

Prince Edward Island Teachers' Federation
October 2023

Service Gratuity at Retirement



What is Service Gratuity at Retirement?

Service Gratuity is a negotiated item in our Memorandum of Agreement where a payment is made by The Employer to an employee at retirement. This payment is in recognition of long service and is above and beyond an employee's usual wages or salary.

Eligibility for Payout

The Employer shall pay a teacher a service gratuity based on the following eligibility requirements:

- (a) The teacher has 10 or more years of continuous service immediately prior to retiring, or has 20 or more years of total service; and, meet **one** of the following criteria:
 1. The teacher retires from their permanent contract at age 55 or more.
 2. The teacher retires from their permanent contract having 30 or more years of service.
 3. The teacher's employment terminates because of disability, or death.

For the purposes of service gratuity, service includes service with the Public Schools Branch, La Commission scolaire de langue française and, where appropriate, the Department responsible for education in PEI.

Calculating Service Gratuity Payment

1. A teacher receives four (4) days of service gratuity for each full-time pensionable year they work. Fractional years are calculated on a pro-rata basis.
2. The maximum number of service gratuity days a teacher can earn is 100 days.
3. Service Gratuity days are paid out based on the teacher’s salary plus any applicable allowances at time of retirement.
4. Leave of absence without pay is not used in the calculation of the service gratuity.
5. The service gratuity is calculated using the following formula:

<p><u>Number of days accumulated (max. 100 days)</u></p> <p>196</p>	X	<p>Salary grid figure plus any applicable administrative allowance in effect at date of retirement</p>
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Service Gratuity Calculation Example:

Calculating Service Gratuity:

Full Payout with No Leaves (December, 2023)

<p>30 years</p> <p>X 4 days per year</p> <p>120 days, but</p> <p>100 days (max)</p>	X	<p>Salary at retirement:</p> <p>\$99,229</p> <p>Daily rate:</p> <p>\$506.27</p>	=	<p>Total Service Gratuity:</p> <p>\$50,627</p>
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Daily rate is calculated by taking your salary grid figure (plus any applicable admin allowance in effect at date of termination) and dividing by 196

Payment Terms and Options

The service gratuity payment terms and options are as follows:

- 1) **Immediate Lump Sum Payment:** The service gratuity is payable, upon application, in a lump sum within 30 days of the date of retirement. Choosing this option could prove least financially beneficial from a taxation standpoint.
- 2) **Delayed Lump Sum Payment:** A teacher who is eligible to receive a service gratuity may elect not to receive the gratuity until January of the year following retirement. Choosing this option could prove more financially beneficial than Option 1 from a tax-savings standpoint if a teacher moves to a lower tax bracket upon retirement.
- 3) **Payment Deposited Directly into RRSP:** A teacher does have the option to directly deposit a service gratuity payment, or portion thereof, into their Registered Retirement Savings Plan (RRSP) granted there is contribution room available. When choosing this option, the teacher must request, complete, and submit a tax deduction waiver to the Employer. Selecting this option could prove most beneficial from a tax-savings standpoint depending on when a teacher chooses to withdraw money from their RRSP.

Option to Use Service Gratuity as Pre-Retirement Leave

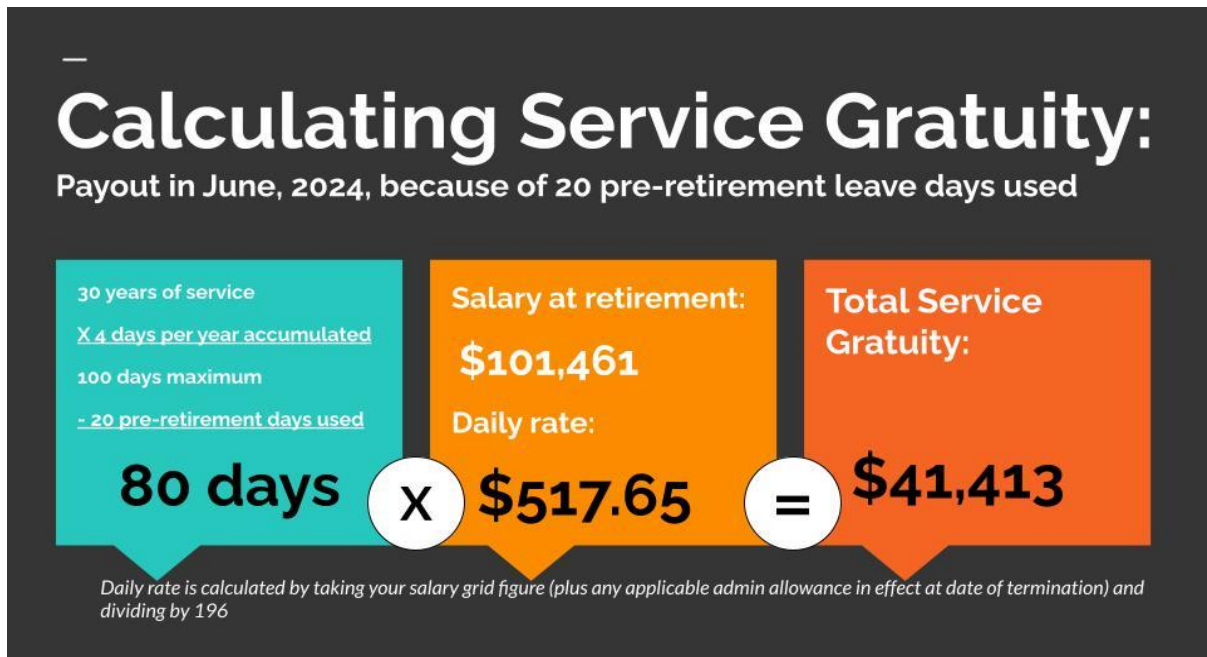
Subject to Employer approval, teachers who are age 50, and who would otherwise be eligible for service gratuity, may use their accrued service gratuity towards a maximum of five (5) paid pre-retirement leaves. Each leave shall be for a maximum of 20 school days.

Teachers must make advance applications for approval of pre-retirement leaves.

The granting of pre-retirement leaves are at the discretion of the Employer and shall be subject to the ability of the Employer to provide quality instruction in the absence of the teacher.

In the event a teacher fails to qualify for service gratuity upon termination of employment, any monies paid under this section shall be reimbursed to the Employer.

Any pre-retirement leave accessed will reduce the service gratuity ultimately paid to the Teacher on a day for day basis.

Service Gratuity Calculation Example (with pre-retirement leave deduction):**Additional Information**

For the purpose of service gratuity eligibility, leaves granted under the Memorandum of Agreement do not constitute a break in service.

This document provides only a general overview of the Service Gratuity in relation to retirement. Members should review Article 13 of the *Memorandum of Agreement* for more detail and for service gratuity information related to other forms of contract termination.

To discuss Service Gratuity in more detail, please contact Ryan Keliher at (902) 569-4157 or ryan.keliher@peitf.com.

In the event of any discrepancy, any applicable legislation or Memorandum of Agreement is the final authority.