

# PHASED-IN RETIREMENT PROGRAM

Shared Risk Plan for  
Certain Bargaining Employees of  
New Brunswick Hospitals

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New Brunswick Hospitals

**Disclaimer Clause:** This booklet is for information purposes only. No rights are conferred by this booklet. For authoritative wording regarding this program, please refer to the Plan Text for the Shared Risk Plan for Certain Bargaining Employees of New Brunswick Hospitals.

Prepared by:  
Vestcor

P. O. Box 6000  
Fredericton, N. B.  
E3B 5H1  
Canada

[www.vestcor.org](http://www.vestcor.org)

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# Introduction

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The Phased-In Retirement Program allows employees who have reached retirement age the opportunity to reduce their work schedule prior to retirement. Under this program, employees reduce their work schedule from full-time to part-time and receive supplemental income in the form of a monthly pension pre-payment funded from their future pension benefits.

This booklet provides information regarding:

- who is eligible to participate in the Phased-In Retirement Program;
- how the Phased-In Retirement Program works;
- how other employee benefits are affected by participation in the Phased-In Retirement Program;
- how to obtain a Phased-In Retirement estimate calculation; and
- how to enroll in the Phased-In Retirement Program.

**It is important that employees understand all implications of participating in the Phased-In Retirement Program prior to entry as participation will have a direct impact on their future pension benefits. Careful consideration should be given to future financial implications prior to making the decision to participate.**

## Benefits of the Phased-In Retirement Program

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Benefits of the Phased-In Retirement Program:

- a reduced work schedule while receiving a **supplemental income** in the form of monthly pension pre-payments;
- pensionable service will be accrued on a full-time basis;
- **employee or employer pension contributions** are not required;
- the salary used to calculate the pension benefits at the date of retirement will be the same as if the employee had worked full-time; and
- gradual transition to full-time retirement.

## Eligibility

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The option to participate in the Phased-In Retirement Program is available to full-time employees who:

- participate in the Shared Risk Plan for Certain Bargaining Employees of New Brunswick Hospitals; and
- have a minimum of 5 years pensionable service in this plan, and
- are covered by one of the following collective agreements:
  - Nurses, Part 3,
  - Nurse Managers and Nurse Supervisors,
  - Medical Science Professionals
  - Specialized Health Care Professionals, and
- have attained the age of 55 prior to entry in the phased-in period, and
- have provided the required written notice to their employer, and
- meet the eligibility criteria for purchase of pensionable service under the federal *Income Tax Act (ITA)*.

**Note:** The end date of the phased-in period must be on or before the first of the month coincident with or next following the date of attaining the age of 65.

## Notice

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Eligible employees must provide their employer with written notice of their intent to participate in the Phased-In Retirement Program at least six (6) months prior to the reduction in work schedule.

Eligible employees who are considering participation in the Phased-In Retirement Program must complete the Phased-In Retirement application form (checking the “Request for Estimate” box on the form) to obtain a formal estimate of the impact the phased-in arrangement will have on their future pension benefits.

Eligible employees who decide to participate in the Phased-In Retirement Program will be required to meet with their employer and complete the Phased-In Retirement application form (checking the “Formal Notice of Entry” box on the form). **This notice constitutes a formal contract.**

## Program Details

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### Entry Periods:

The designated periods when employees are permitted to begin participation in the Phased-In Retirement Program (commence a reduced work schedule) are:

**March 1<sup>st</sup>, April 1<sup>st</sup>, May 1<sup>st</sup>, September 1<sup>st</sup>, October 1<sup>st</sup> or November 1<sup>st</sup> of any calendar year.**

Participation in the Phased-In Retirement Program cannot begin during any other months, nor is entry permitted partway through a month.

### Work Reduction:

There are two options with respect to work reduction. Employees may choose to work either 50% or 60% of their regular full-time work schedule (100%). The work schedule must continue on a regular basis - i.e., working 6 months then not working 6 months is not permitted.

### Phased-In Period Duration:

The duration of an employee's participation in the Phased-In Retirement Program (otherwise known as the **phased-in period**) may be for:

**1 full year, 2 full years, 3 full years, 4 full years or 5 full years.**

Part-year work reduction periods are not permitted - i.e., work reduction of 3.5 years is not permitted.

**Note:** The length of the phased-in period for an employee may be limited due to the purchase of pensionable service restrictions of the *ITA*. Vestcor will notify the employee if any restrictions apply once the submitted Phased-In Retirement application form is processed.

## Program Details (cont'd)

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### Example:

Age 57 in August 2017

Proposed retirement date of September 1, 2020 (Age 60)

Notice given in March 2017

Entry to phased-in retirement: September 1, 2017

Phased-in period of 3 years: Reduced work schedule (50% or 60%) from September 1, 2017 to August 31, 2020

Retirement date: September 1, 2020

## Phased-In Retirement Income

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The employee will receive either 50% or 60% of their full-time salary as a result of the percentage of time worked, plus a **monthly pension pre-payment amount** of either 35% or 25% to provide a total income during the phased-in period of 85% of pre-phase gross monthly salary\*.

### Example:

Salary on entry to phased-in period:  $\$60,000 / \text{year} = \$5,000 / \text{month}$   
 $\quad \quad \quad \times \quad \quad 85\% = \quad \quad \quad \$4,250 / \text{month}$

Work schedule:	<u>50%</u>	<b>OR</b>	<u>60%</u>
Employment income:	\$2,500		\$3,000
Monthly pension pre-payment:	<u>\$1,750*</u>		<u>\$1,250*</u>
Total Income:	\$4,250		\$4,250

\*The amount of the monthly pension pre-payment will not increase for the duration of the phased-in period. This may result in total income becoming slightly lower than 85% over a period of time due to future salary increases.

## Phased-In Retirement Income (cont'd)

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**Pension pre-payment cheques are issued to program participants on the first of each month or the last banking day prior to the first of the month if it falls on a weekend or holiday.**

**Note:** During the phased-in retirement period, the monthly pension pre-payment amounts will be subject to income tax being withheld based on the annual lump-sum payment as follows:

<b>Up to \$4,999.99</b>	<b>10%</b>
<b>\$5,000 to \$14,999.99</b>	<b>20%</b>
<b>\$15,000 or greater</b>	<b>30%</b>

The percentage of income tax withheld will be determined according to the total amount of monthly pension pre-payments received during the calendar year.

### **Example:**

<b>Date of entry of phased-in period:</b>	October 1 <sup>st</sup>
<b>Phased-in period:</b>	2 years
<b>Monthly pension pre-payment:</b>	\$1,750

Total pension pre-payments during first year (October to December)  
**(\$1,750 X 3 months) = \$5,250 therefore 20% Income Tax withheld**

Total pension pre-payments during second year (January to December)  
**(\$1,750 X 12 months) = \$21,000 therefore 30% Income Tax withheld**

Total pension pre-payment during third year (January to September)  
**(\$1,750 X 9 months) = \$15,750 therefore 30% Income Tax withheld**

Income tax deductions taken from each source (salary and pension pre-payments) may not be sufficient to satisfy the “combined” income tax requirements. It is recommended that phased-in retirement participants consider the total income tax payable and request that a supplementary amount be deducted from their salary or their pension pre-payments, if so required. If the additional tax deduction is to come from the pension pre-payments, please indicate the amount to be deducted on the space provided on the Phased-In Retirement application form.

# Employee Benefits

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## Employment Issues:

Outlined in this section is a general summary of the impact on various employee benefits when participating in the Phased-In Retirement Program:

Benefit	Impact
Pensionable Service	Pensionable service will continue to accrue as though the employee continued working full-time, without the required employee or employer pension contributions. In addition, the salary used to calculate the pension at date of retirement will be as though the employee had worked full-time.
Long Term Disability (LTD) Insurance	LTD coverage and contributions will be based <b>only</b> on work-related income (gross salary earned excluding the monthly pension pre-payment). The monthly pension pre-payment amount would continue to be paid while an employee is in receipt of LTD benefits. At the end of the phased-in period, any LTD service accrual would end and the monthly pension benefit would offset any LTD benefit received going-forward.
Health and/or Dental Plans	Participation and employer cost-sharing would remain the same as if the employee was working full-time.
Group Life Insurance	Basic and Supplementary coverage will be based on the full-time annual salary for the position.
Accidental Death & Dismemberment Insurance	Basic and Supplementary coverage will be based on the full-time annual salary for the position. Coverage under the Voluntary Plan will remain the same.
Retirement Allowance	Service for retirement allowance calculation will be based on full-time service during the phased-in retirement period, subject to a maximum of 25 years.

## Employee Benefits (cont'd)

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Benefit	Impact
Sick Leave	The phased-in retirement participant will be considered as <b>part-time</b> and will accrue and use sick leave on a pro-rated basis.
Vacation	The phased-in retirement participant will be considered as <b>part-time</b> and will accrue and use vacation leave on a pro-rated basis.
Statutory Holidays	Future statutory holidays will be prorated.
Other Paid Leave	Other paid leaves (such as emergency, bereavement) will be available as if the employee was working full-time.
Seniority	Future seniority will be pro-rated to reflect hours worked.
Casual hours	Employees participating in the Phased-In Retirement Program will be eligible to work casual hours, if requested by the employee.
Layoff / job guarantee	The regular provisions of the collective agreement will apply.

**Note:** The various impacts listed above are subject to the provisions of the employee's collective agreement.

## Retirement and Pension Offset

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The retirement date for employees who participate in the Phased-In Retirement Program will be the first of the month following the end of the phased-in period. The salary used for pension calculation purposes will assume the employee had worked full-time during the phased-in period and earned the full-time annual salary for the position.

## Retirement and Pension Offset (cont'd)

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The monthly pension benefit payable on retirement will be reduced by an actuarial adjustment (otherwise known as a **pension offset**) to reflect the total pension pre-payments received during the phased-in period.

The amount of the pension offset is directly linked to the duration of the phased-in period and the percentage of time worked. For example, the shorter the phased-in period and the higher the percentage of time worked, the lower the pension offset. Conversely, the longer the phased-in period and the lower the percentage of time worked, the higher the pension offset. The pension offset estimates are provided within the Phased-In Retirement estimates.

## Conclusion

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The decision to participate in the Phased-In Retirement Program is primarily dependent on your personal financial circumstances, along with your total number of years of pensionable service accumulated.

In order to determine the impact that participation in the Phased-In Retirement Program would have on your future retirement benefit, you must submit a request in order to obtain a Phased-In Retirement estimate and make an informed decision.

In order to obtain a Phased-In Retirement estimate, please complete a Phased-In Retirement application form (checking the “Request for Estimate” box on the form) and forward it to Vestcor.

Once you have received a Phased-In Retirement estimate and have determined that you would like to participate in the Phased-In Retirement Program, please meet with your employer to complete a Phased-In Retirement application form (checking the “Formal Notice of Entry” box on the form), and forward it to Vestcor well in advance of your Phased-In Retirement commencement date.

**Please ensure that written notice is provided to your employer at least six months prior to your date of entry to the Phased-In Retirement Program.**

This booklet and the Phased-In Retirement application form are available on the Vestcor website at [Vestcor.org](https://www.vestcor.org).