

Salaried Physicians Severance Payout

Frequently Asked Questions

June 3, 2022

The frequently asked questions are to provide you with information only. This document is not intended to provide financial or legal advice, or Memorandum of Agreement language interpretation.

Process

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

The payroll group is currently working through a high volume of severance audits. You can **estimate your payout** by multiplying the number of completed years of continuous employment by your weekly salary to a maximum of 20 weeks' pay. Your weekly rate of pay is as per your rate on June 30, 2019

2. How will you calculate the severance payout amount?

The severance payout will be based on one week of salary for each year of eligible employment to a maximum of 20 weeks.

3. How will I know the number of weeks of severance I am entitled to?

Please consult your Memorandum of Agreement for the qualifying weeks.

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

Service is based on full years of service according to your Memorandum of Agreement. For example, 5.5 years would equal 5 weeks of severance.

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

Payments will be released on the following dates:

Quarter 1 – Sept 22, 2022

Quarter 2 – Dec 1, 2022

Quarter 3 – Mar 23, 2023

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

The payout requires validation of every individual employee's service, which in many cases is not straight-forward. The receipt of election forms and necessary Canada Revenue Agency documentation will require adequate review time to ensure accurate processing. At the end of the day, we all want to ensure a smooth payout of severance owing, in keeping with the compliance and processing requirements and with full accountability for tax-payer dollars.

7. What happens if I fail to complete and return my election form by July 15, 2022?

Your severance will be paid to you, in cash, by March 31, 2023.

8. Can employee change their mind when they want it paid?

No. Salaried Physicians have up to July 15, 2022 to elect options for payout. No changes will be accepted after this date.

9. 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 July 15, 2022 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.

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

No. Your net payout will depend on your personal situation. There are 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 assistance in making a decision.

11. Can my severance payment be issued to me on a separate cheque? Will I pay more tax if it is included with my regular pay?

No. 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. You will receive a separate pay statement for the severance payout which will allow you to see the applicable deductions.

12. 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, it will be calculated and frozen as of June 30, 2019 and locked in until your employment ends. The future payment cannot be split over several payments – you must take the full amount.

13. 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.

14. I am currently on maternity and/or parental 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. You must notify Human Resources of your preferred quarter by July 15, 2022.

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

No. Maternity, paternity and adoption leave, up to 52 weeks, will be counted as service for severance pay purposes.

Rate of Pay

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

Your severance rate of pay is your weekly salary as of June 30, 2019. (For specific questions on your rate of pay, please consult your Memorandum of Agreement.)

17. Is the rate of pay based on all earnings such as retention bonus or specialty bonus?

No. The rate of pay will be based on your regular weekly salary.

18. 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.

19. 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 will receive it prior to the calculation of the severance payment.

Eligibility

20. What counts as eligible service?

Please reference your Memorandum of Agreement.

21. I resigned or retired prior to June 30, 2019 and did not qualify to receive a severance under the 'old' rules. Will I qualify to receive a severance under the new Memorandum of Agreement?

No. The MOA is effective May 3, 2022. You would have to be employed as of June 30, 2019 to qualify for the severance payout.

RRSP's

22. Can my severance be treated 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 (income tax, EI and CPP).

23. 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 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 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 taxes and deductions. There is more information on retiring allowances on the Canada Revenue Agency (CRA) website, including information on transferring the eligible (pre-1996) portion to an RRSP or RPP.

24. 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 statutory deductions (income tax, CPP and EI). The payment is still subject to EI and CPP deductions, unless you have already reached the annual maximum.

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

Yes. The Employer will facilitate the transfer of funds to the financial institution. If you wish to contribute to your RRSP, and you have the personal room to do so, the funds can be paid to your institution without income tax withholding. Any financial institution/provider is fine, provided the contribution is being made to a **registered** RRSP.

26. Can I roll a portion to my RRSP this year and roll the remainder next year?

No. The severance payout is a one-time lump sum payment. You must elect, by July 15, 2022 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.

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

You will make the decision as to what type of RRSP you want to put the funds in. If you take the severance payout without income tax you are expected to contribute the funds to a **registered** RRSP. The terms of that RRSP/mutual fund/investment are between you and your bank or financial institution.

28. 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 the Canada Revenue Agency (CRA).

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

You can obtain a copy of your most recent Notice of Assessment (NOA) by logging into My Account from Canada Revenue Agency (CRA) website <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.

30. Can I deposit my RRSP funds to my 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 payout, so it will be included in your income for the taxation year in which you receive it. You will 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.

31. How does the spousal contribution work? Why would I contribute to a spousal RRSP if I still need to have the RRSP room myself?

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. You (the employee) will receive the severance payout, so it will be included in your income in the taxation year in which you receive it. You will also get the official tax receipt in your name, but it will indicate that it is for a spousal RRSP. You will use this receipt when you file your taxes to offset the severance payout income on your T4. The severance payout information and Canada Revenue Agency (CRA) forms explicitly state that, even if you are contributing to a spousal RRSP, you must have the personal room

32. Can I contribute to multiple RRSP's?

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.

33. Can I transfer the payment 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. The tax waiver applies only to

RRSP contributions as you will receive an official income tax receipt from your financial institution allowing you to claim a deduction against the income when filing your personal tax return.

34. Can the amount be rolled into a disability RSP (or something similar)?

The Employer is not able to transfer to a disability RRSP.

35. 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.

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.

Taxation and T4's

37. 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 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 not have income taxes withheld. 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.

38. 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.

39. I rolled 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 been reported in Box 14.

40. When I file my personal tax return for the year, won't it look like I have not paid enough income tax?

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 been reported in Box 14.

Pension/Retirement

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

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

42. Can I use the severance payout to purchase pension 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 will not facilitate the transition. If you are interested in buying back pensionable time, you should contact: Joanne Hackett, 1-709-784-6246 or email joannehackett@westernhealth.nl.ca

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

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.

If you choose to take the payment on retirement as per the dates specified, 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 will be taxed 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 can be transferred directly to an 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. Rules around pre-1996 eligible room will also apply.

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

If paid at retirement, the Canada Revenue Agency (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.

Deductions from Severance Payment

45. 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. If you have benefit arrears or a salary overpayment, that amount will be automatically deducted. There will be no bi-weekly benefit premium/deduction taken from your payment. The payment is also subject to any garnishments currently in place.

46. 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. Deductions are recovered under the authority of s.31 of the Financial Administration Act. Deductions could also include any wage garnishment orders in effect.

47. Can I choose to have my severance cover any annual leave arrears, salary overpayments or benefit arrears?

Yes. If you wish to do so, please notify your employer in writing by July 15, 2022.

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

No. Employees would have been previously notified, in writing, as to overpayment amounts. Please call the Finance Department to confirm present outstanding amount.

General

49. I cannot decide what the best option for me would be. Can Human Resources 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 think you may have. Please review the information provided carefully and forward additional questions to severance@westernhealth.nl.ca

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

Employees will be permitted to defer payment of severance to a later date in accordance with guidelines that will be provided by the employer.

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 severance payout impact on your Employment Insurance benefits.

52. If I am on Long Term Disability (LTD) when the severance payment be paid?

The severance payout can be paid out in the quarter of your choosing. Each LTD case is adjudicated individually and the payout can potentially be offset depending on various factors. However, it will not impact the status of your LTD claim. Please contact Canada Life 1- 844-349-5656 to discuss your individual claim.

53. I am on a current Worker's Compensation claim and not expecting to be back to work on July 15, 2022. When will my severance amount be paid? Will it impact my compensation benefits?

No. 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.

54. Who can I call if I have more questions?

You can contact Allan Benoit at 709-784-5656 or email severance@westernhealth.nl.ca

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

Contact the Human Resources at severance@westernhealth.nl.ca to request a copy of your service audit. Please review the audit and indicate where you feel errors have been made. Once you have identified the errors, please advise xxx and request a secondary audit.

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

The CPP contribution rate for 2022 is 5.7% to a maximum contribution of \$3,499.80. The EI premium rate for 2022 is 1.58% to a maximum contribution of \$952.74. The rates for 2023 will not be announced until later in 2022.