

**Phased Retirement  
Summary of Provisions and Considerations  
For Full Time Members of the  
University of Western Ontario Faculty Association**

*February, 2011*

***Purpose of this document***

This document has been prepared to assist faculty members who are eligible for or planning for retirement. Specifically it addresses phased retirement provisions introduced into their collective agreement ratified in November, 2010. This summary is based on the Retirement and Resignation Article in the UWOFA Collective Agreement (2010-2014) and the Letter of Understanding entitled “Phased Retirement of Probationary and Tenured Members”. Both of these documents are included in this package for your reference. While every effort has been made to ensure this summary to be correct in all aspects, in the case of any conflict, the Collective Agreement and referenced Letter of Understanding will dictate the terms of phased retirement.

It is expected that the information in this document will assist faculty members in assessing their options for retirement dates and conditions of employment as they approach retirement. Details of timelines and issues for a faculty member to consider in choosing phased retirement are also included. The information provided herein is general advice only. Faculty members are responsible for making their own retirement decisions and are encouraged to seek further advice specific to their individual circumstances.

***Deadlines for Member decisions***

- Members preparing for a three year phased retirement beginning July 1, 2011 will have notified their Dean in writing **by July 1, 2010** in accordance with clause 4.1 of the Retirement and Resignation Article in the 2006-2010 Faculty Collective Agreement.
- If a Member is considering a one or two year phased retirement beginning July 1, 2011 under the newly negotiated Letter of Understanding, they must notify their Dean in writing **by March 31, 2011**.
- For phased retirement of any duration (1, 2 or 3 years) beginning July 1, 2012, a Member must notify their Dean **by July 1, 2011**. For each year thereafter, notification must be at least 12 months prior to the July 1<sup>st</sup> that the phased period begins.

***Eligibility***

- Full-time Probationary and Tenured Faculty members and Members in a Limited-Term Appointment created under Clause 1.1 of the Article *Transition Provisions* of the 1998-2002 Faculty Collective Agreement (Permanent Members) who are within 10 years before their Normal Retirement Date and have at least 10 years of service at Western are eligible for phased retirement.
- Members who have *already* elected a three year phased retirement may request a one or two year phased retirement under provisions of the 2010-2014 Faculty Collective Agreement and Phased Retirement Letter of Understanding, subject to the Employer’s consent.
- Members must elect phased retirement to begin at the latest on their Normal Retirement Date. During the period of the 2010-2014 Collective Agreement, a Member who is beyond his or her Normal Retirement Date may phase his or her retirement *over a one year* period.

### ***Length of Phased Period***

- Eligible faculty members, commencing phased retirement in advance of their normal retirement date may choose 1, 2 or 3 years for the length of the phase period when the phased period begins July 1, 2011, July 1, 2012, July 1, 2013 or July 1, 2014.
- For phased retirement beginning July 1, 2015 and each July thereafter, the phased period is 3 years in duration, subject to changes to the Faculty Collective Agreement.
- A Member who is beyond his or her Normal Retirement Date may phase his or her retirement *over a one year period*, commencing July 1, 2011, July 1, 2012, July 1, 2013 or July 1, 2014.

### ***Negotiation of provisions***

- Following discussion with the Member's Chair/Director, where applicable, faculty members negotiate the terms of phased retirement with their Dean, including the reduced workload commitment, alternative workload, if desired, the amount of retiring allowance payable and any change in the length of phased retirement on compassionate grounds.
- The Member commits to retire immediately following the completion of the phased period, a commitment which is irrevocable.

### ***Workload and salary adjustment***

- The total workload commitment over the phased period must be at least 25% and at most 75% of a Member's full time load in each year of the phased period, with salary adjusted accordingly under the *Reduced Workload Article*.
- For a three year period, a faculty member must work an accumulated workload of between 150% and 200% of his/her full time load.
- Unless modified through *Alternative Workload* provisions of the Collective Agreement, it is expected that a Member's reduced workload will be a Normal Workload.

### ***Phased Retirement Supplement***

- A payment, equal to at least 50% of the Member's annual full time salary immediately prior to the start of a three year phased retirement, is payable to the Member. This supplement is pro-rated if the phased period is less than 3 years (if it is one or two years or on compassionate grounds is altered to less than 3 years).
- The supplement may be a retiring allowance which is payable at the end of the phased period or equal annual payments over the phased period, on July 1 of each year.
- The supplement payments are taxable in year of receipt.
- If applicable, a portion of the supplement may be paid as a retiring allowance and transferred to an RRSP, but this transfer may only occur at the end of the phased period. The amount of the supplement which is not transferable may be paid in equal installments at the beginning of each year (July 1) of phased retirement.

### ***Pension benefits during phased retirement***

The Ontario Government is in the process of making significant changes to the Pension Benefits Act ("PBA") and to this end it has passed two pieces of legislation. Bill 236 and Bill 120 have both received Royal Assent though most of their provisions will not be enacted until likely later in 2011 at the earliest. Currently, the regulations for these PBA amendments are being developed and much of the details relating to how these legislative changes will impact on phased retirement are still unknown.

***Below is a summary of the changes in question:***

- Currently, faculty members may not draw on their regular pension account until their retirement date, at the end of the phased retirement period. There are legislative changes expected to be finalized in the next year or so that may make it possible for members to draw pension income during phased retirement. On December 8, 2010 the Ontario government passed Bill 120 *Securing Pension Benefits Now and for the Future Act*. This Bill supplements the first phase of Ontario's pension reforms implemented in Bill 236. The regulations for Bill 120 have not been finalized but this bill provides for variable pension payments to be made out of a Defined Contribution pension plan in a prescribed manner (as yet not determined) subject to the pension plan having been amended to allow for this. We anticipate details to follow in 2011 on exactly how the PBA will be amended to allow for members of defined contribution pension to draw income while earning benefits in the plan. Voluntary pension accounts (if any) may be withdrawn on a lump sum basis prior to the end of the phased period.
- Pension contributions will continue to accrue based on the annual full time salary *in effect at the beginning of the phased period*.
- In order to take advantage of the pension statute which permits unlocking of benefits, a Member *must* complete their phased retirement before their Normal Retirement Date and so may retire on June 30<sup>th</sup>, or another agreed upon date for compassionate grounds, prior to their Normal Retirement Date. At some date to be determined, Members retiring after a prescribed date in Bill 236 will no longer be able to unlock 25% of their pre-1987 pension accrual. This is because Bill 236, *An Act to Amend the Pension Benefits Act*, will introduce immediate locking-in of regular employee and employer contributions. This means that once the corresponding portion of the Bill is enacted Members will no longer be able to unlock 25% of their pre-reform pension accrual. However, Pension legislation has already changed such that if the Member transfers their accumulated retirement funds to a Life Income Fund, up to 50% of the entire accumulation can be unlocked on a one time election option, within 60 days of the creation of the Life Income Fund.
- *The last date for a member to establish pension income from the Academic Pension Plan is the December 31<sup>st</sup> following the attainment of age 71, by which point the phased period will have ended.*

***Group Benefits during phased retirement***

- Health, dental and vision care benefits continue for the Member throughout the phased period as an active Member. Upon retirement, Members with 5 years of full time service (10 years if hired on or after July 1, 2007) will be entitled to the Faculty Retirement Group Benefits plan which includes many of the same coverage provisions as the active plan but with some differences.
- Life insurance coverage continues at the full time compensation rate up until a Member's Normal Retirement Date or end of the phased period, whichever is earlier. For the phased period beyond Normal Retirement Date, the basic life insurance is a benefit of \$15,000 and is 100% paid by the University. A Member may choose to convert to an individual life insurance program at their Normal Retirement Date increasing the coverage up to a maximum total coverage \$200,000 on their own life and at their own cost. Optional life insurance and dependent life insurance is discontinued at the Members' Normal Retirement Date.

Long Term Disability coverage continues at the reduced salary rate under phased retirement up until the Member's Normal Retirement Date. For a phased period beyond Normal Retirement Date, there is no Long Term Disability coverage.

### ***Financial Planning Considerations***

- Members are encouraged to consider their total expenditures on a monthly basis and assess their ability to take a reduced salary over the phased period, after all other income sources are considered (including the Phased Retirement Supplement)
- It is important to note that pension contributions and life insurance premiums (up until Normal Retirement) will continue to be calculated and deducted assuming Members are earning their full time earnings, while their gross pay will be reduced according to the *Reduced Workload* article.

### ***Tax considerations***

- The reduced workload and corresponding reduced salary during phased retirement may put a Member in a different tax bracket, potentially resulting in less tax withheld on each pay
- Upon attainment of age 65 during the phased period, a tax payer may be eligible for the *age amount* tax credit. This amount applies when total earnings are expected to be below \$75,480 in 2010. Members should complete a revised tax credit questionnaire using the on-line system with Human Resources to take advantage of this additional tax credit
- The Phased Retirement Supplement may be tax deferred to the extent possible under the Income Tax Act (Canada). For Members who worked for Western prior to December 31, 1995, a tax deferred transfer to an RRSP of all or a portion of the Phased Retirement Supplement is permissible under the Income Tax Act. The amount of the transfer may be up to:
  - \$2,000 for each taxation year of pre-1996 continuous service at Western while a member of the Academic Pension Plan or Teacher's Pension Planplus
  - \$3,500 for each taxation year of pre-1996 continuous service at Western, if any, when not a member of a pension plan.
- Any unused RRSP room as reported on the Member's most recent tax assessment from Canada Revenue Agency, may also be used to defer taxes on the Phased Retirement Supplement
- Any amounts of the supplement that is *not* transferred to an RRSP is taxable in the year of payment

### ***Investment considerations***

- Members are encouraged to review their investment allocations under the Academic Pension Plan in light of the commitment to retire under the phased retirement program. While not in a position to draw on their regular account until the end of the phased period, a Member may want to consider a portfolio with reduced volatility as they approach the date on which the pension will begin.
- Pension income options (lump sum from voluntary accounts, annuity, life income fund) may influence the investment allocation decisions.
- If a Member plans on supplementing their income while in phased retirement with lump sum withdrawals from their voluntary pension account or RRSP savings, Members may want to consider investments in relatively liquid and short term investments such as Money Market funds or target date funds to preserve the capital in these accounts to the date of the expected withdrawals.
- If a Member expects to fund their retirement through a Life Income Fund or Registered Retirement Income Fund they may want to continue to consider Equities (stocks) as part of an overall balanced portfolio. Under these retirement income payment options the investment time horizon is until the Member and their spouse, if any, are deceased and so it is important to maintain a growth component in the portfolio to keep pace with inflation and to ensure sustainability for a long healthy retirement. The amount of equity exposure

will depend on the Member's tolerance for negative returns and the amount of regular monthly income payments expected from these funds.

- If a Member expects to fund retirement through an annuity with a life insurance company, they may want to consider placing investments in a fund with a primary objective of income preservation, such as the Long Term Bond Fund, up until the month prior of retirement. In the month prior to purchasing the annuity, we encourage members to allocate the purchasing funds to the Money Market Fund.

### ***Additional Help and Guidance***

Two Pension and Benefit Consultants with expertise in investment and retirement planning are available to meet with Members in the Human Resource Department.

These consultants will guide you to the appropriate information, planning tools and forms that will be needed to put your entire retirement plan in place and are available to assist you throughout your retirement for any issues that arise. Personal consulting appointments can be made by calling 661-2194 or e-mailing [hr-communication@uwo.ca](mailto:hr-communication@uwo.ca). Members are encouraged to seek out professional financial advice on their retirement planning decisions

Details of the retirement plan entitlements, payment options and other services as a retired faculty member are summarized in the Retirement Guide found at <http://www.uwo.ca/humanresources/docandform/docs/pension/retireguide>