Voluntary Retirement Program
Frequently Asked Questions

General

1. Why is Memorial offering a Voluntary Retirement Program (VRP) and what is it?

Memorial University continues to seek ways of facing our serious budgetary challenges, and a recurring theme of the budget consultations led by the Integrated Planning Committee earlier this year was some sort of voluntary retirement program (VRP).

Responding to what was heard in the consultation process, Vice-Presidents Council researched voluntary retirement programs recently implemented at other Canadian universities and determined the feasibility of similar approaches here.

Drawing on the experience of other Canadian institutions, Memorial has come up with a plan that should help the university better manage its longer-term financial challenges while allowing for a measure of renewal.

The VRP is a time-limited opportunity which provides eligible, approved employees with a lump-sum payment of one month of salary per year of service up to a maximum of 12 months of payment if they retire on or before by Dec. 31, 2018.

2. What is the budget allocated to the VRP and where is this funding coming from?

A maximum of $8 million has been allocated for this program.

The cost of this program will be covered by the salary savings.

3. If the funding is applied in the early phases of the program, will additional funding be made available for the later phases?

The budget for this program has been set. Once the funding has been applied, the program will come to a close.

4. How did you decide on the financial incentive?

We conducted an environmental scan and reviewed retirement incentive programs offered at other Canadian universities.
5. If I avail myself of the VRP, is there a deadline by which I have to retire?

Eligible employees who avail themselves of the VRP must retire on or before Dec. 31, 2018.

6. Has Memorial ever offered a similar retirement program?

Memorial offered a retirement incentive program in 1996; that program was called the Voluntary Early Retirement Incentive Program (VERIP).

7. Whom do I contact for further VRP information?

Human Resources will administer the VRP. Questions regarding the program can be directed to vrp@mun.ca.

8. I have questions about my pension, whom do I contact?

If you meet the age and service eligibility requirements outlined below under the VRP, retirement questions should be forwarded to vrp@mun.ca. If you do not meet the eligibility requirements, the normal process would be followed with questions being directed to myhr@mun.ca.

Eligibility

9. Who is eligible for the VRP?

The VRP is not being offered to all employees. It is being offered to operationally funded, permanent academic and non-academic staff members who are enrolled in Memorial’s pension plan (or an alternate Memorial retirement plan) and who fall within the following groups:

- Academic staff members who hold tenured, or tenure-track positions.
- Non-academic staff in unionized, non-bargaining, management and professional, or senior administrative management positions (executive positions are excluded).

Consideration will be given to non-academic staff whose positions can be eliminated or filled in an alternate way that will generate substantive savings and contribute to the overall position reduction for the university.
10. What are the age and service requirements for each of the phases of the program?

The VRP will be offered in the following phases:
- Phase one includes individuals who are a minimum age of 71.
- Phase two includes individuals who are a minimum age of 65 but less than 71 and have 30+ years of service.
- Phase three includes individuals who are a minimum age of 60 but less than 65 and have 35+ years of service.
- Phase four includes individuals who are a minimum age of 60 but less than 65 and have 30+ years of service.

11. What does “service” mean?

The term “service” refers to pensionable service in the Memorial University Pension Plan (or alternate Memorial retirement plan).

12. How did you decide on the Phase categories?

The majority of similar programs implemented at other Canadian universities had an age and service combination criteria, with age 60 being the minimum qualifying age for most programs.

13. Why doesn’t the voluntary retirement program offer pension plan incentives?

The Memorial University Pension Plan is a registered pension plan and is subject to regulation by both provincial and federal legislation. These regulations do not permit the payment of additional pension amounts from the pension plan as incentives under this type of voluntary retirement program.

14. I meet the age and service requirements, am I automatically eligible for the VRP?

Employees are not automatically eligible for the VRP. You must discuss whether your position meets the criteria of the program with your dean/director. Your dean/director will discuss with their vice-president and both will make a recommendation regarding your participation in the VRP. Human Resources will audit your information to ensure you meet the service requirement. All applications will be submitted to Vice-Presidents Council for review and final approval.

15. I currently do not meet the age and service requirements for this program but I will later this year. Am I eligible for this program?
If you will meet the age and service criteria noted above by Dec. 31, 2018, you may still apply for participation in the VRP.

16. I retired from Memorial recently. Can I avail myself of this program?

People who have already retired from Memorial are not eligible for this program.

17. What happens if I fail to complete and discuss my eligibility with my dean/director prior to the application deadline?

Applications will only be accepted during the specified timeframes.

Process

18. How do I apply for the VRP?

Employees potentially eligible for participation in the VRP will be sent a letter and program information during the week of May 22, 2018. Should you meet the age and service qualifications you must discuss your participation in this program with your dean/director and you will be required to complete and submit the application form.

Human Resources is administering this program. If you have questions or require information please email vrp@mun.ca for assistance.

19. If I decide to apply, what happens to my application?

The process will be as follows:

1. Upon receipt of the letter stating that you may potentially meet the VRP qualifications, you will discuss your participation in the program with your dean/director and submit an application for participation to them.

2. Your dean/director will consider your application and determine if your position meets the criteria of the VRP. They will provide a recommendation regarding the approval of your application.

3. The dean/director will discuss the application with your vice-president, whose recommendation regarding approval will also be required.

4. Human Resources will audit your service information to confirm its accuracy and will evaluate your application to determine the amount payable to you subject to available funding. Available funding will depend on uptake in the current or previous Phase(s).
5. A bulk submission of applications will be provided to the Vice-Presidents Council (VPC) for final review and approval after the Phase application deadline. VPC will communicate approvals to Human Resources.

6. You will be contacted via email by Human Resources with a final calculation of your payment and you will be provided with a Voluntary Retirement Acceptance Form. You will be required to sign this form as final confirmation of the approved retirement date and participation in the VRP.

20. What if I apply, but then change my mind?

An application under the VRP may be rescinded by the employee prior to the application deadline. After that deadline has passed, if approved, you will receive a final Voluntary Retirement Acceptance Form to confirm your participation in the program. Once you have indicated your acceptance, your decision is irrevocable.

21. If I am eligible for the program, do I have to take it?

No, this program is strictly voluntary.

22. What are the application dates for the various phases?

Phases one and phase two will run concurrently with applications being accepted from June 1 to July 20, 2018.

Dates for phases three and four will be announced if funds are available to proceed.

Payment

23. How will I know what my VRP payment will be prior to making a decision on my participation?

A final calculation will be provided to you by HR upon your application being approved by VPC. You will then be required to complete a form to confirm your acceptance.

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

The VRP payment is a one-time lump sum payment. However, there may be an option for you to delay full or partial payment to 2019. A financial advisor or tax advisor may be able to provide advice regarding the timing of the payment.
25. Do I have to take the payment as a lump sum or can it be paid on a bi-weekly or other continuing basis?

You will be required to take the payment as a lump sum. The payment will not be paid as a salary continuance.

26. What rate of pay will be used for the lump sum payment calculation?

Your payment is calculated by taking your annual salary and dividing by 12. If you are a part-time employee, your part-time salary will be used for the calculation. Excluded salary components include, but are not limited to: Labrador Allowance, one-time payments, supervisory differentials, shift differentials, stand-by, and overtime.

27. If I am due a step increase prior to my retirement date, will the new step rate be used for my VRP calculation?

The step increase will be reflected in the final VRP payment calculation for any employee who receives a step increase prior to retirement.

**RRSP’s**

28. I am interested in the program and want to consult with a financial advisor. Will Memorial pay the cost of a financial advisor?

Employees are encouraged to seek independent financial advice prior to making a decision regarding their retirement; however, this will be at the cost of the employee.

29. Can my VRP payment be treated as a retiring allowance?

The VRP payment will be treated as a retiring allowance under Canada Revenue Agency (CRA) regulations.

30. Can I transfer this payment to a RRSP?

If you will be 71 or younger at the end of the year in which you transfer the funds, under CRA regulations you can only transfer the eligible part of your retiring allowance to your own RRSP or similar plan. The eligible part will be calculated by Human Resources as follows:

- $2,000 for each year or part-year of service before 1996 in which you were employed by Memorial. Pensionable service performed before 1996 that was transferred to the pension plan from another employer’s registered pension plan may also be counted in the calculation of the eligible amount.
Further information regarding the eligible portion can be found on the CRA website.

The non-eligible part can be contributed to your RRSP up to the amount of your available RRSP deduction limit. Amounts cannot be contributed to your RRSP if you are over 71 years old at the end of the tax year. The non-eligible part may also be transferred to a spousal or common-law partner RRSP.

Further information on transferring the non-eligible portion can be found on the CRA website.

31. **Can I deposit my RRSP funds to my spousal RRSP account? How does the spousal contribution work? Why would I contribute to a spousal RRSP if I still need to have the RRSP room myself?**

The VRP payment can be directed to a spousal RRSP provided you have sufficient personal RRSP contribution room to do so. You will find your amount of personal RRSP contribution room on your most recent Notice of Assessment (NOA) issued by CRA. This form will need to be provided to Memorial as confirmation of your contribution room.

People generally contribute to a spousal RRSP because the spouse has less income and, when the funds are withdrawn, they are included in the spouse’s income. If that spouse has lower income, they will pay less income tax. Furthermore, if you earn income after age 71 and your spouse is age 71 or younger, it may still be possible to acquire a new RRSP deduction limit, allowing contributions to the spousal RRSP. It is advised that you discuss this circumstance with CRA, your financial institution, and/or a tax advisor.

32. **How do I know if I have enough RRSP contribution room?**

You will find your amount of personal RRSP contribution room on your most recent Notice of Assessment (NOA) issued by the Canada Revenue Agency (CRA). This form, or a Letter of Authority issued by CRA, will need to be provided to Memorial as confirmation of your RRSP contribution room.

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

You can obtain a copy of your most recent NOA by logging into My Account from the Canada Revenue Agency (CRA) website at: https://www.canada.ca/en/revenue-agency/services/e-services/e-services-individuals.html 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.

34. **Can I transfer a portion to my RRSP this year and transfer the remainder in another tax year?**

The VRP payment is a one-time lump sum payment. However, there may be an option for you to delay full or partial payment to 2019. A financial advisor or tax advisor may be able
to provide advice regarding the timing of the payment in consideration of your personal situation and financial goals.
35. I am also eligible to receive severance as a retirement allowance under my collective agreement/guidelines for non-bargaining employees, will this impact the eligible portion transferrable to my RRSP?

VRP and severance payments will be considered as one retirement allowance. The eligible portion noted in Question 30 above will apply as per the example below:

Severance payment: $15,000  
VRP Payment: $50,000  
Total Retiring Allowance: $65,000  

Date of Hire: January 1, 1986  
Eligible Portion: $20,000 - $2,000 for each year employed prior to 1996

$20,000 will constitute the eligible portion of your retirement allowance and the remaining $45,000 will be considered the non-eligible portion.

36. 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.

37. Can I contribute to multiple personal RRSPs?

As long as you have the personal RRSP contribution room you can direct your transfer to more than one RRSP account.

38. I want to place money into a Registered Education Savings Plan (RESP) or a Tax Free Savings Account (TFSA). Would this be considered the same as making an RRSP contribution?

Accounts such as Tax-Free Savings Accounts (TFSA), Registered Education Savings Plans (RESP), and Registered Disability Savings Plans (RDSP) are not tax- deductible like RRSPs. Since there is no offsetting deduction on your personal income tax return, the VRP payment must be taxed. In that regard, any portion of the VRP payment not paid directly to an RRSP will be paid directly to you in after-tax dollars. You are then free to use the funds for whatever purpose you want, but it would be the net (after tax) amount.
39. Where will the payment be reported on my T4?

The amount eligible for transfer to an RRSP will be reported in Box 66 on your T4, whereas ineligible amounts will be reported separately in Box 67.

40. If I receive the payment as cash, will I pay more tax if it is included with my regular pay versus it being paid on a separate cheque?

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 payment.

41. If I take a cash payment, what will be the withholding tax rate?

Retiring allowances which have not been transferred to an RRSP are subject to the following withholding tax rates:

<table>
<thead>
<tr>
<th></th>
<th>Tax Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Canadian Resident</td>
<td></td>
</tr>
<tr>
<td>&lt;= $5,000</td>
<td>10%</td>
</tr>
<tr>
<td>$5,001 - &lt;=$15,000</td>
<td>20%</td>
</tr>
<tr>
<td>&gt;$15,001</td>
<td>30%</td>
</tr>
<tr>
<td>Foreign Resident</td>
<td>25%</td>
</tr>
</tbody>
</table>

The above withholding rates are flat deductions rates applied to your VRP payment as a whole. They are not graduated rates (e.g. 10% on first $5000, 20% on next $10,000, etc.).

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

Net VRP amounts that are paid in as per question 41, can be calculated by taking your lump sum payment and multiplying it by the applicable withholding tax rate above. Should you choose to have a portion of your payment transferred to an RRSP with the remainder paid as cash, your net payout will depend on your personal situation. There are too many variables to calculate your total tax deduction until the payment is processed (e.g. application of marginal tax rates). You are encouraged to seek professional financial advice if you have questions about planning or need help to make your decision.

43. Can additional taxes be taken from my VRP payment?

You can choose to have additional taxes taken from the payment by requesting, in writing, the amount you wish to be deducted in addition to the above withholding rates (e.g. an additional $5,000 or an additional 5%).
44. How do I choose my retirement date?

While the approval of the date of retirement under this program will be at the sole discretion of Memorial, based upon operational requirements, the university will attempt to accommodate the preferred retirement date indicated by the employee.

45. My collective agreement states that I must provide notice of my intention to retire, is this still a requirement?

Retirement notice clauses (e.g. six-month notice period) will be waived where required to accommodate the employee being required to retire on or before Dec. 31, 2018 if approved under the VRP.

46. Is the VRP payment considered to be pensionable earnings? Will I be given a service credit equivalent to the number of months’ salary payable under the VRP?

Your payment will not be included as pensionable earnings and you will not receive additional pensionable service credit in the amount of the VRP.

47. Can I use the VRP payment to purchase pensionable service?

If you have service eligible for purchase you may be able to use the VRP payment for this purpose. Please email vrp@mun.ca regarding your specific circumstances.

48. Do I still need to submit a retirement letter?

Upon signing your Voluntary Retirement Acceptance form, please submit your letter of retirement as per regular submission procedures.

49. How will I know what my pension entitlement upon retirement will be?

You may also refer to your pension statement for some pension and you can use the pension calculator available on the my.mun.ca website (Employees Tab → Memorial Pension Information and Tools → Pension projection tool). A Pension Plan FAQ document can also be found on the Human Resources website.
50. What happens to my group insurance when I retire?

Upon retirement you will be able to maintain your existing health and dental insurance. Travel health can also be maintained; however, the policy language regarding pre-existing conditions does change. You may also maintain life insurance coverage upon retirement; however, there are age implications surrounding the coverage. Further information can be found on the retiree pension webpage.

51. Will the cost of my group insurance change when I retire?

You will be required to contribute 50% of the total premium towards your life, health, travel health and dental insurance coverages. The cost and level of retiree group insurance benefits will be reviewed periodically and may be subject to change in the future. Current rates can be found here.

52. Do I need to speak to someone about my pension and other benefits?

While an in-person meeting is not required, should you need to speak to someone in person regarding your pension and other benefits, please make an appointment with one of our Pensions Specialists by sending an email to vrp@mun.ca.

53. I don’t meet the eligibility requirements of the program, can I still retire?

You may submit your intention to retire at any time, subject to any collective agreement or pension plan requirements.

Deductions

54. What deductions are taken/not taken from the payment?

Taxes are the only standard deduction to be taken from the payment. This payment is not subject to EI, CPP, LTD or other salary-based premiums.

55. If I have an outstanding salary overpayment or benefit arrears, will it be recovered from the payment?

Any amount owing will be deducted from the VRP payment. This includes, but is not limited to, salary, travel, and vacation overpayments, salary advances, and benefit arrears. Deductions are received under the authority of s.31 of the Financial Administration Act. Deductions could also include any wage garnishment orders in effect.
Further Questions

56. I cannot decide whether or not to apply for the VRP. Can the university assist me in making a decision?

While Memorial respects that participation in the program may be difficult for some, the decision is ultimately the employee’s. Your dean/director and Human Resources will endeavour to answer any questions you may have and will provide information that may be helpful to assist you in making your decision. You may also wish to consult with your financial institution, a financial advisor, or a tax advisor. Every effort has been made to provide answers to questions we think you may have. Please review the information provided carefully and forward any additional questions to vrp@mun.ca.

57. I have questions about the program. Who do I contact for additional information?

If you have further questions about your eligible service, payment or the process in general, please send them via email to vrp@mun.ca. You will receive a response, by email or phone, based on the nature of your inquiry. Please include your employee identification number and a phone number in your email, in case we need to access your file or discuss with you in further detail.

Please note, all contact made by phone will require the employee to respond to questions for confirmation of identity.

As your employer, we are not able to answer questions or provide advice regarding your personal financial planning. You are encouraged to seek professional advice, if necessary, based on your personal situation and financial goals.

The above information is for reference only to provide helpful information on the VRP. Legislation, regulations, policies, and/or procedures (e.g. CRA guides, Income Tax Act, etc.) will prevail should the information differ from this document.