

Bargaining *INFO*



Public Service Alliance of Canada

PSAC Reaches Tentative Agreement for EB

October 4, 2010

The Public Service Alliance of Canada reached a tentative deal today for a new collective agreement for the EB bargaining unit with Treasury Board. The agreement will go into force only if it is ratified by our members in votes over the coming weeks.

Treasury Board approached PSAC last month to engage in early exploratory talks on contracts that expire in 2011. PSAC agreed to enter into negotiations with a view to providing economic security to our members at a time of economic uncertainty.

“We have had a challenging few weeks at the bargaining table but we achieved fair agreements for our members,” said John Gordon, National President of PSAC. “We negotiated wage increases for PA, SV and EB members over the next three years and we were able to solve long-standing problems that will improve day-to-day working conditions.”

In addition to wage increases, the tentative agreements include important changes to severance pay. The accumulation of severance pay on retirement and resignation will come to an end. All indeterminate employees will have the right to cash-out the equivalent of one week of pay for each year of service, up to a maximum of 30 years of service, with the cash out for partial years of service prorated. Term employees with at least one year of employment will have the right to a cash-out equivalent to one week for each completed year of service. Severance pay on layoff will be enhanced for longer service workers, and severance for other involuntary departures will continue to accumulate for all employees.

“We have had a challenging few weeks at the bargaining table but we achieved fair agreements for our members.”

John Gordon
National President of PSAC

PSAC secured commitment from the employer to create 12 more indeterminate teacher positions at Asticou Centre in addition to a pay study for 12-month teachers.

“On balance, the tentative agreements provide a benefit to our members and are being recommended by our negotiating teams,” said Gordon.

Details of the agreements are provided in the attached information sheets and will be communicated to PSAC members across the country during the upcoming ratification meetings and votes. Please watch for notices of the schedule of meetings.

Highlights of the Tentative Agreements

PSAC has reached tentative agreements for the PA, SV, and EB groups with the Treasury Board Secretariat. The following are some of the highlights:

Wage Increases for All

- PSAC has achieved the following salary increases for the PA, SV, and EB Treasury Board units:
 1. 1.75% in 2011
 2. 1.5% in 2012
 3. 2.0% in 2013

Changes to Severance on Retirement and Resignation

- Severance entitlements for retirement and resignation will cease to accumulate starting on the second day of the contract.
- PA, SV and EB indeterminate employees with at least one year of continuous service will have three options to cash-out of accumulated voluntary severance calculated at the rate of one week of pay for each year of service up to a maximum of 30 years of service with the cash out for partial years of service prorated.
- This voluntary severance cash-out extends to term employees who would not normally receive severance at the end of their terms. Under this agreement, term employees with at least one year of employment will receive a one-time cash out equivalent for each completed year of service.
- Currently, there is no voluntary severance for employees who resign before 10 years of service, and only ½ week pay for each year of service for those who have more than 10 years of service. Under this agreement, the voluntary severance cash-out is at one week of pay per year of service for all employees in the PA, SV and EB bargaining units.
- Members have three options to cash out:
 1. Immediately cash out their severance at their current rate of pay.
 2. Retain the accumulated weeks of severance with a payout on termination or retirement at their exit rate of pay.
 3. Cash out some of their severance (a “round” number of weeks) at their current rate of pay, with the remainder to be paid upon termination or retirement at their exit rate of pay.

Protection of Severance for Involuntary Departure

- The accumulation of severance entitlements will continue for cases of lay-off, death, termination on probation, and termination for reasons of incapacity or incompetence.

Enhanced Severance Pay in Situations of Lay Off

- PSAC has achieved an amendment to the collective agreements that enhances the severance pay entitlement in situations of lay-off that improves with seniority.
- Employees with less than 10 years of service will still get 2 weeks of severance pay for the first year of service plus one week for each year of service thereafter.

- Employees with more than 10 years of service will get 3 weeks of severance pay for the first year of service instead of the current 2 weeks plus one week for each year of service thereafter.
- Employees with more than 20 years of service will get 4 weeks of severance pay for the first year of service instead of the current 2 weeks plus one week for each year of service thereafter.

Better Protections for Term Employees

- PSAC has achieved increments based on cumulative service for term employees
- Term employees will now have their unused sick leave credits reinstated if they are rehired within one year of a specified year of employment.
- Term employees with at least one year of service will also benefit from the severance payout described above.

Joint Learning Program Renewed

- The new agreements renew the Joint Learning Program between PSAC and Treasury Board.

Bereavement leave

- Bereavement leave entitlement improved to period of 7 consecutive calendar days instead of 5 calendar days.

Family related responsibilities

- More flexibility for leave with pay for family related responsibilities to allow 7.5 hours for situations such as attending school functions and appointments with financial or legal representatives.

Other Improvements

- ED LATS: PSAC secured a commitment from the employer to create 12 more indeterminate language teacher positions at Asticou Center along with an annual review to determine whether additional indeterminate staff may be needed.
- New language on the definition of preparation time has been achieved for 10-month teachers who work at Indian and Northern Affairs Canada. There will also be increases in the amount for preparation time in 2011 and 2012.
- New language on supervisory time has been added to the collective agreement.
- A pay study for 12-month teachers was negotiated to be completed by June 30, 2011. An interim transitional market adjustment allowance based on an annual rate of \$2,400 will come into effect July 1, 2011.

Details on all the specific achievements for each bargaining table will be provided in the forthcoming ratification kits.

Severance Cash-Out Explained

The new provisions of the tentative agreements related to severance for retirement or resignation will require all PA, SV and EB members to make an important decision in the coming year. Cashing out your severance pay now or later will have important saving and tax implications. The following questions and answers will help you understand this change and guide you in making the right decision on cashing out your severance.

Q. Why did the PSAC agree to give up severance for retirement and resignation?

A. It was clear to bargaining teams that the employer wanted to save money by ending the accumulation of severance for retirement or resignation. In this context, we worked hard to ensure that the employer agreed to some of our longstanding demands and to fair wage increases for employees.

Q. What did we get in exchange for severance?

A. The bargaining teams fought hard to ensure that the trade-off for severance was fair. The increased wages in the first and third year of the agreements will accumulate as pensionable earnings and employees will enjoy the benefits of that when they retire.

These wage increases benefit everyone equally and because salaries are compounded over time, the increase in wages will have an upward effect on pensions and overtime. The union also achieved some concrete victories on longstanding demands including better protections for term employees and seniority priority for vacation.

Q. What are my options for the severance cash-out?

A. Every employee with at least one year of continuous service will have three options for the cash-out of accumulated voluntary severance calculated at the rate of one week of pay for each year of service:

1. Immediately cash out their severance at their current rate of pay.
2. Retain the accumulated weeks of severance with a payout on termination or retirement at their exit rate of pay.
3. Cash out some of their severance (a "round" number of weeks) at their current rate of pay, with the remainder to be paid upon termination or retirement at their exit rate of pay.

Q. How long do I have to make my choice?

A. Employees will have 6 months from the date of signing of the collective agreement to make their choice for the cash-out.

Q. Do I still get severance if I am laid off?

A. Yes. Severance for involuntary departure, including lay-off, continues to accumulate under the new agreements. In addition, members with over 10 years of employment will get an additional week's pay of severance in the event of lay-off, and members with over 20 years of employment will get two additional week's pay of severance on lay-off.

Q. I am a term employee. Do I benefit from the cash-out?

A. Yes. Under the current collective agreements, most term employees would not have been eligible to receive severance pay when their terms came to an end. Given that many term employees do eventually move onto indeterminate status, the PSAC was able to negotiate that term employees also get the cash-out. However, the cash-out will only apply to those employees who have completed one full year of service as of the second day of each contract.

Q. What does this mean for employees who were thinking of retiring?

A: Under the current contract, employees who resign before reaching 10 years of service are not entitled to a severance payout. Those with between 10 and 26 years of service are entitled to only a ½ week of pay for each year of service. We negotiated that all employees with at least one year of service would receive a cash-out of one week of pay for each year of service. For employees with 10 years or more who would have resigned before retirement, this represents a doubling of their accumulated entitlement.

Q. What is the value of the cash out for me?

A. The monetary value of the severance cash-out varies considerably from person to person, depending on their years of service, their career plan, and the option they choose for their cash out. Under what PSAC has negotiated, all employees (including term employees with at least one year of continuous service) will have a calculation made of total years of continuous service as of the second day of each new contract. The following chart shows the before tax value of the cash out by years of continuous employment and annual salary.

Years of Continuous Employment	Annual Salary												
	30,000	35,000	40,000	45,000	50,000	55,000	60,000	65,000	70,000	75,000	80,000	85,000	
1	575	671	767	862	958	1,054	1,150	1,246	1,342	1,437	1,533	1,629	
2	1,150	1,342	1,533	1,725	1,917	2,108	2,300	2,492	2,683	2,875	3,067	3,258	
3	1,725	2,012	2,300	2,587	2,875	3,162	3,450	3,737	4,025	4,312	4,600	4,887	
4	2,300	2,683	3,067	3,450	3,833	4,216	4,600	4,983	5,366	5,750	6,133	6,516	
5	2,875	3,354	3,833	4,312	4,791	5,271	5,750	6,229	6,708	7,187	7,666	8,146	
6	3,450	4,025	4,600	5,175	5,750	6,325	6,900	7,475	8,050	8,625	9,200	9,775	
7	4,025	4,696	5,366	6,037	6,708	7,379	8,050	8,720	9,391	10,062	10,733	11,404	
8	4,600	5,366	6,133	6,900	7,666	8,433	9,200	9,966	10,733	11,500	12,266	13,033	
9	5,175	6,037	6,900	7,762	8,625	9,487	10,350	11,212	12,075	12,937	13,799	14,662	
10	5,750	6,708	7,666	8,625	9,583	10,541	11,500	12,458	13,416	14,374	15,333	16,291	
11	6,325	7,379	8,433	9,487	10,541	11,595	12,649	13,704	14,758	15,812	16,866	17,920	
12	6,900	8,050	9,200	10,350	11,500	12,649	13,799	14,949	16,099	17,249	18,399	19,549	
13	7,475	8,720	9,966	11,212	12,458	13,704	14,949	16,195	17,441	18,687	19,933	21,178	
14	8,050	9,391	10,733	12,075	13,416	14,758	16,099	17,441	18,783	20,124	21,466	22,807	
15	8,625	10,062	11,500	12,937	14,374	15,812	17,249	18,687	20,124	21,562	22,999	24,437	
16	9,200	10,733	12,266	13,799	15,333	16,866	18,399	19,933	21,466	22,999	24,532	26,066	
17	9,775	11,404	13,033	14,662	16,291	17,920	19,549	21,178	22,807	24,437	26,066	27,695	
18	10,350	12,075	13,799	15,524	17,249	18,974	20,699	22,424	24,149	25,874	27,599	29,324	
19	10,925	12,745	14,566	16,387	18,208	20,028	21,849	23,670	25,491	27,311	29,132	30,953	
20	11,500	13,416	15,333	17,249	19,166	21,082	22,999	24,916	26,832	28,749	30,665	32,582	
21	12,075	14,087	16,099	18,112	20,124	22,137	24,149	26,161	28,174	30,186	32,199	34,211	
22	12,649	14,758	16,866	18,974	21,082	23,191	25,299	27,407	29,515	31,624	33,732	35,840	
23	13,224	15,429	17,633	19,837	22,041	24,245	26,449	28,653	30,857	33,061	35,265	37,469	
24	13,799	16,099	18,399	20,699	22,999	25,299	27,599	29,899	32,199	34,499	36,799	39,098	
25	14,374	16,770	19,166	21,562	23,957	26,353	28,749	31,145	33,540	35,936	38,332	40,728	
26	14,949	17,441	19,933	22,424	24,916	27,407	29,899	32,390	34,882	37,374	39,865	42,357	
27	15,524	18,112	20,699	23,287	25,874	28,461	31,049	33,636	36,224	38,811	41,398	43,986	
28	16,099	18,783	21,466	24,149	26,832	29,515	32,199	34,882	37,565	40,248	42,932	45,615	
29	16,674	19,453	22,232	25,011	27,791	30,570	33,349	36,128	38,907	41,686	44,465	47,244	
30	17,249	20,124	22,999	25,874	28,749	31,624	34,499	37,374	40,248	43,123	45,998	48,873	

Here are some examples:

- A term employee who has built up 4 years of continuous employment who is currently making \$45,000 per year would be entitled to receive a cash payout of \$3,450 before tax.
- An employee that would have resigned after 9 years would have received zero severance pay. Under these payout provisions, if that employee is making \$50,000 per year, he or she would be entitled to an immediate cash pay out of \$8,625 before tax.
- An employee with 20 years of service making \$55,000 per year who resigns would have previously been entitled to 10 weeks severance (\$10,540). Thanks to our negotiating teams, this employee now is entitled to double the payout to a full 20 weeks, or \$21,080 before tax.

Note that the payouts will actually be calculated at the rate of pay in effect on the SECOND day of each contract, after the 2011 increase of 1.75% takes effect.

Q. What are the tax implications of the cash out?

A. There are three ways of reducing tax deductions on the payments.

For the immediate cash pay-out, the only option for reducing tax at source is for individual employees to use personal unused RRSP room. For example, if an individual has \$20,000 of unused RRSP room, and they receive a cash payment of \$20,000, then the employer will not withhold income tax on the \$20,000.

For the deferred pay-out at retirement, members can benefit from a special RRSP contribution on retiring allowances of \$2000 for each year of service up to and including the year 1995. For example, if someone started work in 1981, and had a total of 15 years of service between 1981 and 1995, then they have an additional \$30,000 of RRSP contributions that can be made. This can only be used upon termination and cannot be used for the immediate cash pay-out. Note that this additional RRSP room was ended beginning with the 1996 tax year.

The third way of reducing the tax payable on the deferred option is to retire/resign early in a taxation year when you expect the rest of your income to go down.

Q. What are the advantages of waiting to cash-out until I resign or retire?

A. If you take the voluntary severance cash-out in 2011, each week of severance pay will be calculated on the rate of pay in effect on the second day of the contract, after the new wage increase takes place. If you cash it out when you resign or retire, it will be paid at your exit rate of pay. For employees who expect to be promoted throughout their career, their exit rate of pay could be considerably higher than their current rate of pay.

Q. Why does the severance pay-out take effect the second day of the contract?

A: By taking place on the second day of the contract, it means that the severance payouts will be based on the rates of pay in effect after the 2011 increase of 1.75%.