,000 per year, he or she would be entitled to an immediate cash pay out of \$12,075 before tax.
- An employee with 20 years of employment making \$70,000 per year who resigns would have previously been entitled to 10 weeks severance (\$13,416). This employee now is entitled to double the payout to a full 20 weeks, or \$26,832 before tax.

Note that the payouts will actually be calculated at the rate of pay in effect on the official date of signing of the collective agreement, after all annual increases negotiated in the new collective agreement have been applied.

Q. If I take the cash out now, will I still be entitled to severance pay if I were to be laid-off sometime in the future?

A. Yes. But any weeks of severance you have taken under the cash out will be subtracted from the number of weeks of severance you are entitled to under the lay-off provisions of the severance article.

Q. If I take a full or partial payout of my severance will the number of years of severance I cash out reduce my vacation leave employment?

A. No. The tentative agreement contains language to clarify that the cash out does not reduce the amount of vacation leave that you earn.

Q. If the tentative agreement is ratified, how soon can I expect to get the cash out of my accumulated severance if I choose to take some or all of it right away?

A. The employer has three months following the date of signing of the collective agreement to notify employees as to how much severance pay they have accumulated. As an employee, you will have six months from the date of signing of the collective agreement to make a decision. Depending on the number of employees who choose to cash out some or all of their accumulated severance, it could be some months before cheques are actually issued.

Q. What are the advantages of waiting to cash out until I resign or retire?

A. If you take the voluntary severance cash out now, each week of severance pay will be calculated on the substantive rate of pay in effect on the official date of signing of the collective agreement, after all the new wage increases takes place. If you cash it out when you resign or retire, it will be paid at your exit rate of pay. For employees who expect to be promoted throughout their career, their exit rate of pay could be considerably higher than their current substantive position rates of pay.

Q. Are there any restrictions on a partial cash out of severance?

A. You must take a round number of weeks, e.g. 1, 2, 3, 4 etc; no fractions of a week.

Q. If choose not to cash out my severance now, will it continue to accumulate until I retire?

A. On retirement, you will be entitled to receive whatever weeks you had accumulated up to the official date of signing of the collective agreement, multiplied by your rate of pay at the time of retirement. There is no further accumulation of severance entitlement after the official date of signing of the collective agreement for cases of resignation or retirement.

Q. Is the severance cash out considered as pensionable earnings?

A. No. Severance pay has never been considered as pensionable earnings and this hasn't changed.

Q. If I take the cash out and then stay with the government until retirement, does it mean the severance pay will be calculated based on the number of years I have made following the cash out?

A. The severance pay will be based on your years of continuous employment up to the official date of signing of the collective agreement.

Q. Can I roll my cashed-out severance into an RESP as opposed to an RRSP?

A. You may do whatever you wish with your cashed-out severance. Any choice of investments is up to you.

Q. What happens if I do not take the cash-out, but then later resign before I could retire? Does it mean I won't get any severance pay?

A. You will receive your accumulated severance pay. You have the option of banking your accumulated severance and it is payable either when you retire or when you resign.

Q. What will be the rate of pay for an employee on income averaging who chooses to cash out their severance?

A. The severance calculation will be based on the employee's substantive position rate of pay. If the period of leave with income averaging is more than 3 months, it will be deducted from their years of continuous employment.

Q. What is the time line for the government to pay out severance once the member decides the cash out options?

A. The government has not put a deadline for paying the cash out, but we expect they will be made during 2014.

Q. Will the six-month waiting period take effect from the signing of the new agreement?

A. Yes.

Timeline

Q. Why does the severance pay-out take effect on the official date of signing of the collective agreement?

A. By taking place on the official date of signing of the collective agreement, it means that the severance payouts will be based on the rates of pay in effect after all the annual increases contains in the agreement are in effect.

Q. When do you have to be on strength to qualify to receive the severance termination benefit?

A. You must be on strength on the official date of signing of the collective agreement., the day the new severance provisions come into effect.

Q. How long do I have to make my choice?

A. Employees will have 6 months from the date of signing of the collective agreement to make their choice for the cash out.

Layoff

Q. Do I still get severance if I am laid off?

A. Yes. Severance for involuntary departure, including lay-off, continues to accumulate under the new agreements. In addition, members with over 10 years of employment will get an additional week's pay of severance in the event of lay-off, and members with over 20 years of employment will get two additional week's pay of severance on lay-off.

Term employee

Q. I am a term employee. Do I benefit from the cash out?

A. Yes. Under the current collective agreement, most term employees would not have been eligible to receive severance pay when their terms came to an end. Given that many term employees do eventually move onto indeterminate status, the PSAC was able to negotiate that term employees also get the cash out. However, the cash out will only apply to those employees who have completed one full year of employment as of the second day of the contract.

Continuous employment

Q. Do the changes negotiated affect my total period of continuous employment?

A. No. We have not negotiated changes to the definition of continuous employment. The employer will notify each employee of their total period of continuous employment within three months of the signing of the collective agreement.

Q. What is the definition of continuous employment?

A. In our collective agreements, continuous employment is [defined by reference to the Public Service Terms and Conditions of Employment Policy.](#)

For most employees, the most relevant part of the definition is:

20.1 For the purpose of this Appendix, the following periods count as continuous employment:

a) in respect of a person appointed to the core public administration on an indeterminate basis or on a term basis for three months or more:

- i. immediately prior service in the core public administration or the public service on an indeterminate basis or on a term basis for three months or more;
- ii. a combination of prior service in the core public administration and the public service on an indeterminate basis or on a term basis for three months or more;
- iii. immediately prior service in the Canadian Forces or the Royal Canadian Mounted Police provided that the person was honourably released and has made or makes a valid election to contribute for that service under the *Public Service Superannuation Act* (the effective date will be the date the election is completed)

provided that these periods of service are not separated by more than three months;

Q. What is included in continuous employment?

A. As outlined in the definition, continuous employment includes your current period of employment as well as several forms of previous employment, provided that these are not separated by more than three months.

Q. Which leaves without pay are deducted from continuous employment?

A. Our collective agreements state that leaves without pay of greater than three months for reasons other than illness are to be deducted from continuous employment. This is found in the "Leave General" article of the collective agreement.

In the FB collective agreement, the wording is at Article 33.02:

33.02 Except as otherwise specified in this Agreement:

(a) where leave without pay for a period in excess of three (3) months is granted to an employee for reasons other than illness, the total period of leave granted shall be deducted from "continuous employment" for the purpose of calculating severance pay and from "service" for the purpose of calculating vacation leave;

(b) time spent on such leave which is for a period of more than three (3) months shall not be counted for pay increment purposes.

Q. I have worked for the federal government for 10 years. Halfway through, I took a one-year leave without pay for spousal relocation. How many years of severance would I get?

A. Continuous employment is based on your start date and the current date. In your case, that is 10 years. The period of leave without pay is deducted from this. Your total period of continuous employment for the purposes of severance is 9 years.

Q. I was off on extended sick leave without pay for a year. Will severance be subtracted from this?

A. No. As per the definition, only leave without pay of over three months "for reasons other than illness" is deducted.

Q. I took a year of maternity and parental leave. Does that reduce my period of continuous employment?

A. No. Under the maternity and parental leave language negotiated in our collective agreements by the PSAC, periods of maternity and parental leave are not deducted from the period of continuous employment.

The wording is in clause 38.01 (g) of the collective agreement:

(g) Leave granted under this clause shall be counted for the calculation of "continuous employment" for the purpose of calculating severance pay and "service" for the purpose of calculating vacation leave. Time spent on such leave shall be counted for pay increment purposes.

Q. I took a year of leave without pay for the care of immediate family. Is the entire year subtracted from my period of continuous employment?

A. Yes, the entire year will be deducted from your period of continuous employment, as per the wording of the *Leave General article* shown above.

Indeterminate employees

Q. Does an indeterminate employee with less than one full year of employment receive severance at a pro-rated amount?

A. Yes.

Acting in another bargaining unit

Q. Would a member acting in a position outside the FB bargaining units be entitled to cash out their severance?

A. A member acting in a position in another bargaining unit would fall under that contract and will not be entitled to cash out severance unless the "acting" bargaining unit has signed similar language. When the acting period ends and the member returns to their own bargaining unit, the provisions of the new contract will apply. The member returning to the FB bargaining unit would have access to the same three options and would have three months to choose.

Break in Service/Service Date

Q. I changed departments without a break in service. Does all my service, regardless of department count for severance?

A. Yes.

Q. How will the new severance provisions affect an employee's service date for leave, seniority and pension entitlements?

A. The new severance provision does not affect an employee's service date or seniority.

Less than/more than 10 years of continuous employment

Q. An employee with less than 10 years of continuous employment is leaving the Public Service. Will they be entitled to severance pay?

A. An employee who resigns with less than 10 years of continuous employment any time before the official date of signing of the collective agreement would not be entitled to severance pay. If the employee leaves after that date, she/he will be entitled to the severance termination benefit of one week's pay for each year of continuous employment.

Q. An employee with over 10 years of continuous employment resigns before the official date of signing of the collective agreement. Will they be entitled to severance pay?

A. Any employee who resigns with over 10 years of continuous employment would receive half a week of severance pay per year of continuous employment. If the employee leaves after that date, she/he will be entitled to the severance termination benefit of one week's pay for each year of continuous employment.

Buy Back of Pensionable Service

Q. Can I use my severance payout to buy-back service for my pension? Will taxes be deducted?

A. The Employer has confirmed that employees who are eligible to buy-back pensionable periods will be able to use their severance payout for this purpose. To avoid or reduce tax deduction at source, an employee who wants to use this option will need to complete and submit to CRA a tax waiver form ([Form T1213](#)).

Q. I am currently buying-back some pensionable service. Will this count towards the calculation of my severance pay?

A. Severance pay is based on your total period of continuous employment, not pensionable service. Although the two concepts OFTEN add up to the same amount of time, they are separately defined and calculated. Generally speaking, buying-back pensionable service does not increase the calculation of continuous employment.

Income tax

Q. Is income tax the only deduction from the severance cash out payment?

A. The severance cash out payment is not subject to PSSA pension contributions. EI and CP/QPP may be deducted from the severance payment, if the employee has not yet reached their maximum annual contribution limit at the time the payment is made.

Q. What are the tax implications of the cash out?

A. There are three ways of reducing tax deductions on the payments. For the immediate cash pay-out, the only option for reducing tax at source is for individual employees to use personal unused RRSP room. For example, if an individual has \$20,000 of unused RRSP room, and they receive a cash payment of \$20,000, then the employer will not withhold income tax on the \$20,000.

For the deferred pay-out at retirement members can benefit from a special RRSP contribution on retirement allowances of \$2000 for each year of employment up to and including the year 1995. Note

that there is an additional retiring allowance for each year of employment up to 1989 but this may be offset by your participation in the Public Service Superannuation Plan during this period. Both of these special provisions can only be used upon termination and cannot be used for the immediate cash pay-out. Members should consult the latest Canada Revenue Agency Income Tax Interpretation Bulletin on severance pay (Retiring Allowances) for complete details.

The third way of reducing the tax payable on the deferred option is to retire/resign early in a taxation year when you expect the rest of your income to go down.

Weeks of pay

Q. I thought we already had one week's pay for each year of continuous employment?

A. Currently, employees who **resign** with less than 10 years of continuous employment receive no severance at all. If they **resign** with 10 years or more, they receive $\frac{1}{2}$ week's pay for each year of continuous employment to a maximum of 13 weeks' pay. If the new agreements are ratified, employees with at least one continuous year of employment who **resign** will receive **one** week's pay for every year of continuous employment accumulated to the official date of signing of the collective agreement.

Currently, employees who **retire**, are entitled to **one** week's pay per year of continuous employment to a maximum of 30 weeks' pay. Under the new agreement, they will receive one week's pay for every year of continuous employment accumulated to the official date of signing of the collective agreement.

History of severance

Q: How did severance actually come about?

A: You may have heard the suggestion that at one point severance pay was negotiated in return for giving up the payout of unused sick leave.

This information debunks the myth that some other major provision was given up to "get" severance pay. Universal "severance pay" predates collective bargaining.

Particular evidence can be found in a version of the Public Service Terms and Conditions of Employment Regulations passed September 13, 1967, which contains a provision for a "retiring leave" that was very similar to severance pay on resignation.

While the 1967 provision provided a "leave of absence" instead of a payment, the period of leave was calculated as one week of leave for each year of employment.

The 1967 provision also provided a "gratuity" of half-a-week pay for each year of employment for other forms of termination - including "abandonment" of position.

The [first collective agreements](#) negotiated under the Public Service Staff Relations Act (PSSRA) converted the "retiring leave", one week severance pay per year of employment on retirement, and converted the half-week per year of employment "gratuity" to severance pay on resignation.

[1967 Minutes of the Treasury Board CR Collective Agreement:](#)

(1) Leave of absence with pay (hereinafter called "retiring leave") for a period not in excess of twenty-six weeks calculated at the rate of one week for each complete year of continuous employment minus any retiring leave or any period in respect of which a gratuity was previously granted to that employee in respect of that employment;

(2) Where an employee, other than an employee described in subsection (1) or an employee who is dismissed, released, discharged or abandons his position, ceases to be employed in a position to which this section applies, the deputy head may grant that employee a gratuity equal to the amount of that obtained by multiplying:

(a) the number of weeks not in excess of thirteen calculated at the rate of one-half week for each complete year of continuous employment minus any retiring leave or any period in respect of which a gratuity was previously granted to that employee in respect of that employment;

by

(b) the weekly rate of pay for the position held by that employee on the day on which he ceases to be an employee.

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)

- Employees with less than one year of continuous employment are entitled to a pro-rated week for their partial year of employment .
- All recently-hired indeterminate employees that are part of the FB group will receive a severance cash-out payment that corresponds to the time they worked up to the official date of signing of the collective agreement.

Additional questions and answers

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

A: 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.

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.

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 2014 taxation year especially for those who may be doing a deferred leave?

A: No, they cannot defer to 2014. That being said, someone choosing very late in the process may not get their pay until 2014, 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: Is the payment in lieu of severance based on acting pay or the pay of my substantive position?

A: Substantive. The clause of the severance pay article in the new collective agreement 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>