



January 28 2010

Brothers and Sisters:

Over the past few days, you have learned new information regarding the payout of termination pay that was negotiated by your bargaining team with the employer. It was originally understood that the entire amount could be sheltered in an RRSP in a one-time deposit, whether you had room in your RRSP or not. Financial Services has since found out from Canada Revenue Agency that no matter what you call this payment, the only time you can deposit the entire amount into an RRSP with no penalty is if you receive it on retirement or if you lose your employment.

When we divested, many members were upset because we did not receive termination pay as did the other psychiatric hospitals who went before us. The reason for that was because we had successor rights, which allowed us to transfer directly to the new employer. An opportunity arose during bargaining to have this money paid out to us now rather than wait for retirement, which is what most members wanted.

The union did not change the rules of the game, nor did the employer. Canada Revenue Agency changed the rules in 2006, before our divestment and after all the other psych hospitals. As Ms Peter has stated in her most recent information email, it doesn't matter what this payment is called – termination pay, severance, bonus, etc – you are not allowed to put the entire amount in your RRSP unless you have room for it.

There have been many emails over the last few days to the union that this is not what we negotiated nor is it what they voted on. We negotiated payout of termination pay and you voted for payout of termination pay. At all information sessions, members were told by our staff rep that MHCP was looking into whether it could be transferred as a one-time overpayment to an RRSP but all members were cautioned to consult their financial planner/bank if they did not have room to defer all their termination pay this year.

We have received legal advice that there is nothing we can do about this issue. The Income Tax Act is what it is. I know the employer has requested of Canada Revenue that this ruling be reversed for this occasion but they have refused.

However, the union did approach the employer with a compromise – those who wish to take the payout now be allowed to do so; those who wish to wait to defer it until they retire, be allowed to do that. The CEO has refused this proposal.

Martha McDonald
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