Section: PS 1204-C
Summary of Specific Employment and Pension Plan Information Relating to Phased-In Retirement
Appendix C

Last Revised: August 2020
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Next Review:

Pension plans are governed by Federal Income Tax Legislation, as well as by provincial legislation and policy. In most cases, the earlier the pension is accessed, the lower the long-term pension income.

Under Definite Leave of Absence/Deferred Salary Leave Plan provisions, the employer incurs a cost of the pension top-up for time not worked. In the new plan this constitutes a cash flow cost of 5% of salary for the period involved. In the old plan it results in an increase in the unfunded liability of the plan.

The legislation interacts with the two different types of pension plans in different ways:

- In the old plan earlier access causes a reduction in pension income through imposition of penalties.
- In the new plan each employee has funds and growth is dependent upon investments managed through Plannera. When retirement income is required, the fund is accessed. In most cases it is in the employee's interest to not access their pension until such time as the individual employee's fund has grown sufficiently to provide adequate retirement income.
- The PEPP Act, The PSSP Act and The Superannuation (supplementary Provisions) Act do not currently allow for advanced commitment to post-retirement employment, knowing the incumbent will retire and access pension.
- The PSSP Act (old plan) currently limits post-retirement employment with the employer to a maximum of six months of full—time or less than full-time employment in a calendar year.

In summary, legislation and policy pertaining to pensions has the following impact:

1. Employees:

a) Federal income tax legislation/regulations limit an employee's 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 exceptions. 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) In the New Plan

- Can be employed on a less than full time basis and receive employer pension contributions as if a full time employee (PEPP Act).
- Can take periodic leave from full time employment and make/obtain full pension contributions through definite leave of absence provisions to a career maximum of five years with exceptions as above (Income Tax Act).
- Can be rehired after retirement in any hours of work combination and be in receipt of full or partial pension while continuing to contribute to a pension plan up to age 69.

c) In the Old Plan

- Cannot access partial pension and work (Income tax Act).

- Can work less than full time or take periodic leave and obtain/make full pension contributions through definite leave of absence provisions to a career maximum of five years with exceptions as above.

- Can work up to six months in a calendar year post-retirement before pension ceases (PSSP Act).

2. The Employer:

a) Cannot re-employ employee in receipt of an enhanced early retirement benefit.

- Federal Income tax Laws prohibits 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 the executive government of Saskatchewan.

- The Saskatchewan government has a "double-dipping" policy that prohibits rehiring of retirees receiving an enhanced benefit from an early retirement program within executive government or Crown Corporations. Due to public perception that it is inappropriate to re-employ people who have received an enhanced benefit to leave employment early, a change to this policy is not recommended.

b) Cannot provide financial advice to employees without potential liability for the advice provided. However, individuals considering phased-in retirement will need to know the financial implications of their options and are encouraged to seek independent financial advice.

c) Has no simple means for converting employees from permanent full-time status to less than permanent full-time employment in the current staffing process.

d) Employees that are members of PEPP can make additional voluntary contributions at any time, provided that the total of all registered contributions (pensions, RRSPs) cannot exceed 18% of earned income in that calendar year.