MAUT - *APBM* Newsletter

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McGILL ASSOCIATION OF UNIVERSITY TEACHERS
ASSOCIATION DES PROFESSEUR(E)S ET BIBLIOTHECAIRES DE McGILL

Vol 26 No 4 March *mars* 2000

In This Issue

Editor's Remarks

As you can see, this issue of the newsletter retains the format with which we experimented in our last issue, a format designed and implemented by Marilyn Fransiszyn of McLennan-Redpath Library. Since your Editor had nothing whatsoever to do with this design, I am able to report in all modesty that reaction to the new format has been uniformly positive. I plan to continue to use this format for the time being. Many thanks to Marilyn, who has also kindly agreed to continue to produce the formatted version until we are able to do so in the MAUT office.

Some of you will be aware that FQPPU, the Fédération québécoise des professeures et professeurs d'université, has produced a report on the benefits offered by pension plans at Quebec universities. Superficially, McGill's plan appears rather unattractive, which has caused some consternation within our ranks. Mary MacKinnon's comments below on the FQPPU report, and more generally on our plan, should help to clarify the relative merits of the McGill pension plan.

Professor MacKinnon is of course one of our academic staff representatives to the Pension Administration Committee.

The proposed Intellectual Property Policy continues to evolve; in the next item, Myron Frankman keeps us up to date with developments. As I have suggested before, you may well want to follow along.

Finally, our illustrious former (alas) Editor, Edith Zorychta, exhorts us to get in touch with the Prime Minister with our views on the report of the Expert Panel on the Commercialization of University Research.

— *John Galbraith* ■

Pension Plan Information

Academics at most Quebec universities are covered by defined benefit (DB) pension plans. When members of a DB plan retire, their pension is a percentage of the salary they earned near the end of their career, with the percentage depending on the total number of years employed. The McGill pension plan has a minimum guarantee based on a formula of this type. The McGill minimum guarantee formula is less generous than the provisions of most DB university pension plans. For at least the last decade, however, it has been very rare for members of the McGill academic staff to retire on the minimum guarantee.

■

Spring General Meeting

Tuesday, 11 April
11:45am
Leacock 232

■

The McGill pension plan was set up (in 1972) to be mainly a defined contribution (DC) plan, in which contribution rates are set, but the eventual value of members' pensions depends on investment performance. Several larger Canadian universities, including UBC, UWO, and Queen's, have DC, or hybrid, plans. (In a hybrid plan, a minimum guarantee is set by a DB formula, but the plan provides DC pensions so long as investment returns are fairly good).

All McGill pension plan members should have recently received a statement entitled "Projection of normal retirement benefits as at December 31, 1999". Near the bottom of the page, there is a box with two numbers in it. The first is your projected "Basic Pension", and the second is your projected "Minimum Pension". The extent to which your projected Basic Pension exceeds your projected Minimum Pension will depend on your years of service at McGill, your earnings profile to date, and the investment choices you have made (such as whether you have kept all your money in the balanced pool, or shifted money into the equity pool). For most people, the projected Basic Pension is at least 20% higher than the projected Minimum Pension; for people close to retirement, the ratio is typically a good deal higher.

FQPPU recently released a report comparing pension levels at Quebec universities.[1] The report suggests that McGill pensions are lower than the pensions paid by other Quebec universities. For reasons that I do not understand, the authors of this report ignored data they were given by the Department of Pension Management showing the annuities that could have been purchased by a professor retiring from McGill in the late summer of 1998 after working for a specified number of years with a plausible lifetime earnings profile. Instead, the FQPPU study has used the minimum McGill pension rates and compared them to the benefit rates currently used to determine annuity levels at other Quebec universities (pp. 104-110)..

Given the stock market boom of the last several years, there is no doubt that most McGill professors who retired in this period were able to purchase annuities that paid them a much higher fraction of their final salary than the fraction established by the minimum guarantee, and generally a higher fraction than set by the DB plans of other Quebec universities.[2] Note that if you joined the pension plan in June, 1972, the first $1 you invested in the balanced pool was worth about $17 as of February, 2000. Average prices have risen about 4 - 4.5 fold over the same period.[3]

In 1998, the university commissioned a report on total compensation. An important aspect of total compensation is, of course, the pension plan. Seven other large Canadian universities were used as the comparison group. This study suggests that McGill University contributes a smaller fraction of salaries towards pensions than do most other universities. This appears to be a carefully executed study, and I have no reason to doubt the accuracy of its findings.

The Pension Administration Committee has asked the Plan Actuary —David Brown of Eckler Partners Ltd.— to prepare a report comparing pension levels at McGill with those at the other Group of Ten universities. If our investment returns have been higher over a longer period than investment returns at most other universities, then even with lower university contribution rates, McGill faculty members could still be ending up with better pensions. Mr. Brown's report will be completed in the next few months. At that time, we will have a much clearer picture of how our plan has performed relative to a set of DB, DC, and hybrid plans.

While the projected Basic Pension of virtually all plan members is currently well above the Minimum Guarantee level, we cannot be sure that this will continue in the future, especially many years down the road. If stock and bond markets do poorly over the next several years, even if McGill's investment managers do a good job of investing in the best performing asset classes, there could be a sequence of negative returns. Those of us who are a long way from retirement should probably do nothing but hang onto our hats and try not to worry too much about the ride. Unless the evidence of the last two hundred years has suddenly become irrelevant, over the longer term stock and bond markets are likely to yield substantial positive returns. If, however, you are within a few years of your planned date of retirement, you may wish to change your investment options within the pension plan. By moving some of your holdings into the Money Market Pool, you would reduce your exposure to the effects of a sharp and prolonged downturn in stock markets. Such a shift, however, would reduce your earnings should stock markets continue to rise. You need to think about which outcome would upset you more, discuss your total asset holdings (both inside and outside the McGill pension plan) with a financial adviser or two, and decide whether you want to shift some part of your pension plan holdings into the Money Market Pool.

Finally, you may have wondered why your projected Minimum Pension rose this year, while your projected Basic Pension dropped.

If you compared your Projection of Normal Retirement Benefits statements for 1999 and 1998, you probably got a shock. Your 1999 Basic Pension projection will be lower than the 1998 number, and the Minimum Pension projection will be higher. Your Minimum Pension projection rose because virtually all members of the academic staff (finally) got some raises recently. The Minimum Pension projection is calculated assuming that you will continue to earn whatever you earn now, and will work until you are 65.

The Basic Pension projection fell because of the change in the mortality assumptions that came into effect in January 2000. As McGill pensioners' life expectancies increase, a fixed total sum of money at retirement age has to be handed out in smaller annual payments as the annuity will likely be paid for a greater number of years. Over the last year all pension plan members have been sent several notices explaining the changes in the mortality assumptions. The new mortality assumptions will probably not need revision for quite a few years.

"Those of us who are a long way from retirement should problably do nothing but hang onto our hats and try not to worry too much about the ride"

— Mary MacKinnon,
Department of Economics ■

[1]"Étude comparative des régimes de retraite des professeures et professeurs d'universités québécoises" Raymond Saint-Arnaud and Georgette Béliveau, June, 1999

[2]The authors of the FQPPU report appear to confuse purchasing an annuity from the McGill pension plan with receiving a pension based on the Minimum Guarantee (p. 103).

[3] The balanced pool, in which most plan members have invested their contributions, purchases a wide variety of assets, mainly stocks and bonds. You can check the course of investment returns on the Department of Pension Management website **http://hercules.is.mcgill.ca/pensions/** . Information on price levels can be found in Cansim Matrix 9957.

Constitutional amendments

The Constitutional Review Committee (Patrick Glenn, Chris Manfredi, and your Editor) has completed its work. A document containing the proposed constitutional changes has been reviewed, modified and approved in modified form by the MAUT council. This document will be mailed to MAUT members shortly, in order to give time for review before the Annual General Meeting on 11 April; at that time, the amendments will be discussed and considered for approval. Please have a look at the document in advance.

— John Galbraith ■

Proposed IP Policy: Revisions in Progress

The recently formed Senate Ad hoc Committee to Revise the Draft Policy on Intellectual Property (IP) began its work on March 1, 2000. It met with Vice Principal Pierre Bélanger on March 13 and will be meeting with him again on March 21. The focus of discussion at our first meeting was a new revision which originated with Dr. Bélanger's office of the IP policy dated February 24, 2000. That document contained several important changes relative to the prior version (that of October 22, 1999): the current policy of joint ownership of inventions and software commercialized by McGill is to be maintained and a default setting had been introduced which exempts the work of students from the policy unless they either have collaborated with faculty or staff or wish to commercialize their invention through McGill.

As a consequence of the discussion at our first meeting with Dr. Bélanger a further revision of the IP policy has been issued by his office dated March 17, 2000. In this version, there is now an appeals procedure largely modeled on the procedure used by the Committee on Staff Grievances and Disciplinary Procedures, which Malcolm Baines and Ted Meighen had a major hand in shaping a couple years ago. There are still points which may be contentious, such as the current provision that the six person Intellectual Property Advisory Committee should necessarily include members involved in teaching or research in the fields of medicine, biotechnologies, engineering and information technologies.

Section 8 of the March 17 proposal spells out the four-way division of revenues from the University's proposed 50% share of the net revenue from commercialized Inventions and Software. For net revenues up to $1 million, the Lead Inventor's faculty would receive one-third. To illustrate fully the case for net revenue of $1 million, the Central Adminstration and the Faculty would each get one-third of the 50% share or $167,000; OTT would get 15% or 75,000 and 18-1/3% or $91,650 would go to "research and fellowships". For net revenues over $3 million, OTT's share falls to zero.

To follow developments as they occur, you are directed to the web page that I have created where one can consult relevant documents on IP policy: http://vm1.mcgill.ca/~inmf/http/software.html. Indeed, currently that is the only place where you can view the official draft policy. You will also find there a two-column comparison of the draft policy and proposed modifications for consideration. Information will be posted there as it becomes available.

Note that the final draft may well go to Senate Steering on April 12 and to Senate for its approval on April 19. Please send comments and suggestions as soon as possible by e-mail to me at inmf@musica.mcgill.ca.

— Myron J. Frankman,
President, MAUT ■

MAUT *APBM* Newsletter

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Editor .... John Galbraith (Economics)
Administrative Officer .... Catherine MacAulay
Secretary-Treasurer Cheryl McWatters (Management)

Postal Address:
McGill Association of University Teachers
3495 Peel Street, Room 202
McGill University
Montréal, Québec, Canada H3A 1W7
Tel (514) 398–3942
Fax (514) 398–6937

www.mcgill.ca/maut/

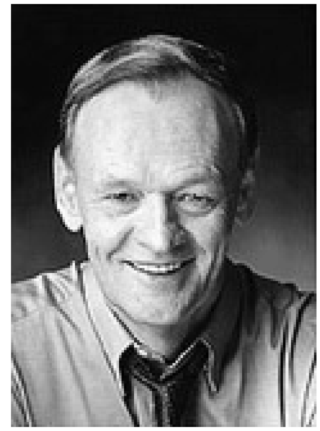
ADD YOUR NAME TO THE LETTER TO PRIME MINISTER CHRÉTIEN

Academics across Canada are expressing serious concerns about the content and recommendations contained in a report that is currently under consideration by the federal government - the Final Report of the Expert Panel on the Commercialization of University Research. This panel of nine individuals consisted of six senior corporate executives, two senior administrators from university commercialization offices, and one senior administrator from a federal granting council. They have made a series of recommendations with profound implications for the mission of Canadian universities, and go so far as to state that universities must identify “innovation”, defined specifically as **the process of bringing new goods and services to market**, as their fourth mission, in addition to teaching, research and community service. “Innovation” would also be added to the missions of the federal granting councils and be one of the criteria for awarding research grants.

Commercialization offices in all major universities (currently called a variety of names including Business Development, Industry Liaison and Technology Transfer), would have their influence greatly extended. They would receive designated funds in order to provide attractive salaries and incentive packages for a category of new employees who would manage intellectual property, channel sources of research funding, and identify research with commercialization value, particularly to small and medium-sized businesses. They would conduct market studies, develop business plans and prototypes, attract investment capital and form strategic alliances with the private sector. The success of a university commercialization office would be measured not by returns to the university, but by the value of the companies which license their innovations.

The report urges that all intellectual property resulting from federally funded research be assigned to the university for commercialization, and that universities recognize commercialization of research as a component in the tenure and promotion guidelines. It says: “The key to the proposed policy is that universities be held accountable for maximizing returns to Canada.” The report states quite clearly that commercializing research will add less than 1% to university budgets. The intended profits would be realized mainly by private industry, particularly firms involved in high-technology.

This report specifies in considerable detail how to produce a “shift in culture” and to “reform” Canadian universities. Essentially, you leave them no choice. It states: “The three federal Granting Councils, Industry Canada and the National Research Council should form a secretariat to facilitate implementation of the proposed reforms, and monitor developments to ensure full compliance by 2002.” Funding provided to individual researchers and commercialization funding to be added to current university budgets would be tied to compliance. Universities would have to submit annual reports on innovation performance and strategies. No one would be exempt. Using commercialization as a performance indicator, the report considers that certain fields, notably medical research, are currently performing better than others, but “innovation” should be emphasized in all areas. It states: “we believe that there are more innovation opportunities emanating from social science and humanities research than are known and acted upon. **The time has come to begin experimenting with models for identifying the element of social science that is capable of being commercialized, and mechanisms for achieving commercial outcomes.**” It also suggests that universities hire teaching replacements so that researchers awarded federal grants can concentrate on research for the duration of the grant.



"Universities would have to submit annual reports on innovation performance and strategies"

There are many implications in the pages of this report. It implies that teaching the next generation of Canadians is somehow not worthy of the "best and brightest" among our academics. It repeatedly implies that universities are not presently held accountable for their use of research funding, as if the rigorous system of peer review is somehow insignificant compared to quantification of commercial outcomes. Even the value of community service is referred to only in terms of industrial relevance. It implies that changes in the curriculum are needed to facilitate commercialization of research, and even recommends significant changes in the Canadian taxation system to favour high-income earners and business interests. The United States is to be used as a benchmark for our goals in Canada.

Commercialization of university research can be an important and meaningful contribution to society. It is the extent to which this report would force such activity upon Canadian universities that is so disturbing, particularly since the panel did not contain even a single member defined primarily as a university professor or academic librarian. CAUT has organized a letter to the Prime Minister objecting to this report, and urging the creation of a new and balanced committee to examine the crucial topic of university research and its relation to corporate priorities. A copy of the letter is included at the end of this article. You can read an excellent six-page commentary on the Expert Panel Report and on some of its shortcomings, at the CAUT website: www.caut.ca , under Public Policy and Issues. You can also read the entire 50-page report at http://acst-ccst.gc.ca .

"The panel did not contain even a single member defined primarily as a university professor or academic librarian"

Please take a few moments to look at the CAUT website, and to encourage colleagues in your department to do so as well. This report is but one component in the relentless efforts to increase the commercial influence in our universities, and university faculty are often so absorbed in carrying out their academic duties in this period of underfunding that there is little time left to stand back and reflect on what is happening to the university around them, or to other universities across the country.

When CAUT distributed this letter, over 1,400 Canadian faculty members signed it within two weeks, and it was officially presented to the Prime Minister on March 13. There was no widespread publicity campaign, the information was simply passed from one academic to the next via e-mail. Realizing that many faculty did not receive the information in time, CAUT will present the prime Minister with an additional list of signatures, and has extended the deadline to the end of March. To add your name to the letter, send a fax to CAUT at 613-820-7244, or an e-mail to:

pmletter@caut.ca

Indicate your desire to add your name, (as you would like it to appear), and provide your highest degree, your academic title, your department or faculty, McGill University.

We are at a crossroads with respect to the future of higher education in Canadian universities. Do we exist primarily to educate future generations to think, or to use knowledge as a tool to maximize corporate profit? Consider this quote from the Expert Panel Report: "Let us now be very clear in stating the main goal of the proposed actions. It is to increase wealth creation in Canada;" in comparison to the following: "The Mission of McGill University is the advancement of learning through teaching, scholarship and service to society by offering to outstanding undergraduate and graduate students the best education available, by carrying out scholarly activities judged to be excellent when measured against the highest international standards, and by providing service to society in those ways for which we are well suited by virtue of our academic strengths." Please sign the letter.

— *Edith Zorychta* ■

To add your name to the letter,
send a fax to CAUT at
613-820-7244
or
e-mail
pmletter@caut.ca

The Right Hon. Jean Chrétien
Prime Minister
Government of Canada
House of Commons
Ottawa ON K1A 0A6

Dear Prime Minister:

As researchers and scientists from across Canada, we are deeply concerned about the growing commercialization of university research.

There is overwhelming historical evidence that the best model of research is one guided by the vision of scientists and conducted with a level of public funding equal to the highest standards in the world. Such a model frees our researchers to be opportunistic, making discoveries where nature allows rather than where a business plan may dictate. Only this will assure Canada a place at the leading edge of discovery.

This model is under threat by the recommendations contained in the Report of the Expert Panel on the Commercialization of University Research. The report, now being considered by your government, recommends tying university research closer to immediate corporate priorities.

The Panel's recommendations would impede the development of genuinely new knowledge and products. The distinctive contributions of university research - with its breadth of knowledge, far time horizons and independent voice - would be at risk. Important research questions that lack the promise of short-term commercial profits would be marginalized. Scientists would be perceived as beholden to special interests.

The Expert Panel's report does not address the real problem. Science at Canadian universities is in crisis. Inadequate core funding has resulted in the decay of university infrastructure, the reduction of faculty numbers, diminished library resources and decreased technical support for research.

An examination of university science and its relation to commercialization is overdue. But this examination must include the participation of a diversity of university researchers, voices missing on the original panel. We urge the Federal Government to reject the Report of the Expert Panel and to set up a new and properly balanced investigation to consider these very important issues.

Yours truly,

MAUT Executive 1999/2000

	Phone	Fax
President		
Myron Frankman Economics		
inmf@musica.mcgill.ca	4829	4938
President-Elect		
Bruce Shore Educ & Couns.Psych		
shore@education.lan.mcgill.ca	4242	6968
Past President		
Barbara Hales Pharmacology		
bhales@pharma.mcgill.ca	3610	7120
V.P. Internal		
Johanne Herbert Library		
hebert@library.mcgill.ca	4782	5046
V.P. Communication		
John Galbraith Economics		
jwg@leacock.lan.mcgill.ca	8964	4938
V.P. External		
Daniel Guitton Neurology and Neurosurgery		
dguitt@mni.mcgill.ca	1954	7371
Secretary-Treasurer		
Cheryl McWatters Management		
mcwatter@management.mcgill.ca	5851	3876

MAUT *APBM* Newsletter
3495 Peel Street, Room 202
McGill University
Montréal, Québec, Canada H3A 1W7