

# Provincial Pre-Retirement Leave Qualification and Guidelines

Provincial Human Resources Shared Services (PHRSS)  
Procedure Guide

## Table of Contents

<b>Part 1: Process Overview</b>	<b>4</b>
1.1 Introduction.....	4
<b>Part 2: Definitions</b>	<b>5</b>
2.1 Continuous Service .....	5
2.2 Continuous Service Hours.....	5
2.3 Employee Entitlement.....	5
2.4 Exiting Employee.....	5
2.5 FT Annual Work Hours.....	5
2.6 Leave of Absence.....	5
2.7 Mobility, Portability and Intra-Regional.....	5
2.8 Permanent Disability.....	5
2.9 Retiring Allowance.....	6
2.10 Termination.....	6
2.11 Hourly Pay.....	6
2.12 Work Hours.....	6
2.13 Pre-Retirement Leave Benefit Limitation Period .....	6
<b>Part 3: Requesting for PRL Benefit Estimate and PRL Package</b>	<b>7</b>
3.1 Eligibility for PRL Benefit .....	7
3.1.1 Non-Union Employees.....	7
3.1.2 Unionized Employees.....	7
<b>Part 4: Calculation of Pre-Retirement Leave (PRL) Benefit</b>	<b>8</b>
4.1 Calculation of PRL Benefit with one position.....	8
4.2 Calculation of PRL Benefit when Employee holds Multiple Positions .....	8
<b>Part 5: Payout Options for Pre-Retirement Leave (PRL) Benefit</b>	<b>9</b>
5.1 Cash Payout.....	9
5.2 Registered Retirement Saving Plan (RRSP) Contribution.....	9
5.2.1 RRSP Contribution Administrative Guidelines.....	9
5.2.1.1 Eligible Portion .....	9
5.2.1.2 Non-Eligible Portion .....	10
5.2.2 Required Document for RRSP Contribution .....	11
5.3 Combination of Cash payout and RRSP Contribution.....	11
5.4 Salary Continuation .....	11
5.4.1 Salary Continuation Administrative Guidelines.....	11
5.5 Combination of Salary Continuation and Cash Payout .....	13

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5.6	Combination of Salary Continuation and RRSP Contribution.....	13
<b>Part 6:</b>	<b>Re-Employment</b>	<b>14</b>
<b>Part 7:</b>	<b>Pre-Retirement Leave (PRL) Benefit Estimate Process</b>	<b>15</b>
7.1	Pre-Retirement Leave (PRL) Benefit Estimate Calculation and PRL Benefit Package.....	15
7.1.1	Send PRL Benefit Estimate Calculation to the Employee .....	15
<b>Part 8:</b>	<b>Pre-Retirement Leave Benefit Payment Process</b>	<b>16</b>

---

<b>Part 7:</b>	<b>Pre-Retirement Leave (PRL) Benefit Estimate Process</b>	<b>15</b>
7.1	Pre-Retirement Leave (PRL) Benefit Estimate Calculation and PRL Benefit Package.....	15
7.1.1	Send PRL Benefit Estimate Calculation to the Employee .....	15
<b>Part 8:</b>	<b>Pre-Retirement Leave Benefit Payment Process</b>	<b>16</b>

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## Part 1: Process Overview

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### 1.1 Introduction

When an employee is planning or ready to retire they may qualify for Pre-Retirement Leave (PRL) benefit. Determining eligibility under which an employee qualifies for a Pre-Retirement Leave benefit and the criteria of what time is used in calculation of the benefit (mobility / transfers, etc.) are the major components.

Once eligibility is determined, the calculation of the PRL benefit involves several other components, including review of Mobility forms, Portability forms, Intra-Regional transfer forms, and Re-Deployment forms to determine the correct employment date and continuous service date-all of which is vital information required to calculate an accurate benefit calculation and review prior to payout.

Once the employee has decided on their retirement date, the following steps should occur:

- **Employee:**
  - Contacts their Pension Provider at least **4-6 months** prior to the expected date of retirement, to advise them of their intent to retire and ask any questions related to their Pension Plan.
  - Reviews any provisions of their Collective Agreement or the Employee Handbook (non-union employees), to start their retirement planning process.
  - Provides their written retirement notice to their Manager, indicating last day worked and/or paid (e.g. vacation).
  - Submit their request for PRL Benefit estimate and package to their payroll.
- **Manager:**
  - Submits the employee's retirement notice to payroll to process the retirement in the payroll system.
- **Payroll:**
  - Processes the retirement action, produces a Record of Employment (ROE), and sends a Notice of Member Termination / Retirement to the applicable Pension Plan provider, following the pay period in which the last earnings have occurred.

## **Part 2: Definitions**

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### **2.1 Continuous Service**

The period of time since an employee last became a full-time, part-time or temporary employee. Conversion from full-time, part-time or temporary status to casual status shall be considered a break in service and no period of casual employment or prior full-time, part-time or temporary employment shall be included in an employee's length of employment or length of service even when a casual employee subsequently becomes a full-time, part-time or temporary employee.

### **2.2 Continuous Service Hours**

Refers to hours worked during one's Continuous Service.

### **2.3 Employee Entitlement**

Any full time / part time employee who carries out and occupies a continuing function who works the prescribed hours of work and who has all the rights and privileges of permanent status.

### **2.4 Exiting Employee**

Any employee who voluntarily terminates the employee / employer relationship.

### **2.5 FT Annual Work Hours**

The annualized work hours related to your EFT in place on the last date of employment.

### **2.6 Leave of Absence**

Including, but not limited to, maternity leave, partner leave, parental leave, educational leave, sick leave, and compassionate care leave.

### **2.7 Mobility, Portability and Intra-Regional**

Any employee who has transferred to another facility / program between January 1, 1998 and the effective date of this Guideline will have service reviewed to determine eligibility for PRL under any of these programs.

### **2.8 Permanent Disability**

An employee is considered to be permanently disabled if they satisfy the requirement for total and permanent disability from any occupation as defined in the Disability Plan or who qualifies for disability payments as approved by the Canada Pension Plan and who has been so certified by a Medical Doctor.

## **2.9 Retiring Allowance**

see Canada Revenue Agency's (CRA) regulations as set out in CRA Interpretation Bulletin IT-337R4 Retiring Allowances.

## **2.10 Termination**

Cessation of the employee / employer relationship by the employer.

## **2.11 Hourly Pay**

The hourly rate plus any hourly allowances in place on the last date of employment.

## **2.12 Work Hours**

The daily work hours in place on the last date of employment.

## **2.13 Pre-Retirement Leave Benefit Limitation Period**

The employee must submit the request for payment and all required documents for the PRL Benefit to their payroll within one (1) year from exiting employment; otherwise, this benefit will be forfeited.

## Part 3: Requesting for PRL Benefit Estimate and PRL Package

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Employees who are considering to retire or has retired must forward their request for PRL Benefit Estimate and package to payroll by mailing their written request, by contacting payroll or by sending electronic mail.

A PRL estimate may be requested not earlier than up to (6) months prior to the intended date of retirement.

### 3.1 Eligibility for PRL Benefit

**Re-employment** - Should an employee exit employment and later return to work (either in the same or different facility) depending on the **provision of the employee's collective agreement**, an employee may re-qualify for a second PRL Benefit should the employee meet the eligibility requirements described in section [3.1.1](#) and [3.1.2](#).

**Death prior to retirement** - If the employee is entitled to PRL Benefit in accordance with the PRL requirement eligibility and the employee dies prior to receiving this benefit, the PRL Benefit will be paid to the employee's estate.

**Terminations** - Other reasons for exiting employment such as Voluntary Resignation, Involuntary Resignation, etc. are NOT eligible for a PRL Benefit. The employee's reason for exiting employment must be retirement, permanent disability or deceased.

**Contract employees** – contract employees are not considered employees of the Regional Health Authority. Unless the letter of offer, contract of employment or collective agreement identifies PRL Benefit eligibility, contract employees are excluded.

#### 3.1.1 Non-Union Employees

To be eligible for PRL Benefit, a non-union employee must:

- a) retire at age sixty-five (65) years or older, or:
- b) have completed at least ten (10) years of continuous employment and retire after age fifty-five (55), or:
- c) have completed at least ten (10) years of continuous employment and meet the *Rule of 80* provisions, or:
- d) terminate employment at any time due to permanent disability.

Employees who are eligible for PRL benefit are granted a retiring allowance on the basis of four (4) days per year based on the total number of seniority/service hours since last entering permanent full-time or part-time employment.

#### 3.1.2 Unionized Employees

For unionized employee, please refer to applicable union contract/collective agreement.

## Part 4: Calculation of Pre-Retirement Leave (PRL) Benefit

### 4.1 Calculation of PRL Benefit with one position

The PRL Benefit is calculated using the Continuous Service Hours to provide a maximum benefit of four (4) days per year based on full-time annual hours. The calculation is as follows:

$$\text{(Continuous Service Hours / FT Annual Work Hours)} \times 4 \text{ days per year} \times \text{Daily Worked Hours} / \text{Pre-Retirement Benefit Hours} \times \text{Hourly Pay}$$

**Note:**

1. A review of personnel files may be necessary to correctly determine Continuous Service Hours during one’s employment history and/or to determine eligibility where Mobility, Portability, Intra-Regional transfer, or Re-Deployment may apply.
2. Employees who are eligible for academic allowance, please refer to their collective agreement.

The following EFT calculation method is used when an employee has challenged the accuracy of their Continuous Service Hours / Pre-Retirement Benefit Hours used in the PRL calculated benefit. A review of personnel files may be necessary to correctly determine EFTs during one’s employment history and/or to determine eligibility where Mobility, Portability, Intra-Regional transfer, or Re-Deployment may apply.

Examples 1:	Examples 2:	Examples 3:
15.2 years at 1.0 EFT = <b>60.8 days</b>	7 years at 0.5 EFT = 14 days 8 years at 1.0 EFT = 32 days <b>46 days</b>	2 years at 0.1 EFT = 0.2 6 years at 0.8 EFT = 19.2 7 years at 1.0 EFT = 28 <b>47.4 days</b>
Days X Work Hours / Pre-Retirement Benefit Hours X Hourly Pay		

The PRL benefit is calculated using EFTs through one’s eligible employment history to a maximum PRL benefit of four (4) days per year. Four (4) days per year is the maximum PRL benefit per year based on 1.0 EFT. The benefit calculation is pro-rated for a partial year of employment.

### 4.2 Calculation of PRL Benefit when Employee holds Multiple Positions

**Employee holding multiple positions:** If the individual is exiting employment from either or both sites, the employee will have a separate PRL Benefit calculation done when exiting employment from each position.

An employee who holds multiple position on the same site must retire from all employment held before a PRL Benefit can be paid. (Align with HEB eligibility requirements, July 2019).



## Part 5: Payout Options for Pre-Retirement Leave (PRL) Benefit

### 5.1 Cash Payout

The lump sum cash settlement is taxable to the employee in the year it is received. The employer is required to withhold income tax in accordance to CRA's guidelines. A deferral of the payment to a following calendar year may be requested where the PRL Benefit is being calculated in the fourth quarter of a calendar year.

Lump-sum Payment	Income Tax Rate
Up to \$5,000	10%
\$5,000 to \$15,000	20%
Over \$15,000	30%

**Vacation Quota:** Any outstanding vacation from the current entitlement year will be paid out in a lump sum and paid directly to you on your final pay as a deposit to your bank account.

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**IMPORTANT NOTE:** Depending on the provision of the employee's collective agreement, if an employee re-qualify for a second PRL Benefit following another ten (10) years of continuous service, the **second PRL Benefit would be paid as a lump sum cash payment.**

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### 5.2 Registered Retirement Saving Plan (RRSP) Contribution

The employer will directly contribute the PRL Benefit to the employee's RRSP account.

- Employee must have personal RRSP Contribution Room available for contribution to their RRSP.
- No amount can be contributed to an RRSP if the employee is over 71 years of age at the end of the tax year.
- Any outstanding vacation from the current entitlement year will be paid out in a lump sum and paid directly to you on your final pay as a deposit to your bank account.

#### 5.2.1 RRSP Contribution Administrative Guidelines

Special attention should be given to the following portions of the RRSP contribution (transfer):

##### 5.2.1.1 Eligible Portion

The employer may directly contribute the eligible part to the employee's own RRSP. Tax **will not** be withheld from the eligible portion directly contributed to an RRSP. The eligible portion **cannot** be contributed to a spousal or common law partner RRSP. The direct contribution of the eligible portion to the employee's RRSP has no effect on current RRSP contribution room deduction limit. This eligible portion would be reported in box 66 of the T4 slip.

**The eligible portion is:**

- \$2,000 for each year or part-year of service before 1996 in which the employee was employed by the employer or person related to the employer from whom the employee received the PRL Benefit payout.
- Transfer of an additional \$1,500 for each year or part-year of service before 1989 in which the employee had earned no pension or deferred profit-sharing plan (DPSP) benefit from employer contributions that either vested in the employee at the time of payment or that were previously paid to the employee.
  - To validate the date that pension benefits began to vest, the employee is required to provide a copy of their most recent HEB Manitoba Annual Employee Pension statement which will indicate the date that the employee entered the Pension Plan.
  - If an employee is transferring the eligible portion of their RRSP, they must not have made any arrangements to continue to work at the same or another RHA facility prior to their retirement and they must not have any intent for re-employment on a full or part-time basis at the same or another RHA facility in the next 8 weeks. This is because Canada Revenue Agency does not consider this as retirement for pre-retirement benefit purposes.

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**Note: REGARDING RE-EMPLOYMENT AFTER RETIREMENT:**

Any eligible portion calculated defaults to a non-eligible portion when an employee returns to work following the exit of employment if it would appear to a CRA audit that there was no intent to retire. Therefore, the employee must have RRSP contribution room to be able to contribute their non-eligible amount to their own RRSP.

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**5.2.1.2 Non-Eligible Portion**

The employer can contribute directly on the employee's RRSP or the employees' spouses' RRSP without deducting income tax from the employees Non-Eligible Roll-over amount, provided the **employee has sufficient RRSP contribution room**.

The employee needs to provide a copy of their most recent T1 Notice of Assessment from the Canada Revenue Agency (RRSP Deduction Limit Statement) and must sign Section D of the PRL Benefit Distribution Form with a witness, to verify and certify that the employee has RRSP Contribution Room.

If the employee does not have contribution room, the non-eligible portion will be paid as a lump sum payment and it will be reported in box 67 of the T4 slip.

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**Note:** The employer will not provide the service of contributing the non-eligible transfer portion to an RRSP, If the employee is unable to provide supporting documents showing that the employee has RRSP contribution room. A lump-sum payment would be made for the Non-eligible portion of the PRL Benefit. The employee would make their separate arrangements with their Financial Institution following the deposit of the monies to their bank account. The RRSP decision will remain between the employee and the bank including the bank and employee verifying remaining personal RRSP Contribution Room. The employer removes non-value added tasks such:

- Research incurred by the employer to facilitate the contribution
  - RRSP forms going back and forth between employee and employer
  - Finance preparing cheques to financial institutions
  - Employer confirming the employee's Notice of Assessment from CRA
  - Letters being prepared and directed to the Financial Institutions with the cheques
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### 5.2.2 Required Document for RRSP Contribution

If an employee requests any portion of their Pre-Retirement Leave Benefit to be contributed to a RRSP, the following sections needs to be completed on Provincial Pre-Retirement Leave Benefit Package:

1. **Section C:** Details of RRSP Contribution - signed and dated (*Page 3 of Pre-Retirement Leave benefit Package*)
2. **Section D:** Completed Pre-Retirement Leave RRSP Non-Eligible contribution notification of RRSP Contribution Room – signed and dated (*Page 3 of Pre-Retirement Leave Benefit Package*)

### 5.3 Combination of Cash payout and RRSP Contribution

Combination of Cash Payout and RRSP Contribution option, where an employee requests their PRL Benefit in cash, subject to applicable lump-sum payment income tax, and a portion of PRL Benefit will be contributed to the employee's personal RRSP and a cheque will be sent directly to the financial institution where the employee maintain their RRSP account.

### 5.4 Salary Continuation

The Salary Continuation option where an employee takes the retiring allowance as days to bridge the scheduled retirement date. The Salary Continuation is paid based on the employee's current work schedule/EFT.

#### 5.4.1 Salary Continuation Administrative Guidelines

- ✓ **Retirement Date:** By choosing the Salary Continuation option, the employee's retirement date will be postponed until the total number of days owing are exhausted and the last day will be the retirement date. While on Salary Continuation the employee will continue to be paid on a biweekly basis.

- ✓ **Vacation Days:** If the employee has vacation remaining from the current year, they can have the vacation paid as booked vacation days. The employee must obtain approval from their manager and the timekeeper, payroll clerk or scheduling clerk must enter the vacation days in the payroll system. The Salary Continuation will begin the day after.
- ✓ **Vacation accrual:** Vacation continues to accrue while the employee is on Salary Continuation. Any unused vacation from the current entitlement year and any vacation accrued from the vacation start date to the last day of work will be paid out in a lump sum at the end of the Salary Continuation and will be paid directly to the employee on their final pay.

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*Example:* The employee's schedule falls on a Monday to Friday schedule. Employee's Last Day Worked (LDW) is September 7, 2016. Employee's remaining vacation is 2 weeks, scheduled for September 10 to 21 (10 days). September 22 (Saturday) & 23 (Sunday) are the employee's off days, the Salary Continuation begins on September 24 (Monday). Employee is on Salary Continuation until all entitlement days are exhausted. If the employee is full-time (FT), the employee gets paid on statutory holidays.

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- ✓ **Statutory Holidays:** Full time employees are entitled to statutory holidays. The statutory holidays that fall within a full-time employee's Salary Continuation are paid as statutory holidays.
- ✓ **Sick Credits:** While sick credits may continue to accrue, sick pay is not paid while an employee is on Salary Continuation as there is no scheduled return to work date.
- ✓ **Employee with Employees' Benefits while on Salary Continuation:** All benefits continue during Salary Continuation.
- ✓ **Deductions from Pre-Retirement Leave Paid as Salary Continuation:** For active employees going on Salary Continuation, all benefits will continue. HEB premiums for Life Insurance, Healthcare and Dental plan, Disability & Rehabilitation premiums will continue to be deducted; CPP and EI premiums and income tax will continue to be remitted.
- ✓ **Note:** The Disability & Rehabilitation premium deduction will be discontinued for employees coming from LOA. Union dues will also be deducted unless advise otherwise by the union.
- ✓ **Employee with multiple positions:** If the individual is exiting employment from multiple positions either on the same or different sites, the employee will have a separate PRL Benefit calculation done when exiting employment from each site/position.
- ✓ **Employee on Leave of Absence (LOA):** An employee who is on a leave of absence and is medically cleared to return to work can take Salary Continuation.
  - When employee is on LOA, process the Return from LOA action in payroll system with effective date of return from leave of absence (RLOA), which is the day before processing the Salary Continuation for the employee.
  - Proceed with processing the Salary Continuation action after the RLOA action has been processed and completed.
  - If the employee would like to use any eligible vacation, the employee may do so, provided the employee use their approved vacation prior to the Salary Continuation.
- ✓ **Working while on Salary Continuation:** An employee cannot work for the same or another RHA facility during the Salary Continuation period.

- ✓ **Payment in case of Employee's Death:** If death occurs while an employee is on Salary Continuation for bridging purposes, payments do not continue to the employee's estate. Rather, a lump sum payment for the remainder of the benefit shall be paid to the estate.
- ✓ **Pension Payment:** The employee's Pension will start effective the first of the month following the employee's retirement date, therefore, pension of an employee who is on Salary Continuation begins the first of the month after the days owing has been exhausted.
- ✓ **Employees Receiving Allowance:** As allowance (i.e. Car allowance) is not considered as part of the employees' basic salary, allowances of employees who are taking Salary Continuation will be ended on the last day of the pay period where the employee's last day worked/paid falls.
- ✓ **Union Dues – MNU:** Union dues for MNU employees will be stopped when the employee is placed on Salary Continuation. When ending the union dues deduction, the end date to be used will be the last day of the pay period where the employee's last day worked/paid falls.
- ✓ **Civil Service Superannuation Board (CSSB):** MGEU-TP employees covered under CSSB are not eligible for Salary Continuation based on the language in the MGEU TP Collective Agreement:

#### **26:05 Payment of Pre-Retirement Leave**

- a. Payment shall, at the option of the employee, be made in a lump sum or as a continuation of salary until the scheduled retirement date is reached. Former Civil Service employees are entitled to the lump sum payment only and not the continuation of salary provision. However, in the event of a change in legislation governing the Civil Service Superannuation Plan which would provide for the continuation of salary provisions, the former Civil Service employees shall be entitled to same.

## **5.5 Combination of Salary Continuation and Cash Payout**

Combination of Salary Continuation and Cash Payout option, where an employee requests a portion of their PRL Benefit to be paid on a bi-weekly basis and the other portion of PRL Benefits will be deposited as a lump sum into the employee's bank account. The applicable income tax will be applied on a lump-sum payment.

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#### **Note:**

1. The employee must indicate the date he/she wants to end their Salary Continuation.
  2. MGEU TP and MGEU FS/CS employees cannot choose the combination of Salary Continuation and Cash Payout and can only choose Salary Continuation **or** Cash Payout.
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## **5.6 Combination of Salary Continuation and RRSP Contribution**

This option where an employee requests a portion of their PRL Benefit to be paid on a bi-weekly basis and the other portion of PRL Benefits will be contributed to the employee's personal RRSP

and the cheque will be mailed directly to the financial institution where the employee maintains their RRSP account at the end of the Salary Continuation.

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#### **Note:**

1. The employee must indicate the date he/she wants to end their Salary Continuation.
  2. MGEU TP and MGEU FS/CS employees cannot choose the combination of Salary Continuation and RRSP Contribution.
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## Part 6: Re-Employment

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Any return to work in a temporary or full-time or part-time capacity within 8 weeks is not considered retirement under CRA rules.

- If the retired employee returns to a full-time or part-time permanent position at the same or another facility, and the employee is returning less than 8 weeks from their retirement date, the employee will only be able to put their PRL Benefit into a RRSP provided they have contribution room.
- As per Canada Revenue Agency rules, an employee who is rehired in less than 8 weeks from exiting employment and is taking PRL Benefit payment as Cash Payout, the benefit will be paid to the employee as a “Cash Bonus” not a “Retirement Bonus” payout.
- If an employee returns to work on a casual employment, they will be considered a new employee.
- An employee who was rehired and has started collecting pensions must sign the “Waiver of Participation in the Pension Plan form from their pension provider, as they cannot receive their pension and contribute to the same pension plan.

## **Part 7: Pre-Retirement Leave (PRL) Benefit Estimate Process**

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### **7.1 Pre-Retirement Leave (PRL) Benefit Estimate Calculation and PRL Benefit Package**

- Provincial Pre-Retirement Leave Benefit – Information and Estimate
- Provincial Pre-Retirement Leave Benefit Package
- Provincial Pre-Retirement Leave Benefit Calculation

#### **7.1.1 Send PRL Benefit Estimate Calculation to the Employee**

1. Once the PRL Benefit estimate calculation is completed, send the package to the employee.
2. Email a PDF version of the calculation document to the employee's email address.
3. If the employee requests for printed copies, mail the PRL Benefit estimate and package to the employee's home address and save a PDF copy of the estimate to the Employee's Record in payroll system.
4. Resolve the request.

## Part 8: Pre-Retirement Leave Benefit Payment Process

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1. Employee sends back the completed PRL Benefit forms and supporting documents to the Payroll department.
2. Payroll department reviews the PRL Benefit package and payment requests to ensure all required documents were submitted.  
**Note:** Advise the employee (by email or phone) to send missing document, if any.
3. Check if employee's termination has been completed.
  - a. If not, advise manager to submit the Retirement request to the payroll department.
  - b. If yes, go to step 4.
4. Check if the employee has any overpayment.
  - a. If not, go to step 5.
  - b. If yes, advise payroll for recovery of an overpayment and go to step 5.
5. Prepare employee's final PRL Benefit calculation.
6. Prepare PRL Benefit Payout Form and/or Cheque Request Form, whichever is applicable.
7. Save copies of required forms in PDF into employee's file.
8. Process the PRL Benefit payment request into the payroll system, as per the internal processing guidelines.