

NLTA Severance Payout FAQ's

These frequently asked questions (FAQ's) are provided for information purposes only. This document is not intended to provide financial or legal advice.

(This FAQ does not apply to teachers in the Labrador West bargaining unit as their agreement has yet to be concluded.)

Copies of the NLTA Provincial Collective Agreement are available online at:
http://files.nlta.nl.ca/wp-content/uploads/public/documents/agreements/prov_agmt.pdf.

Process

1. Can I find out what my severance payment will be prior to making a decision on my options?

Teachers' Payroll is currently working through thousands of severance audits. You can estimate your payout by multiplying your number of completed years of continuous service as of March 31, 2018 by 2%. This would then be the percentage of your annual salary on March 31, 2018 that you can expect to receive as a severance payout. The amount of severance will not be released prior to receiving your severance payout.

2. How will my severance payout amount be calculated?

Severance is calculated based on Article 33 of the Provincial Collective Agreement and service is calculated based on Clause 21.05 of the Provincial Collective Agreement.

A teacher who has 1 or more years of continuous service as a teacher in the Province as of March 31, 2018, is entitled to be paid severance pay equal to the amount obtained by multiplying the number of completed years of continuous employment as a teacher in the Province by two percent (2%) of his/her annual salary as of March 31, 2018, to a maximum of forty percent (40%) of his/her annual salary.

Service for severance purposes is calculated as follows, in accordance with Clause 21.05 of the Provincial Collective Agreement:

- A five (5) hour instructional day constitutes a day of service;
- Total years of service are determined by dividing the total days of service by the number of days in a school year (190 days before September 1, 2002, 195 days since then). Severance accrues at 2% per year, up to a maximum of 40% (or 20 years);

- A fraction of one-half ($\frac{1}{2}$) of a year or more shall be counted as a full year and is rounded up. A fraction of less than one-half ($\frac{1}{2}$) of a year is rounded down.

3. What does continuous service mean?

Continuous service means service without a break in service for the purpose of calculating severance. Service shall not be deemed to be broken when

- On approved leave;
- The teacher left the employment of a school board to further his/her education as a teacher and returned to employment with a school board at the commencement of the next school year after the completion of the education;
- The teacher taught for at least twenty (20) days in any school year; or
- Any time service for severance is accrued pursuant to Clause 33.04 of the Provincial Collective Agreement.

4. What is included in my annual salary for the purpose of severance calculation?

The annual salary includes a teacher's base salary and any additional payments in accordance with the Provincial Collective Agreement.

5. Will my partial year(s) of service be used in the calculation of my severance?

Yes, subject to the rules on continuity of service in Clause 21.05 of the Provincial Collective Agreement (see number 3 above), all days taught count as service for severance purposes. Service from September 5, 2017 to March 31, 2018 would be included in severance calculations as long as there are no breaks in service.

6. I am a part time employee. What is my annual salary for the purposes of calculating severance?

The annual salary used for severance purposes is the same for part time and full time teachers, as per the salary grid in Schedule C of the Collective Agreement. An individual's salary for severance purposes is as per their placement on the grid as of March 31, 2018.

7. I am a substitute or replacement teacher. Am I eligible for severance? What is my annual salary for this purpose?

Substitute and replacement teachers would be eligible for a severance payout if they have accrued at least one year of continuous service on March 31, 2018. The annual salary used for severance purposes is the same for substitute/replacement teachers as for permanent teachers, as per the appropriate salary grid as per Schedule B and C of the Collective Agreement. An individual's salary for severance purposes is as per their placement on the grid as of March 31, 2018.

8. When will I receive the payment?

Payment of severance will occur over three pay periods, depending on the number of years of service for severance purposes.

Payment Date	Years of Service
October 17, 2019	20 or more
November 14, 2019	9-19
December 13, 2019	1-8

The applicable Regional Office must receive your election form by June 28, 2019, indicating your payment option. If no election is made by June 28, 2019, payment of your severance will be a cash payment less all statutory deductions. If you elect to defer your severance, it will be paid to you upon request at a later date,

9. Why can't I get my payout now?

Payout of severance will require validation of every individual's service, which may not be straight-forward in all cases. The receipt of thousands of election forms and necessary Canada Revenue Agency documentation will require adequate review time to ensure accurate processing.

10. What happens if I fail to complete and return my Election Form by the specified deadline as per question number 8?

Your severance will be paid to you as per the schedule above, as a cash payment, less statutory deductions.

11. Can I split my payment over different taxation years?

No. The severance payout is a one-time lump sum payment. You must elect by the specified deadline, as per the Election Form, to take the full amount. You will be paid the amount as calculated, less applicable taxes and deductions. There is no option to receive a portion now and the rest later.

12. Can you tell me what my net payout will be?

No. Your net payout will depend on your personal situation at the time the payment is processed. You are encouraged to seek professional financial advice if you have questions about planning or need help to make your decision.

13. How will I receive my severance payout?

Any monies payable to you will be included with your regular deposit for the pay period. The payroll system will deduct the correct amount of income tax taking into consideration your regular earnings, year to date earnings and the one time severance payout. The gross severance amount will be identified on your pay statement under “Earnings”.

14. What happens if I choose to defer my severance payout? Can I take some or all at a later date?

If you choose to defer your severance payout, the value will be calculated and frozen as of March 31, 2018 and locked in until you request payment. The future payment cannot be split over several payments. You must take the full amount at one time.

15. I am currently on a leave of absence or lay off status. How will I know what my options are?

An information package will be mailed to your home address. Your options will be outlined in detail and the package will contain all of the necessary forms. You should ensure that all contact information is up-to-date as soon as possible with NLESD or CSFP, depending on your employer on March 31, 2018.

16. I am currently on leave. Will I have to choose an option while I am off or can I wait until I return?

Yes, you must choose an option on the election form by the deadline. If no election is made your severance will be paid to you by as per the payment schedule in question 8, as a cash payment, less statutory deductions.

17. I am a substitute/replacement teacher and was unavailable for work due to maternity, adoption or parental leave. Would this be considered a break in service?

No. Maternity, parental and adoption leave, up to 39 continuous weeks while school is in session (i.e. the equivalent of one school year), will be counted as service for severance pay purposes and is not considered a break in service.

Employees must self-identify to their employer and provide appropriate supporting documentation of same.

Rate of Pay

18. What salary will be used for my severance calculation?

Your annual salary in effect as of March 31, 2018 will be used. If you were on approved unpaid leave or layoff on March 31, 2018, your position and rate of pay at the commencement date of layoff or unpaid leave will be used. (Also see number 4 above.)

19. If I am currently red-circled or receiving a reduced allowance amount because of redundancy, will the red-circled amount be included in my severance rate of pay?

Yes. Annual salary includes any red-circled or reduced allowance amount as of March 31, 2018. Your rate of pay for the purpose of severance calculation is your rate as of March 31, 2018.

20. If I elect to defer my severance payout until retirement, will the severance be paid based on my salary at March 31, 2018 or my salary at retirement?

If you choose to defer your severance payout until retirement, your severance amount will be calculated and frozen based on your eligible service and salary as of March 31, 2018.

Eligibility

21. What counts as service for severance purposes?

Teachers accrue service for severance purposes when actively working as teachers, when they are on a paid leave, or when they are on maternity, parental or adoption leave. Service for severance purposes is also accrued any time a teacher served as:

- a professional officer in the EECD;
- a teacher in a Government school
- a district Director, Associate Director, Assistant Director, or Education Officer;
- a teacher in the College of the North Atlantic and predecessor organizations, the Institute of Fisheries and Marine Technology, the Fisher Technical Institute or a Community College;
- an executive officer of the Denomination Education Council;
- a teacher employed in a school in Wabush, Labrador City, or Churchill Falls;
- related service done in an institution as a specialist teacher approved for this purpose by the Minister;
- a teacher in an adult education institution approved by the Minister;
- an employee of the Newfoundland and Labrador School Boards Association.

There is no accumulation of service after March 31, 2018.

22. I resigned or retired prior to March 31, 2018 and did not qualify for severance under the “old” rules. Will I qualify to receive a severance payout under the new Collective Agreement?

No. The “new” rules on severance came into effect, once the new agreement was signed, as of March 31, 2018. You would have to be an employee as of March 31, 2018 to qualify for the severance payout.

RRSP's

23. Can my severance be treated as a retiring allowance if I elect to receive a payout prior to retirement?

No. It is an early severance payout and therefore it must be treated as employment income. The Canada Revenue Agency (CRA) requires that it be subject to all applicable statutory deductions (income tax, EI and CPP) in such circumstances.

24. Will I be eligible for an extra \$2,000 per year of "RRSP room" for every year I was employed before 1996?

No. The severance payout is not a retiring allowance so the rules surrounding retiring allowances, such as the pre-1996 eligible room and transfer to RPP, do not apply. If you want the flexibility that is offered to retirees when collecting their severance, you have the option to defer your severance payout. The severance payout is a one-time lump sum payment and is treated as employment income and subject to all applicable taxes and deductions.

There is information available on retiring allowances on the Canada Revenue Agency (CRA) website, including information on transferring the eligible (pre-1996) portion to an RRSP or RPP:

(<https://www.canada.ca/en/revenue-agency/services/tax/businesses/topics/completing-slips-summaries/financial-slips-summaries/rrsp-contribution-receipt-return/reporting-rrsp-contributions/what-included-contribution-record/transfers/retiring-allowance.html>).

25. Why is my severance payout subject to EI and CPP deductions when I will be transferring it to an RRSP?

The severance payout is employment income and it is not considered a retiring allowance. As such it is subject to all statutory deductions (income tax, CPP and EI). The Province has obtained an approval from CRA to allow an individual to not pay income tax on the amount if they agree to contribute the funds to an RRSP and they have the

personal RRSP room to do so. The payment is still subject to EI and CPP deductions, unless you have already reached the annual maximum.

26. I have been instructed to complete a Declaration of Intent form? What is this?

The Declaration of Intent is a Canada Revenue Agency (CRA) form which must be completed and maintained on file by the employer. It is the employer's approval to allow the RRSP eligible portion of your severance payment to be paid directly to you without income tax deducted at source. By completing and signing the form, you are agreeing to contribute the eligible amount to your or your spousal RRSP for the taxation year in which you receive your payout.

27. Will/can the Employer transfer my payment directly into an RRSP?

No. If you elect to receive your severance payout prior to retirement, Teachers' Payroll cannot facilitate the transfer of funds to the financial institution. The severance payout will be paid directly to you. If you wish to contribute to your RRSP, and you have the personal room to do so, the funds can be paid to you without income tax withholding and you must then make the contribution to your RRSP on your own. Any financial institution/provider is fine, provided the contribution is being made to a registered RRSP.

28. Can I transfer a portion of my severance payout to my RRSP this year and transfer the remainder next year?

No. The severance payout is a one-time lump sum payment. You will be paid the amount as calculated, less applicable taxes and deductions. There is no option to receive a portion now and the rest later.

29. How do I know if I have enough room in my RRSP's to cover what I wish to contribute from my severance payout?

You will find your amount of personal RRSP contribution room for the year in which you elect to receive your severance on your Notice of Assessment issued by the CRA.

30. Where can I find my Notice of Assessment?

Individual tax information/enquiries can be addressed by logging into My Account on the CRA website (<https://www.canada.ca/en/revenue-agency/services/e-services/e-services-individuals/account-individuals.html>) or by calling 1-800-959-8281.

31. What if the \$15,000 tax waiver from CRA is not enough to cover my full payout?

If you expect your severance payout to be more than the \$15,000 covered by the waiver, you have two options:

1. You can receive up to \$15,000 of your payout, without income taxes deducted, to be contributed to an RRSP if you have the personal RRSP contribution room to do so. The remainder will be paid to you with income taxes deducted.
2. To contribute more than \$15,000 to an RRSP without income taxes deducted, you must apply to CRA for a personal tax waiver. Please refer to the Payment Options Summary form for instructions on how to complete and submit form T1213.

32. I want to speak with someone about the T1213 form.

If you have a question about filling out or submitting the T1213 form, you can refer to the sample T1213 form contained in your information package, or contact the CRA inquiry line at 1-800-959-8281. You are encouraged to seek professional financial advice if you have questions about planning or need help to make your decision.

33. Can I deposit my severance funds to a spousal RRSP account?

You (the employee) will receive the severance payout payment, so it will be included in your income for the taxation year in which you receive it. The severance payout can be directed to a spousal RRSP provided you have sufficient personal RRSP room to do so. You will receive an official tax receipt from your financial institution in your name, but it will indicate that it is for a spousal RRSP. You will use the receipt when you file your annual tax return to offset the severance payout income in Box 14 of your T4.

34. Can I contribute to multiple RRSP's?

You (the employee) will receive the severance payout payment. You can contribute to the RRSP(s) of your choice providing you have the personal RRSP contribution room to do so. The payment will be included in your income for the taxation year in which you receive it. You should receive the official tax receipt(s) from your financial institution(s) in your name. You will use the receipt(s) when you file your annual tax return to offset the severance payout income in Box 14 of your T4.

35. Can I transfer my severance payout into a Registered Education Savings Plan (RESP) without taxes being withheld?

No. RESP contributions are not tax-deductible. The tax waiver applies only to RRSP contributions.

36. Can I transfer my severance payout into a Registered Disability Savings Plan (RDSP) without taxes being withheld?

No. RDSP contributions are not tax-deductible. The tax waiver applies only to RRSP contributions.

37. I want to put my severance payout into a Tax Free Savings Account (TFSA). Would this be considered the same as making an RRSP contribution?

No. Contributions to a TFSA are not tax deductible. In that regard, any contribution to a TFSA would be in after tax dollars. The tax waiver only applies to RRSP contributions.

Taxation and T4's

38. If I take the one time severance payout, how will it be taxed?

The one time severance payout will be taxed as employment income and subject to income tax withholdings, CPP and EI deductions. The payment will be made through the Payroll system and included with your bi-weekly pay. The payroll system will calculate the appropriate amount of income tax to be deducted by taking into consideration your annual salary, plus the one time severance payout. If you are putting the severance payout amount into an RRSP, you will have options under a tax waiver to not have income taxes withheld. There are two options - a corporate or personal tax waiver, depending on the amount you wish to put into the RRSP. Since it is not being paid on termination, it cannot be treated as a retiring allowance. Please refer to Payment Options Summary for specific taxation for each option.

39. Where will the severance payout be reported on my T4?

The severance payout is employment income and will be reported in Box 14 of your T4.

40. If I contribute my entire severance payout to an RRSP, should it still be included in Box 14 of my T4?

Yes. The severance payout is employment income and will be reported in Box 14 of your T4 regardless of the RRSP contribution. Your financial institution will issue an official income tax receipt for your RRSP contribution. When you file your annual tax return, there will be an income inclusion on your T4 for the Severance Payout amount, and you will have an offsetting tax deduction (the tax receipt from your financial institution)

Pension/Retirement

41. Is the severance payout considered to be pensionable earnings?

No. Your severance payout will not be included as pensionable earnings and pension premiums will not be deducted.

42. Can I use the severance payout to purchase pensionable service?

The severance payout is not a retiring allowance so the rules surrounding retiring allowances, such as a direct transfer by your employer to a Registered Pension Plan, do not apply. However, you can use your payment for any purpose you wish. You can use your after-tax funds to purchase past service, but the employer cannot facilitate the transfer.

If you are interested in buying back pensionable time, you should contact the Teachers' Pension Plan Corporation at 793-8772, 1-833-345-8772 (toll free) or memberservices@tppcnl.ca.

43. What if I plan to retire within the next few years? Is there a benefit to waiting and receiving the severance payout when I retire?

If you need help making your decision about the severance payout, you are encouraged to seek professional advice based on your personal situation and goals. You may wish to speak to a tax accountant or a financial planner to assist you in your decision.

If you choose to take the payout upon retirement, you will receive the severance payout based on your service and annual salary as of March 31, 2018. If received at retirement, the payment will qualify as a retiring allowance and no EI or CPP will be deducted. Income tax will be withheld based on lump sum rates of 10% on amounts up to \$5,000, 20% on amounts between \$5,001 and \$15,000, and 30% on amounts over \$15,000. Please note that the income tax deducted is simply a withholdings tax. The amount of income tax you pay will be calculated based on your total income from all sources and determined when you file your personal income tax return.

All or a portion of your severance can be transferred directly to a RRSP without income tax withholdings if you have sufficient personal RRSP room to do so. No waiver is required and the employer can facilitate the transfer. You can also use your severance to purchase pensionable service and the employer can facilitate a direct transfer to the Teachers' Pension Plan Corporation. Rules around pre-1996 eligible "roll over" room will also apply.

44. If I wait until retirement, how will my severance be taxed? What taxes apply?

If paid at retirement, as it currently stands, CRA classifies the severance as a retiring allowance. It is subject to income tax only; no EI or CPP will be deducted. If taken in cash, the payment will be subject to a withholdings tax as follows: 10% on amounts up to \$5,000, 20% on amounts between \$5,000 and \$15,000, and 30% on amounts over \$15,000. Note that the income tax deducted from the severance on retirement is simply a withholdings tax. The amount of income tax you pay will be calculated based on your total income from all sources and determined when you file your personal income tax return.

If taken at retirement, all or a portion of your severance can be transferred directly to a RRSP without income tax withholdings if you have sufficient personal RRSP room to do so. No waiver is required and the employer can facilitate the transfer. You can also use your severance to purchase pensionable service and the employer can facilitate a direct transfer to the Teachers' Pension Plan Corporation. Rules around pre-1996 eligible "roll over" room will also apply.

45. Do I need a tax waiver (corporate or personal) if I'm taking my severance at retirement?

No. Severance taken now or at retirement can be tax sheltered. For the severance payout, the funds are considered regular employment income so a waiver is needed if the employee wishes to have it paid with no tax withholdings. For the severance paid at retirement, it is considered a retiring allowance and no waiver is needed. In both cases, you must have sufficient personal RRSP room.

Deductions from Severance Payment

46. What deductions are taken/not taken from the severance payout?

All statutory deductions (CPP, EI and Income Tax) will be withheld as per the Payment Options Summary. The payment is also subject to any garnishments currently in place. Union dues will not be deducted.

47. If I have an outstanding salary overpayment or benefit arrears, can it be recovered from the severance payout?

Yes. Any amount owing will be deducted from the severance payout. This includes, but is not limited to, salary overpayments, salary advances and benefit arrears. Deductions are recovered under the authority of s.31 of the Financial Administration Act. Deductions could also include any wage garnishment orders in effect.

General

48. I cannot decide what the best option for me would be. Can the school district Human Resources, Government Teacher Payroll staff or the NLTA assist me in making a decision?

No. You should consult with your financial institution, a financial advisor, or a tax advisor. Every effort has been made to provide answers to questions we feel you may have.

49. If I elect to defer my severance, how do I request and receive payment?

Once the option to defer has been elected, payout of severance occurs upon request at the end of the period of employment, or at such earlier time as requested. Teachers who have elected to defer payout of severance and wish to receive payment prior to the end of the period of employment must request to do so in writing.

All severance must be redeemed in full at time of payment. An employee may not elect to receive partial or portioned payment(s) of their total severance pay – payout of severance shall be made only once.

50. I'm not sure what I should do. Where can I get financial advice?

If you need help making your decision about the severance payout, you are encouraged to seek professional financial and/or tax advice based on your personal situation and goals. You may wish to speak to a tax accountant or a personal financial planner to assist you in your decision.

51. If I am on unpaid leave and in receipt of Employment Insurance benefits, will the severance payout affect my benefit payments?

You should contact Service Canada to discuss the impact of a severance payout on your Employment Insurance benefits.

52. What if I am applying for or receiving Long Term Disability (LTD) benefits when I receive my severance payout?

If you are covered under the NLTA Group Insurance Program LTD policy, receipt of a severance payout will have no impact on your LTD claim or benefits.

53. I am on a current Worker's Compensation claim. Will severance payment before retirement impact my compensation benefits?

No. Workplace NL has advised that the payout of severance will not impact the receipt of Workers' Compensation benefits.

54. What are the CPP and EI rates and what is the annual maximum contribution?

The CPP contribution rate for 2019 is 5.1% to a maximum contribution of \$2,748.90. The EI premium rate for 2019 is 1.62% to a maximum contribution of \$860.22.

55. I disagree with the calculation of the severance amount and/or years of service calculated for me. What do I do?

Contact Teachers' Payroll to request a copy of your service audit by emailing payroll@gov.nl.ca. You will have to review the audit and indicate where you feel errors have been made. NLTA staff are also available to assist as required.