



## Phased Retirement Policy

Issue Date: September, 2012

### Authority

*The Crown Corporations Act, 1993*

Crown Investments Corporation (CIC) Board Minute Number 149/2012

### Applicability

This policy is applicable to CIC and its subsidiary Crown corporations

### Purpose

This policy facilitates the Crown sector's ability to manage the transfer of knowledge of employees nearing retirement and provide an opportunity for employees to transition to retirement.

### Definitions

Phased retirement is the opportunity for:

- Current employees to transition into full-time retirement by reducing work hours (within their current, different but related or modified role).
- Former employees (i.e. limited to current employees who resign specifically to participate in this program, to facilitate their ability to draw from their retirement savings to offset reduced employment earnings) to return to the workplace in a less than full-time capacity.

For the purpose of this policy, Government of Saskatchewan has the same meaning as "Crown Employer" in *The Crown Employment Contracts Act* and includes:

- Executive Government
- Treasury Board Crown corporations
- CIC subsidiary Crown corporations
- Boards
- Agencies
- Commissions

### Policy Principles

The Crown Sector Phased Retirement Policy is the purview of the CIC Board.

### General

- It is essential that phased retirement be linked to the employer's human resource and talent management strategy. It is a tool to be used strategically by Crown corporations to support their human resource and talent management goals.



- Phased retirement plans are employer driven and employee participation (voluntary) requires employer approval.
- Implementation of a phased retirement plan may create pressure on Full Time Equivalent (FTE) counts. Annually as part of strategic planning/budget processes, Crown corporations need to consider estimated phased retirement participation and set FTE targets accordingly, while being sensitive to the Crown corporation's overall footprint.

### Eligibility

Current Employees:

Open to permanent full-time employees who:

- Are active members of the employer's defined contribution pension plan; and
- Must meet the eligibility requirements for retirement, as defined by the pension plan of which they are an active, contributing member.

Retirees:

Open to retirees (i.e. only current employees who are defined contribution plan members) from permanent full-time positions that retire for the purpose of participating in a phased retirement arrangement.

Plan provisions must comply with the CIC "Re-employment of Government Employees in Receipt of Severance/Enhanced Benefits" policy.

### Application & Approval

In order to participate in the plan a formal application process is required. Crown corporation employers must set up approval mechanisms to ensure alignment with corporate human resource and talent management strategies.

Approvals must be finalized via a formal agreement signed by both parties, and the participating employee must agree to retire at the conclusion of the phase period. The agreement must clearly lay out the expectations of both the employee and the employer during the phase period.

On an exceptional basis (e.g. major life events, such as the death of a spouse/partner), the agreement may be cancelled, if mutually agreed to by both parties.

When an employee retires to participate in phased retirement, notification that an agreement has been reached and the employee is retiring for the purpose of participating in a phased retirement plan is to be forwarded to the Public Employees Benefits Agency pension plan administrator. This will expedite the process.

Crown corporations may choose to accept and consider applications throughout the year, or set single or multiple "windows" in which applications will be considered. With either approach, Crown corporations may set a maximum for the number of applications that will be approved.

### Time Frame and Hours of Work

Phased retirement periods can vary, but are not to exceed two years. Extensions may be considered, however the expectation is that two years is a reasonable maximum duration, and in almost all situations should be sufficient to facilitate the required knowledge transfer. If an extension is necessary, it shall not exceed one year, for a maximum of three years.

The percentage of full time hours worked can be no more than 80% and no less than 40%. Within this range, it is between the Crown corporation and the employee as to what degree hours of work are reduced. When agreed to by the parties, the percentage of full-time hours worked can change during the term of the agreement; however as the program is a transition to retirement, the percentage of full-time hours should only be reduced not increased as the phase period progresses.

The percentage of full time hours worked will typically be on a short cycle. Longer cycles (e.g. repeating periods of two months on followed by two months off) , which may be useful in succession planning efforts to bring along one or more internal candidates, may be considered.

**Note:** An employee may fully retire prior to the end of the agreed-to arrangement, with required notice.

#### Pension Considerations

The plan text of *The Public Employees' Pension Plan Act* does not currently provide the ability for employees to draw from pension savings without resigning. However, drawing from pension savings and earning an employment income can be facilitated as follows:

- For normal terminations, employees must serve a break in service (i.e. resign) of at least 15 work days prior to returning to the employ of the previous employer or another participating plan employer. If PEBA is made aware that the purpose of the termination is to facilitate a phased retirement arrangement, this timeline may be reduced. The former employees can then draw on their retirement savings and earn income from their subsequent employment.
- With continuing employment, employer and employee contributions to the pension plan are required, based on established contribution rates and the new less-than-full-time salary earned by the employee.

On a pre-retirement basis, PEBA does not provide employees with the opportunity to take lump sum withdrawals of voluntary contributions which they have made to PEPP. Any access to PEPP pension funds must be preceded by resignation.

Crown corporation employers may consider topping up the employer portion of pension contributions to equate to the same dollar amount as made by the employer when the employee was earning a full-time wage. Crown corporations choosing to implement a top-up are required to apply the top-up to all phased retirement participants (i.e. not on an individual by individual basis).

#### Benefit Considerations

Crown corporation employers must ensure that employees applying for and receiving approval to participate in a phased retirement plan are aware of all benefit-related implications. For example, a reduction in work from full-time hours may impact eligibility for a benefit.

Crown corporation employers may consider including provisions that would provide participating employees with unreduced benefits (e.g. dental and extended health care) during the transition to retirement period. As with pension, this practice would need to apply to all phased retirement participants.

Accurate communication of all implications will mitigate the risk to the employer of potential claims of loss from employees participating in a phased retirement arrangement. This includes information on legislated benefits such as the Canada Pension Plan (CPP), as phased retirement could impact CPP contributions and subsequent benefits.

Finally, the employer needs to be aware that phased retirement may trigger a requirement to make payments such as retiring allowances.



### Approval Process

1. The Crown corporation works with CIC to develop their plan, in advance of submission to their Board.
2. Prior to submission to the Crown Board, CIC performs an assessment of the plan to ensure alignment with the CIC policy.
3. The Crown corporation submits the decision item to their Board of Directors.
4. Upon Crown Board approval the Crown corporation proceeds with implementation. CIC submits an information item to the CIC Board.
5. Any proposed revisions to the plan in the future require submission to and discussion with CIC prior to implementation, to ensure continued alignment with the CIC policy.

### Reporting

Crown corporations are required to provide a summary to CIC of plan participation on an annual basis as at March 31<sup>st</sup>, no later than April 30<sup>th</sup> of the following year.

### **Administrative Information**

Contact: Exec. Dir., Crown Sector & CIC Human Resources, Human Resource Policy, Governance & Legal, 787-1257

Reviewed: October 31, 2016