

## **VOLUNTARY EARLY RETIREMENT INCENTIVE PROGRAM REPRESENTED EMPLOYEE- April 29<sup>th</sup>, 2020**

---

The COVID-19 pandemic is having a significant financial impact on the whole aviation industry. The Voluntary Early Retirement Incentive Program (ERI) has been designed to provide employees with an incentive in exchange for a commitment to retire earlier than they otherwise may have.

### **What is the Voluntary Early Retirement Incentive Program?**

The Voluntary Early Retirement Incentive Program offers incentives to eligible employees who may wish to retire earlier than they had otherwise planned. The program creates opportunities for both cost savings and to reconsider department needs.

The program provides for those eligible:

- a lump sum retirement incentive of six months of base salary for those with more than 35 years of pensionable service or more; or
- six months of base salary continuance for those between 25 and 35 years of pensionable service.

The program is **entirely voluntary**, and it is an employee's choice whether to apply for participation. Agreement to offer this incentive has been sought and received from the bargaining units.

### **Who is eligible to participate?**

The program is available to employees who meet **all of the following criteria** as of April 15<sup>th</sup>, 2020:

- You are a full-time employee and are eligible for an unreduced pension; and
- You have a minimum number of years of pensionable service with the NAV CANADA Pension Plan (NCP) as per the table below.

The incentive will be offered in three phases. Take up rates will be reviewed after each phase to determine if the next is necessary. In other words, if after Phase 1, all eligible accept the incentive, a decision will have to be taken on whether it is operationally feasible to move to the next Phase.

The Phases would be:

Eligibility Phases	
Phase	Years Pensionable Service
Phase 1	35 & up: unreduced pension
Phase 2	30 – 34: unreduced pension
Phase 3	25 - 29: unreduced pension

\*Age and years of pensionable service are calculated as of April 15, 2020

Within each Phase, NAV CANADA reserves the right to offer the ERI in order based on pensionable service as of April 15, 2020.

End of Career TOIL banks and End of Career Sick Leave banks would be drawn down before the period of salary continuance commences. The sum of the salary continuance made up from EOC Toil and EOC sick leave banks may not exceed six months. The balance will be paid out in cash at a mutually agreeable time. All unused annual leave would be paid out in cash. The six months of salary continuance will begin the day after the leaves have been drawn down, as outlined above. Any/all severance owing will be paid at the end of the salary continuance period and at the next available pay following the retirement date.

Additionally, to be eligible, employees need to be actively at work or on approved leave of absence.

Employees who have already provided formal notice of their resignation or retirement **prior to March 11, 2020** are not eligible for this program.

Employees who are currently in receipt of a NAV CANADA pension are not eligible for this program.

#### **What does the Incentive Program include?**

If you wish to retire early and you are eligible, you will be entitled to the following:

##### **For those with 35+ years of pensionable service:**

- A lump sum amount equivalent to six months base salary will be paid on next available pay following the retirement date.

##### **For those between 25 and 35 years of pensionable service:**

- Base salary will continue to be paid as salary continuance for a period of six months;
- Pension, Health, Dental and Life benefits will continue during this period. There will be no sick days and vacation accrual during this period and no short or long-term-disability coverage.

## **Draft material to be included in the communication with employees**

We know that the decision to retire is very personal and so we encourage eligible employees to review the program materials closely. A very short decision-making window would be permitted. For instance:

- In Phase 1- employees with 35 years or more of pensionable service will be offered the ERI. Employees in this group will have 10 business days to decide to accept the ERI or not. If they take the ERI, they will be required to retire immediately. The lump sum payment will be initiated on the next available pay following the retirement date. Employees who chose not to accept the ERI will not be approached a second time.
- In Phase 2- the process noted above will repeat for the next eligible category with the exception being that the ERI is a six-month period of salary continuance and not a lump sum payment.
- In Phase 3- the process noted in Phase 2 above will repeat for the next eligible category.
- Within each Phase, NAV CANADA reserves the right to offer the ERI in order based on pensionable service as of April 15, 2020.

## **Paying tax on your buyout offer**

The lumpsum amount is considered a retirement allowance. The amount can be transferred to a RRSP provided the employee has sufficient RRSP contribution room or if taken in cash, will be subject to statutory deductions at 30% in all provinces except 35% in Quebec. However, the lumpsum amount taken in cash will be taxed as regular income when filing income tax report. Employees with service prior to 1996 may be entitled to additional RRSP contribution room.

## **I've already submitted my intent to retire, am I still eligible?**

Employees who have already provided formal notice of their resignation or retirement as of March 11<sup>th</sup>, 2020 are not eligible for this program.

## **Will this program be available on an on-going basis?**

No. This program will only be offered in the respective phases. The last phase, including the deadline to accept, would take place before June 30, 2020.

## **Are all employees offered the same package?**

Employees with more than 35 years of service would receive a lump sum payment equivalent to six months of base pay. All other employees will be offered six months of salary continuance.

**What if I indicate interest but then change my mind?**

Once you have completed the Voluntary Early Retirement Incentive Program Form, your decision is irrevocable. However, if a change in circumstances results in the calculation of the benefit changing, you will be provided with 10 business days to reconsider your decision.

**Where can I obtain advice?**

You are encouraged to contact your own personal financial planner, accountant, lawyer or other professional for their advice and assistance on managing your personal finances and decisions in light of retirement.

**Will NAV CANADA pay for independent advice?**

No, it will come as a cost to the individual participant.