

The FAQs are to provide you with information only. This document is not intended to provide financial or legal advice, or collective agreement language interpretation.

Process

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

No. The Department of Human Resources is currently working through numerous severance audits and will be unable to provide this data to all employees prior to the severance payment election form submission deadline. You can estimate your payout by using the formula below. Your annual salary is your salary as of June 30, 2019. However, where an employee is on Long Term Disability or an approved leave of absence, the position and rate of pay at the date of Long Term Disability or date of leave of absence shall be used.

$$\text{Severance} = \frac{\text{Annual Salary}}{260} \times \# \text{ years continuous service} \times 5 \text{ days per year (max. 100)}$$

2. Once I choose a quarter for payout, when will I receive the payment?

Payments will be released on the following dates:

Quarter 3:	December 5, 2019	Quarter 1:	June 18, 2020
Quarter 4:	March 26, 2020	Quarter 2:	September 24, 2020

Severance payments will be processed when all forms and information are received from the employee, delays in submitting information (e.g. CRA documentation) may impact the Quarter in which the payment is issued. The University will use its best efforts to accommodate payment in the quarter chosen by the employee; however, the quarter in which you receive your payment will be dependent on the volume of requests and will be prioritized based on seniority and when all required information is received.

3. Why can't I receive my severance payout now?

The payout requires validation of every individual employee's service, which in many cases is not straight-forward. The receipt of numerous election forms and necessary Canada Revenue Agency documentation will require adequate review time to ensure accurate processing.

4. What happens if I fail to complete and return my election form by the specified deadline as per the election form?

The quarter in which you receive your payment will be dependent on the volume of requests and will be prioritized based on seniority and when all required information is received, after those who met the deadline have been processed.

5. Can an employee change their mind as to when they want their severance paid?

No. Employees have up to the specified deadline, as per the Election Form, to elect options for payout. No changes will be accepted past this date.

6. Can I split my payment over two or more quarters or 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; however, you are able to defer the payment to retirement/resignation.

7. What happens if I choose to defer my severance payout?

If you choose to defer to retirement/resignation, your severance payment will be calculated and frozen as of June 30, 2019 and paid upon retirement/resignation.

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

No. Your net payout will depend on your personal situation. There are too many variables to calculate your total deductions until the payment is processed and you file your taxes for the year. You are encouraged to seek professional financial advice if you have questions about planning or need help to make your decision.

9. Can my severance payment be issued to me on a separate cheque?

No. Any monies payable to you will be included with your regular deposit for the pay period.

10. Will I pay more tax if it is included with my regular pay?

The severance payment will be processed and paid at the same time as your regular pay; however, it will be processed as a stand-alone payment and will not be included with your regular pay for income tax purposes. Income tax will be deducted from severance payments by taking into consideration your expected regular annual salary.

11. I am currently on a leave of absence. 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. If you think your mailing address is out of date, please contact Human Resources at severance@mun.ca.

12. I am currently on maternity/parental/adoption leave. Do I have to choose a quarter option while I am off or can I wait until I return?

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. If you think your mailing address is out of date, please contact Human Resources at severance@mun.ca. You must notify the Human Resources Department of your preferred quarter by the deadline specified on your Election Form. Employees have the ability to defer their payment to any Quarter outlined on the election form or to retirement/resignation.

13. 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 severance payout impact on your Employment Insurance benefits.

14. What if I am on Long Term Disability (LTD) when the severance payment is paid?

A Memorandum of Agreement has been issued regarding the severance payment and LTD benefit. It has been agreed that the severance payment will not be deducted as an offset for the LTD benefit payments. Your severance will be paid as per your Payment Election form.

15. I am on a current Worker's Compensation claim. When will my severance amount be paid? Will it impact my compensation benefits?

Your severance amount can be paid out in the quarter of your choosing. Workplace NL has advised the payment will not impact your receipt of Worker's Compensation benefits.

16. I did not receive an Election Form and I think I am eligible. What should I do?

An email was sent to employees deemed to have met the severance eligibility criteria. However, if you believe you are eligible, the Payment Election form can be found on Memorial's website, print versions will be available from your local HR office, or you may email severance@mun.ca to request a form.

Calculation

17. How will you calculate the severance payout amount?

The severance payout will be based on five day's salary for each year of eligible employment to a maximum of 100 days. For example:

Annual Salary: \$52,383 Continuous Service: 22 years
Date of Hire: April 1, 1997

$$\frac{\$52,383}{260} \times 100 \text{ days} = \$20,147.31$$

18. Will my partial year of service be used in the calculation of my severance?

A partial year of service will be used in the calculation. This is best illustrated using an example:

Annual Salary: \$58,248 Years of Service: 15 years 9 months
Date of Hire: Oct. 1, 2003

Total Severance Days: 15 years 9 months = 15.75 X 5 day's pay = 78.78, rounded to 79

$$\frac{\$58,248}{260} \times 79 \text{ days} = \$17,753.12$$

19. How will I know the number of days of severance I am entitled to?

Severance is calculated in accordance with the applicable collective agreement.

20. I took a year of maternity/parental/adoption leave. Does that reduce my period of continuous employment?

No. Periods of maternity, paternity, and adoption leave are counted as service in the calculation of the severance payment as per the collective agreement.

21. I disagree with the calculation of my severance. What do I do?

Email severance@mun.ca to request a copy of your service audit. Please review and indicate, in writing, to severance@mun.ca where you feel errors have been made.

Rate of Pay

22. I am awaiting an outstanding Job Evaluation decision. If this results in a salary increase, will the severance calculation be adjusted and any balance owing paid?

Yes. Any employee who is due an adjustment after a successful Job Evaluation decision will also receive an adjusted severance calculation and payout.

23. What rate of pay will be used for my severance calculation?

Your severance rate of pay is your salary as of June 30, 2019.

24. Is the rate of pay based on all earnings, such as stand-by, overtime, shift differential, and Labrador Allowance for example?

No. The rate of base pay will be based on your regular annual salary, including market and supervisory differentials and pensionable temporary assignments.

25. If I choose to wait until I retire, will the severance be paid based on my salary at June 30, 2019 or my salary at retirement?

If you choose to defer your severance payout until retirement, service and salary will be calculated and frozen as of June 30, 2019.

26. If I was due a step increase prior to June 30, 2019, will the new step rate be used for my severance calculation?

Yes. Any employee who is due a step increase on or before June 30, 2019 will receive their severance based on that amount.

Eligibility

27. What counts as eligible severance?

Please reference your applicable collective agreement for information regarding service for severance purposes.

28. I resigned or retired prior to June 30, 2019 and did not qualify to receive severance under the "old" rules. Will I qualify to receive severance under the new Collective Agreement?

No. The effective date of the severance Collective Agreement article is June 30, 2019. You would have to be employed as of June 30, 2019 to qualify for the severance payout.

29. I have previous service with the Government of Newfoundland and Labrador or other public service employer, will that be included in my severance calculation?

No. Only service with Memorial is counted for the purpose of calculating severance.

30. I transferred service from another employer into the Memorial University Pension Plan, will this be included in my severance calculation?

No. Only service with Memorial is counted for the purpose of calculating severance. There is no correlation between pensionable service and service for severance.

RRSP's

31. If I choose to receive my severance now, will this be considered as a retiring allowance?

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 (e.g. income tax for cash payments, CPP, and EI).

32. If I choose the payout as an RRSP, is it a locked-in RRSP, or accessible at any time?

As the severance is not being transferred from a registered pension plan, it will not be paid to a locked-in RRSP. The terms of your RRSP/mutual fund/investment are between you and your financial institution.

33. Will/can Memorial transfer my payment directly into an RRSP?

No. Memorial cannot facilitate the transfer of funds to the financial institution. The severance payment will be paid directly to you. If you wish to contribute to your RRSP, and you have the RRSP room to do so, the funds can be paid to you without income tax withholding as per the above information and you will then make the contribution to your RRSP. Any financial institution/provider is fine, provided the contribution is being made to a registered RRSP.

34. Will I get 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 CRA rules surrounding retiring allowances, such as the pre-1996 eligible room and transfers to RRSPs, do not apply. If you want the flexibility that is offered to retirees when collecting their severance, you will have to wait until you retire. The severance payout is a one-time lump sum payment and is treated as employment income and subject to all applicable deductions. Information regarding retiring allowances can be found on the CRA website.

35. Why is my severance payout subject to EI and CPP deductions when it's being transferred to an RRSP?

This is not an RRSP transfer similar to what we would facilitate at retirement. The severance payout is employment income and it is not considered a retiring allowance. As such, it is subject to all applicable statutory deductions (e.g. income tax, CPP, and EI); however, if all or a portion of your payment is transferred to an RRSP, subject to availability of RRSP contribution room, it is possible that you may not be required to pay income tax on the amount transferred. The payment is still subject to EI and CPP deductions unless you have already reached the annual maximum or are CPP exempt.

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

The Declaration of Intent is a Canada Revenue Agency (CRA) requirement and must be completed by you and maintained on file by the University. It is the basis upon which the University can pay severance directly to you, for contribution to an RRSP, without deducting income tax. By completing and signing the form, you agree to contribute the RRSP amount to your or your spouse's RRSP for the taxation year in which you receive your payment. Should you not complete the RRSP transfer, when you file your taxes for the year in which the payment was made, you will be required to pay income tax on the full severance amount.

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

You will find your amount of personal RRSP contribution room on your most recent Notice of Assessment (NOA) issued by CRA.

38. Where can I find my Notice of Assessment (NOA)?

You can obtain a copy of your most recent NOA by logging into "My Account" on the CRA website or by calling 1-800-959-8281. Questions about your personal RRSP contribution room should also be directed to CRA by calling 1-800-959-8287. <https://www.canada.ca/en/revenue-agency/services/e-services/e-services-individuals/account-individuals.html>

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

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

- i. You can receive less than \$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 as a cash payment with income taxes deducted.
- ii. 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 above process information regarding the submission of a T1213.

40. Who do I contact if I want to speak with someone about the T1213 form?

If you have a question about filling out or submitting the T1213, you can contact the inquiry line at CRA (1-800-959-8281).

41. Can I transfer a portion to my RRSP this year and the remainder next year?

No. The severance payout is a one-time lump sum payment. You must elect, by September 13, 2019 when you wish to take the full amount. You will be paid the amount as calculated, less applicable deductions. There is no option to receive a portion now and the rest later.

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

Yes. The severance payout can be directed to a spousal RRSP provided you have sufficient personal RRSP room to do so. You (the employee) will receive the severance payment, so it will be included in your income for the taxation year in which you receive it. You would receive the 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.

43. Can I transfer the payment directly into a Registered Education savings Plan (RESP) vs. RRSP without taxes being withheld?

No. RESP contributions are not tax-deductible. Since there is no offsetting deduction on your personal income tax return, the severance payment must be taxed.

44. Can the amount be rolled into a disability RRSP or something similar?

Memorial is not able to complete a direct transfer to a disability RRSP.

45. I want to place money into a Tax Free Savings Account (TFSA). Would this be considered the same as making an RRSP contribution?

No. Unlike an RRSP, contributions to a TFSA are not tax deductible. In that regard, any contribution to a TFSA would be in after tax dollars. You are free to use the funds for whatever purpose you want, but it would be the net (after tax) amount.

46. When should I set up my RRSP account?

Consult with your financial advisor or your financial institution to determine when you should set up your RRSP account.

Taxation and T4's

47. 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, CPP, and EI deductions. The payment will be made through payroll by direct deposit and added to your bi-weekly pay. The amount of income tax deducted from your severance payment will be in accordance with a set tax rate that will take into consideration your annual salary, plus the one-time severance payout. Should you wish to have additional taxes taken from your severance payment, please advise HR in writing when submitting your Payment Election form. If you are putting your severance payment into an RRSP, you will have options under a tax waiver to not have income taxes withheld. There are two options – a corporate tax waiver for payments less than \$15,000 or a personal tax waiver for payments of \$15,000 or more.

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

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

49. I transferred my entire severance payout to an RRSP. Should it still be included in Box 14 of my T4?

Yes. The severance payment is employment income and will be reported in Box 14 of your T4 regardless of the RRSP rollover. Your financial institution will issue a receipt for the RRSP contribution, which you will then use to offset the income that has been reported in Box 14.

50. When I file my personal tax return for the year, won't it look like I have not paid enough income tax if I transfer my severance to an RRSP?

The severance payment is employment income and will be reported in Box 14 of your T4 regardless of the RRSP rollover. Your financial institution will issue a receipt for the RRSP contribution, which you will use to offset the income that has been reported in Box 14.

Pension

51. Is the early severance payout considered to be pensionable earnings?

No. Your severance payout will not be included as pensionable earnings.

52. Can I use the severance payout to purchase service for pension purposes?

The severance payout is not a retiring allowance, so the rules surrounding retiring allowances, such as a direct transfer by your employer to an RRSP 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. If you are interested in buying back pensionable time, please email myhr@mun.ca.

53. What if I plan to retire within the next few years? Is there a benefit to waiting and receiving the severance when I retire? If I wait until retirement, how will my severance be taxed?

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 personal financial planner to assist you in your decision.

If you choose to take the payment on retirement, you will receive the severance based on your salary as of June 30, 2019. 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 an RRSP without income tax withholdings if you have sufficient personal RRSP room to do so. Rules around pre-1996 eligible room will also apply.

54. 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 early severance payout, the funds are considered regular employment income, so a waiver is needed if an 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

55. 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, unless you have reached the annual CPP or EI maximum or you are CPP exempt. If you have benefit arrears or a salary overpayment, that amount will be automatically deducted. There will be no pension or insurance deductions taken from your payment and your benefit coverage amounts will not change as a result of the Severance Payout. The payment is also subject to any garnishments currently in place. Union dues will not be deducted.

56. If I have an outstanding salary overpayment or benefit arrears, will 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. These types of deductions are recovered under the authority of s.31 of the Financial Administration Act. Your severance could also be subject to any wage garnishment orders in effect.

57. Can I choose to have my severance cover any annual leave arrears?

Yes. If you wish to do so, please notify HR in writing by April 30, 2019.

58. Will I be notified, prior to the payment date, of any outstanding recoveries from my severance payment?

No. Please contact payroll to confirm present outstanding amounts.

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

The CPP contribution rate for 2019 is 5.10% to a maximum contribution of \$2,748.90. The EI premium rate for 2019 is 1.66% to a maximum contribution of \$860.22. The rates for 2020 will not be announced until later in 2019.

General

60. I cannot decide what the best option for me would be. Can Human Resources assist me in making a decision?

No. If you need help making your decision about the severance payout, you're encouraged to seek professional 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. Every effort has been made to provide detailed information in this document, please review the information provided carefully and forward additional questions to severance@mun.ca.

61. Will the severance payment be included in the Public Sector Compensation Disclosure?

Severance payments are reported in the Compensation Disclosure. The severance payment, along with any other applicable earnings as outlined in the *Public Sector Compensation Transparency Act*, will be included in the published Compensation Disclosure report should your total earnings for the calendar year exceed \$100,000.

62. Who can I contact if I have more questions?

You may contact Human Resources via email at severance@mun.ca.