There are two potential circumstances under which one might consider phased-in retirement.

Note: Employees should seek independent financial counsel to ensure they understand the full implications of how any of the following options relate to their personal circumstances.

OPTION A: Pre-retirement employee wishes to reduce their full-time commitment to work but does not wish, or is not eligible, to access funds from their pension plan.

An employee would apply, under one of the following mechanisms, to work full-time for intermittent periods or less than full-time and delay receipt of pension while accruing further pension credits:

1. Reduced hours (which can include leave with income averaging such as work nine months – take three months off – average salary over 12 months)

<u>Old plan pension implication</u> – pension credit is at full-time salary for a shortened service credit (e.g., an employee with a $60,000 annual salary working reduced hours of 75% for a year, would receive nine months service credit at a salary of $60,000 instead of 12 months service credit at a salary of $45,000. This has the effect of extending the period of time required to accumulate service for purposes of pension eligibility and the 2% per year of service calculation. There is no increased cost to the employer (no increase to the unfunded liability).

<u>New plan pension implication</u> – employer and employee contributions are made at the current contribution rate based on lower income earned.

2. Definite leave of absence from a permanent position to work less than full-time (i.e., non-permanent out-of-scope). See Note a) below.

<u>Old plan pension implication</u> – contributions are based on full-time salary prior to leave – pension credit at the salary for full period of leave (i.e. at prescribed contribution rates). Employees may choose to purchase the period of leave for pensionable service. Employees typically make double contributions on return from leave, for a period of time equal to the leave of absence. As there is no employer contribution, the unfunded liability, borne by the employer, is increased.

<u>New plan pension implication</u> – employer and employee contributions are made at the current contribution rates based on the lower income earned in the less than full-time job.

3. Continue working in permanent positions and take periodic definite leaves of absence (e.g., work the winter and take June, July, August and September off). Employee saves and plans for a four-month period without income.

<u>Old plan pension implication</u> – contributions are based on full-time salary prior to leave – pension credit at that salary for the period of leave. Employees may choose to purchase the period of leave for pensionable service (i.e. at prescribed contribution rates). Employees typically make double contributions on return from leave, for a period of time equal to the leave of absence. As there is no employer contribution, the unfunded liability, borne by the employer, is increased.

<u>New plan pension implication</u> – can make contributions based on full-time salary immediately prior to the leave for the period of leave. Employees may choose to purchase the period of leave for pensionable service (i.e. at prescribed contribution rates). Employees typically make double contributions (other options such as a lump sum contribution are possible) on return from leave, for a period of time equal to the leave of absence. The employer makes pension

contributions at the current employer contribution rate.

4. Deferred Salary Leave Plan, provided the employee returns from DSLP for a period of time equivalent to the period of leave (failure to do so might result in the Canada Customs and Revenue Agency reassessing the employee's income tax for the entire period of DSLP including the contribution time).

Old plan pension implication – can make contributions based on:

(i) Full-time salary during the deferral period; and

(ii) The full-time salary immediately prior to the leave during the leave period – service credit at these salary levels for the period of both deferral and leave periods.

Employees may choose to purchase the period of leave for pensionable service (i.e. at prescribed contribution rates). Employees typically make double contributions on return from leave, for a period of time equal to the leave of absence. As there is no employer contribution, the unfunded liability, borne by the employer, is increased.

New plan pension implication – can make contributions at full-time salary for deferral period and can make contributions based on the full time salary immediately prior to the leave for the period of leave. Employees may choose to purchase the period of leave for pensionable service (i.e. at prescribed contribution rates). Employees typically make double contributions (other options such as a lump sum contribution are possible) on return from leave, for a period of time equal to the leave of absence. The employer makes pension contributions, for the leave period at the same time as the employer contribution, at the current employer contribution rate.

Notes:

a) Federal legislation/regulations limit the ability to get full pension credit during periods of leave of absence to a career maximum of five years of leave (i.e., 1991 to date) with exception. The exceptions are: additional three years for maternity/paternity/adoption leaves; leave due to illness (i.e., all time on Long Term Disability); and union leave.

b) Leaves of absence of 30 days or less will normally not be approved because employees earn full vacation and sick leave credits for the first 30 days of a leave.

c) If the percentage of salary contributed to the pension plan changes during the period of the leave of absence, the change will be applied on the effective date of the change.

OPTION B: Post-retirement employee wishes to access full or partial pension funds and top up earnings through post-retirement employment.

With respect to post-retirement options, the following legal/policy restrictions apply:

Federal Law prevents re-employment by the same employer, of any person who previously took early retirement on the "75" formula. For the purpose of the law as it applies to us, the "same employer" is defined as executive government.

The Government of Saskatchewan has a double dipping policy that disallows rehire of retirees in receipt of an enhanced early retirement benefit from within executive government or crown corporations.

Anyone rehired after retirement is required to commence pension contributions to the new plan.

- If employed beyond age 65, employment income in conjunction with retirement income may result in a "clawback" of Old Age Security benefits.

- Federal Law prevents continued contribution to a pension plan beyond age 69.

- Under Canada Pension Plan legislation, an employee age 60 plus could retire, work up to the minimum amount prescribed by CPP for a period of two months and then access their Canada Pension Plan pension. Once the CPP pension has been started, the employee could then work as much as they want without impacting the CPP pension. While possible for old plan employees, because the PSSP pension is integrated with CPP, old plan employees are cautioned to seek financial advice on overall pension impact if considering this option.

1. Old Plan

The current Public Service Superannuation Plan restricts employees in the old plan to a maximum of six months of employment (full or part-time) in a calendar year or their pension will cease. The pension restarts when they quit work or on January 1 of the next calendar year whichever occurs first. The pension income beyond six months of work is simply lost. There is no adjustment to the pension benefit as a result of working after retirement. There will however be contributions made to PEPP for the period of post retirement employment.

Currently employees in the old pension plan cannot retire without reduction in pension unless they meet the eligibility thresholds which are:

- 35 years of service

- Age 65

- Age 60 with 20 years' service

As retirement in the old plan triggers either deferred pension or full pension, there is no ability to take partial pension.

2. New Plan

a) If an employee retires from the new plan and takes full or partial pension, he can return to work in any hours of work pattern or employment arrangement.

b) Once retired the employee chooses a retirement income vehicle or combination of vehicles:

- If they take an annuity, it is a contract for life (you can't get out of it).

- If they choose a Prescribed Registered Retirement Income Fund (RRIF), an employee can transfer a portion or all of their pension assets to the Prescribed RRIF.

The Prescribed RRIF operates the same as a RRIF (i.e., used for RRSP funds) in that there is a required minimum amount that must be withdrawn each year but there is no maximum limit on how much is withdrawn each year.

The differences between a Prescribed RRIF and a RRIF used for RRSP funds include:

- Assets are protected from creditors (except for enforcement of a maintenance order and division upon breakdown of a spousal relationship).
- Your spouse must sign a consent form allowing the transfer to a Prescribed RRIF
- You must name your spouse as a beneficiary unless your spouse signs a "Spouses Waiver of Designated Beneficiary Status" form which your spouse can revoke at any time.

If an employee transfers only a portion of their pension funds to a Prescribed RRIF, the lack of a maximum withdrawal limit would allow creation of a reasonable retirement income for a specified period (e.g., use a partial transfer to "top-up" income from part-time work which commences after the transfer of funds).

If an employee transferred funds to a Prescribed RRIF and later decided to return to full time employment, the Prescribed RRIF (or a portion of it) can be transferred to a Locked in Retirement Account (LIRA) until such time as a pension income (or larger pension income) is again desired.