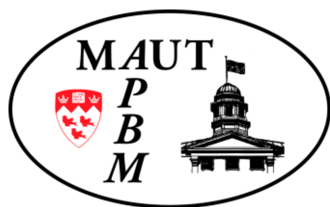

NEWSLETTER

McGill Association of University Teachers
Association des Professeur(e)s et Bibliothécaires de McGill

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VP Communications…

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It's been a busy summer and fall for us at MAUT. Of course, the strike as it goes longer and longer frays all of our nerves. Many of us think we should do everything we can to support our MUNACA colleagues. Many of us see our teaching and research suffer and things just become progressively more difficult the longer it lasts. We should not forget the people in the rank and file of MUNACA who are caught in the grinder as union leaders and the McGill Administration argue about when to meet. Winter is coming (we've been lucky so far, haven't we?) and the strikers' good spirits will disappear as they watch us enter warm buildings. Consider in your daily routines what it will be like for your striking colleagues; spare a few minutes each day to talk to them and maybe bring them something hot to drink. Although difficult, let's start to imagine the post-strike environment and how to re-integrate our colleagues into our departments and faculties.

How can we heal the damage caused by the strike? What has the strike revealed about McGill? I think it has shown the cracks in collegiality we all sense in broad relief — between academics and the administration, and more importantly between ourselves as we each respond differently to events connected with the strike. In my own role as the VP Communications, I see and hear a range of positions, which vary from total solidarity with MUNACA and frustration with the administration, to the other end of the spectrum as colleagues watch their research programs, built over many years, wither. It is a fact of our existence that the academic environment, given the need for and lack of government funding at every level for research and teaching, has become intensely competitive, and none of the events we are living through at present help McGill in that regard. The events of recent weeks with the student protests also tell us a lot about the two elephants in the room in all these events — the provinical and federal governments. Why are tuitions kept low when the cost of education has risen? Who should pay if the provincial government refuses? These questions should be discussed openly and not with the knee jerk responses we've become used to. The same argument can be made regarding federal research funding. Who should set research priorities? With the trend toward the instrumentalization of research, how can universities as we know them survive?

But these are questions for later, perhaps the next issue of the *Newsletter*. In the meantime, we focus on areas of common cause with MUNACA and the other employee groups at McGill, namely the proposed changes to the pension plan and the rather uncollegial way that these changes were imposed by the administration. The following articles describe the McGill University Pension Plan (MUPP) and the proposed changes that Amendment 24 would impose. They also show that the reasons given to do this do not hold up under scrutiny when compared with other Canadian universities.

On a cheerier and more collegial note, this *Newsletter* also includes a brief message from the President of the Faculty Club on the history of the Club and some reasons you should join.

The Pension Issue: introductory remarks.

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This issue of the *Newsletter* is dedicated to current debates over the recent amendment that affects several principles by which the McGill University Pension Plan is managed. The issue sets forth changes that MAUT has proposed and is currently negotiating with the administration, with the ultimate aim of strengthening the plan. The articles that follow include:

- an outline of how pension plans work in general and how the McGill University Pension Plan (MUPP) operates in particular
- what Amendment 24 proposes, and what it implies
- an overview of pension plans at other Canadian Universities
- MAUT's response to Amendment 24 — the substance and the process

Pension plans around the world are experiencing financial stress due to a variety of factors, including the global economic downturn that resulted in lower returns from pension plan investments, and (in some cases) actuarial issues in pension plan populations, i.e. where there are fewer active members to support those retiring. The global crisis in both public and private Pension Plans was discussed at length in a recent Special Report of *The Economist*, see
http://www.economist.com/node/18502013

McGill University is no exception to this trend: the growth of pension investments slowed dramatically after the 2001 and 2008–09 financial shocks, leaving MUPP with a shortfall of revenues with which to cover pension payments as its members retire and/or cash in their pension assets. Its difficulties partially stem from the 'Hybrid' nature of the plan,which guarantees members a 'defined minimum'; in the past, most pensions were settled above this defined minimum but recently, given the decrease in the value of direct contributions, more retiring pension plan members have received additional funding to bring their pensions up to this defined minimum. In anticipation of more pensions falling under the defined minimum, the University has had to inject additional monies into MUPP.

As stated, Amendment 24 is primarily intended to make MUPP more financially viable in the long term by shifting more of the financial burden to members, decreasing the funding now provided directly by the university.

- Amendment 24 will not take away anyone's Pension; the aim is to make MUPP more financially sound by increasing funding to it. However, if university contributions for members over 65 are halted, an individual's pension plan holdings will not grow, decreasing compensation by about 10% in each year from 65 to 69.
- Amendment 24 will not decrease anyone's minimum pension, which is calculated at age 65 on the basis of one's best 60 months of salary. The defined minimum would not be affected by Amendment 24.
- Amendment 24 is designed to reduce university contributions (for those over 65), increase member contributions, share the deficit equally between the university and members, and reduce the defined minimum for top-end earners (with stipends). There will be added costs to members but this will not decrease most pensions.

MAUT does not disagree, in principle, with the proposition that changes must be made to MUPP to make it viable over the long term. Indeed, we agree that member contribution rates should be increased, and that stipends should be removed from calculations of the 'defined minimum'. However, we have strong objections to the process by which Amendment 24 was formulated by the Pensions Administration Committee (PAC) and approved by the Board of Governors without consultation with any employee group. Further, we have **serious reservations about removing the equivalent of 10% of employee compensation by stopping university contributions at age 65,** and **assert strongly that the costs of sharing payments of the annual MUPP shortfall in equal proportions between the university and members should be formally assessed before any such change is implemented**.

These questions of process and substance represent the focus of MAUT's current discussions with the administration in the Committee on Academic Staff Compensation (CASC). MAUT has put forward and the administration is now considering a couple of options that would redress our concerns. Further, the administration has agreed that the consultative process was deeply flawed and will be modified accordingly. We will keep you posted on the outcome of these meetings.

Pension Plans, MUPP and What's Happening to It?

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Before we can answer this question we need to have a basic understanding of what pension plans are and how they are organized.

A **pension plan** is a fund into which a person pays with a view to saving money so that during retirement he or she has a fixed, regular income, or a pension. Typically, an employee and his or her employer put money into a fund; when the employee retires, he or she either receives either a pension or a lump sum payment from that fund. If the retiree receives a lump sum payment, he or she may use it to purchase a pension in the form of an annuity, or a life income fund (LIF), or some other form of regular income.

Any pension fund has both assets and liabilities. The assets include both stocks and bonds, among other things. The assets increase or decrease according to prices of the stocks owned: just as with one's own personal investments, if one buys low and sells high, one profits; if one buys high and is forced to sell low, one loses money. Assets also increase through the interest paid on bonds. When interest rates are low, the increase is lower than when they are high. The liabilities include the expenses involved in administering the plan, as well as various obligations the plan incurs depending on the type of pension plan.

Types of Pension Plan

Defined contribution plans have no other liabilities than the cost of administering the plan. Such plans, which are common in the private sector, are similar to RRSPs. There is no guaranteed benefit or payout. Rather, the plan member obtains whatever return on his or her assets is available in the market at the time of retirement. The advantages of such a regime are that they compel members to set aside money for retirement and that by pooling together the money of many people, plan members gain the advantages of economies of scale and the sharing of risk. Because of the former feature, defined contribution plans are sometimes characterized as forced savings.

Defined benefit pension plans, which are common in the public sector, are quite different. These plans guarantee a pension, or annual income, throughout retirement. The amount of the pension is defined according to each individual plan. It typically depends upon factors such as the total number of years of service and, usually, the individual's maximum salary or maximum salary averaged over their five best earning years. Therefore, in addition to administration costs, defined benefit pension plans have the obligation of paying out pensions to its retirees. Ensuring that the pension fund has enough assets to meet these obligations is the responsibility of the pension plan owner, usually the employer.

This means that, in establishing the pension plan, the owner must estimate the return on investments in the plan as well as the obligations accruing to the pensions it pays out to its retirees. The former means anticipating average rates of return on investments and interest rates; the latter means estimating what retirement pensions will be and how long recipients will live. Overestimating interest rates or rates of return on investments, or underestimating longevity means that plan owners must make up the difference through additional contributions to the pension fund.

Indeed, it is a matter of Québec law that pension plans with any defined benefit component must be evaluated every three years to assess their financial sustainability. These triennial valuations look at two things: whether or not the pension plan is solvent and whether or not it can meet its long term obligations. The former part of the evaluation considers whether or not assets and liabilities match, such that should the pension plan be terminated at some point in time, pension plan members and retirees would not be adversely affected. Since public institutions such as governments and universities do not generally go out of business, assets and liabilities are not required to balance, but they are required to be sustainable over the long term. Thus, if the assets cannot meet the overall anticipated liabilities, the pension owner is required to add money to the pension fund. Precisely how much to be added depends on how much liabilities exceed assets, which is determined by the valuation.

We now come to the third kind of pension plan, the so-called **hybrid plan.** Essentially, hybrid plans work as a defined contribution plan, so long as the returns on investment are at a level above an agreed upon minimum level. However, should retirement incomes, funded by

returns on investment, fall below the minimum level defined in the plan, the pension fund must make up the difference. To determine what the minimum lump sum payment is, the plan calculates a minimum pension in the same way as a defined benefit plan calculates a pension, and then, relying on transfer values established by the Canadian Institute of Actuaries, it calculates a lump sum payment.

Though there is, in fact, only one pension fund, for the convenience of accounting, hybrid pensions are considered to be made up of two parts, **an accumulation fund**, which corresponds to the defined contribution aspect of the plan, and **a supplementary fund**, which corresponds to the defined minimum benefit aspect of the plan.

Until recently, The McGill University Pension Plan (MUPP) was a hybrid plan that also offered an annuity. In other words, in addition to being a hybrid plan, as described above, MUPP also offered retirees the possibility of purchasing a pension upon retirement. Thus, the MUPP pension fund can be considered to have, in addition to an **accumulation fund** and a **supplementary fund,** a **pensioner's fund**, the part which corresponds to the **annuities** the MUPP has sold.

As a result of the 2008/2009 global financial crisis, stock markets plummeted and, thereafter, so did interest rates, with adverse effects on virtually all pension plans public and private. To get an idea of just how adverse these effects have been, one can compare the annualized gross rate of return of the Balanced Account of the MUPP for the ten year period of January 1, 1991 – December 31, 2000 (11.8%) with the ten year January 1, 2001 – December 31, 2010 (5.6%)
see Background Information, Amendment No. 24 to the McGill University Pension Plan, p.1
http://www.mcgill.ca/files/pensions/Background_Information_Amendment_24.pdf

The triennial valuation of the MUPP, conducted by Eckler Inc, showed that the MUPP fund had, as of December 31, 2009, a deficit of roughly **$63 million**. It determined that McGill University must contribute roughly $6.3 million per year, for the next 10 years, unless the next valuation for the plan, which will be made with respect to its state as of December 31, 2012, establishes that the situation has changed.

MUPP has been changed to address these problems. No employee joining the plan after December 31, 2008, may purchase, upon retirement, an internal annuity, nor are they eligible for the defined minimum benefit. In other words, MUPP became a defined contribution plan for all employees joining the plan after this date. While both of these steps preclude the plan from acquiring further obligations, they did not address the problem of the actual deficit in the plan currently.

Amendment 24

To this end, the Board of Governors approved a further amendment, **Amendment 24**, to the plan, which contained the following **four provisions**, the first three of which have been adopted and the last of which is expected to be proposed to the Board of Governors for approval soon.

1. **Commencing January 1, 2012**, University contributions to the MUPP will cease at the earlier of the member's Normal Retirement Date (month end coinciding with the member's 65th date of birth) or the date the member ceases to be an active member of the MUPP.
2. **Commencing January 1, 2013**, the required employee contributions, (for plan members above age 39), will increase by 1%–3%.
3. **Commencing January 1, 2014**, subsequent to the results of actuarial valuation of the MUPP, in situations where additional contributions are necessary to offset funding deficiencies, **Part A members** (those who joined or were eligible to join prior to January 1, 2009) will assume an equal share of the additional funding requirements.
4. **Commencing January 1, 2012**, for **Part A members only**, stipends will no longer be included in the calculation of the Highest Average Earnings and will not be recognized under the defined minimum provisions of the MUPP. Stipends will continue to be eligible for member and University contributions under the defined contribution component of the Pension Plan.

How do these provisions address the problems MUPP now faces? Let us reply to this question provision by provision.

Provision 1 does not directly affect sustainability of the pension plan. At the age of 65, the University tops up a member's account, if necessary, to fund the guaranteed minimum. After this, its obligation terminates. Cutting contributions after 65 affects the actual payout that members will receive, but not the sustainability of the plan, as the University's obligations have been discharged.

Instead, Provision 1 simply reduces the University's general expenses. The University argues that this affects pension sustainability indirectly, because the university is the plan sponsor and must remain financially viable. Be that as it may, this provision is different from the other three provisions in that it is aimed at the University's general budget, and arises post-settlement of minimum guarantee obligations.

Provision 2 does indeed address the pension plan's sustainability directly. As members contribute more, the accounts of members will contain more at age 65, reducing the number of accounts that will turn out to be below the value required to sustain the minimum guarantee. The extra amounts contributed are in accounts owned by individual members. *Given the necessity of changes to the plan, MAUT tends to favour changes of this type, whereby any necessary extra contributions by plan members are owned by the individuals contributing.*

To summarize: as individual accounts grow, the gap between the pension that has accrued through the direct contribution portion and that calculated by the guaranteed benefit minimum will decrease. This will reduce the amount that the university must pay to make up this gap and thus will help to make the plan more sustainable.

Provision 3 is, again, a cost-saving measure to the university. It does not directly affect sustainability of the plan, given that contributions must be made anyway, under current rules, to offset funding deficiencies. All that changes is who pays: previously the university paid, and now payments will be made partly by the university, partly by other plan members who have the minimum guarantee, that is, those hired before 2009. The obligation to provide the cost of benefits to other plan members is open ended and of uncertain cost. *One aspect of this that greatly concerns MAUT is that the defined minimum, presented originally as a benefit, becomes something for which individuals have to pay. The change represents a pure loss of benefits*.

Provision 4, like Provision 2, does directly address sustainability because those with stipends will, under this provision, have lower minimum guarantees than they otherwise would. The University's obligation to add funds to plans will therefore be reduced or eliminated in some future cases. The University will continue to pay normal contributions on stipends.

MAUT's Concerns

In addition to objections that the adoption of Amendment 24 failed to observe the practice of collegiality, a value accepted and cherished by all of us at McGill, MAUT has grave misgivings with regard to the substance of two of the provisions.

Let us begin with the **breach of collegial consultation**. Other Canadian universities with comparable pension plans, who face the same problems, proceeded differently. In particular, the administrations of the University of Victoria and of Queens University consulted widely with the different employee groups who are stakeholders in their pension plans before adopting measures agreed upon by all. At the University of Victoria, a newsletter outlining the problems facing its pension plan was sent to all members of the plan, as well as an explanation of the different options available to remedy them. Afterwards, information sessions were held, open to all plan members. Finally, a survey was sent out to determine preferences and the measures adopted were those preferred by plan members.

We believe that the kind of widespread consultation which took place at other universities such as the University of Victoria and at Queen's University should also have taken place at McGill University. Indeed, late in the fall of 2010, when the problems with the MUPP were first made known to MAUT through its participation in CASC, MAUT asked that the administration work with us to review the problems and the potential solutions. This, unfortunately, never took place.

Some have asserted that collegial consultation *did* take place, since the employees have representation on Pension Administrative Committee (PAC). This suggestion is wrong. The members of the PAC are trustees of the Pension Fund and have fiduciary responsibility for ensuring that investments are made on a prudent basis and in accordance with the demographic profile of its members and their financial needs. This committee also has the responsibility for all administrative matters pertaining to the provision of benefits as set forth in the Plan Document and acts within the framework of legislation and regulations issued under the Supplemental Pension Plans Act of the Province of Quebec and the Income Tax Act of Canada. (*http://www.mcgill.ca/pensions/committee/*)

It should be emphasized that, while some of the members of the PAC are chosen from among the employees, their function is not one of representation, but of trusteeship. Indeed, members of the PAC have

observed that their recommendations represented one way of addressing the sustainability of the plan, but that their recommendations should then have been discussed with employee groups, unions and associations who bear the responsibility of representing their members' interests.

Let us now turn to **questions of substance**. It has been asserted that policies similar to Provision 1 have become a trend across Canadian universities. This is simply not true. Among the group of universities which MAUT has reviewed (see the data provided in the next article by Joseph Varga), there is no trend to eliminate contributions for those working between the ages of 65–69. It is important to note that Sherbrooke, UQAM and Laval do have limits on contributions for the age 65–69 group, but they are the exceptions, and their policies have been in place for a long time.

Furthermore, MAUT has serious concerns regarding the fairness of this cut. This clause of the amendment imposes a cut in compensation based on considerations of age alone, which could be construed as discrimination. In addition, even if this selective cut in compensation can be justified, it seems that such a measure should be phased in and those affected given the opportunity to find ways to mitigate its adverse impact.

As stated earlier, Provision 3 amounts to a shift from a benefit, for which the employee has paid, to a cost. Let us explain how an employee pays for this benefit. A Canadian taxpayer who *does not have a pension plan* through his or her employment is permitted by law to deduct each year from his or her taxable income (that is, not to pay tax on) a percentage of his or her income, provided that percentage is put into an RRSP. The amount of money a taxpayer may contribute to an RRSP each year is called his or her "**RRSP room**". Thus, for example, if a person has $10,000 of RRSP room, (i.e.is permitted by law to put $10,000 into an RRSP that year), and does indeed put $10,000 into an RRSP, then this person does not have to pay taxes that year on that $10,000.

The same principle also applies to an employee with a *defined contribution* pension plan, except that the amount of money which the employee is permitted by law to put into his or her RRSP (that is, his or her RRSP room) is reduced by the total amount of money the employee and his or her employer contribute to the employee's pension fund. So, if an employee has a defined contribution plan, and the employee and his/her employer each contribute $3,000 to the employee's pension fund, then the employee's RRSP room for that year is reduced by this $6,000. If the employee's total "RRSP room" was $10,000 that year, he or she would only be able to put $4,000 into an RRSP and avoid paying taxes on it.

The calculation of an employee's RRSP room is different, however, if the employee has a *hybrid plan*. If an employee has a hybrid plan, the amount of money he or she may put into an RRSP is reduced not only by the total the employee or employer contributes to the employee's pension fund, but also by an additional amount, known as a pension adjustment (calculated by the government based upon a certain formula). So, taking the same example of RRSP room of $10,000, if the employee has a hybrid plan into which the employee and his/her employer each put $3,000, the employee is not permitted to contribute the full remaining $4,000 to an RRSP, but rather $4,000 less the pension adjustment.

Thus, this shift is an open-ended and uncertain obligation, and invokes serious questions about the tax implications of the measure proposed in Provision 3. These and other such questions must be addressed before this provision goes into effect.

MUPP MEMBERS PRIOR TO JANUARY 1, 2009: HYBRID PENSION PLAN (HPP)

The McGill University Pension Plan (MUPP) is a Hybrid Pension Plan (HPP) for those who joined before January 1, 2009. Thus, the University and the Member make contributions to the Defined Contribution component of the plan. The University is liable to ensure (secure) the minimum pension guarantee i.e. the Defined Benefit (DB) component of the plan for this shrinking group of employees.

MUPP MEMBERS ON OR AFTER JANUARY 1, 2009: DEFINED CONTRIBUTION PLAN (DCP)

The McGill University Pension Plan (MUPP) is a straight Defined Contribution Plan (DCP) for those hired on or after January 1, 2009. The University and the Member make contributions to the plan. The University has no liability to ensure the minimum pension guarantee for this ever growing group of employees. The elimination of the minimum pension guarantee for this group represents significant potential savings to the university over time.

ALL MUPP MEMBERS

The amount that each Member contributes to the MUPP is 5% of salary (less the 1.8% paid into the Quebec Pension Plan). Unlike the fixed amount of 5% contributed by employee members, McGill University's contribution is on a sliding scale determined by the age of the staff member. For example -

Earnings above the Yearly Maximum Pension Earnings: Up to 40 years old, the amount contributed by McGill University is matched. But from age 40–60 years, the amount contributed by the University increases to 7 ½% of salary, and from age 50 onwards, the amount contributed by the University is 10% of salary. Thus, the older one is, and by implication the further along one is in their career progression, the higher one's salary, the greater the university's contribution to the MUPP.

Survey of Other Canadian Universities' Pension Plans

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Introduction

MAUT undertook a review of the pension plan designs of McGill University's key competitor institutions from across the country. It also compiled a webography of the relevant pension plan-related documents in regard to these universities. The webography will be posted on the MAUT web site, http://www.mcgill.ca/maut

The institutions that were part of our review included 26 Canadian universities (U26): Alberta, British Columbia, Brock, Calgary, Carleton, Concordia, Dalhousie, Laurentian, Laval, Manitoba, McGill, McMaster, Montreal, Ottawa, Quebec, Queen's, Saskatchewan, Sherbrooke, Simon Fraser, Toronto, Victoria, Waterloo, Western, Wilfrid Laurier, Windsor and York. These include the members of the G15, which is the group that McGill most often compares itself to and is recognized as the group of the fifteen leading research-intensive universities in Canada.

Key Findings

- The two most popular types of pension plans among the G15 universities are Defined Benefit Plans and Hybrid Plans. It is important to note that McGill University, unlike the vast majority of the G15, recently moved away from a Hybrid Pension Plan to a Defined Contribution Plan for all new hires since January 1, 2009. McGill employees hired prior to January 1, 2009 retain the Hybrid Pension Plan.
- Defined Benefit Pension Plans: Alberta, Calgary, Concordia, Dalhousie, Laval, McMaster, Montreal, Ottawa, Quebec, Saskatchewan, Toronto, and Waterloo. (Table 1)
- Hybrid Pension Plans: Brock, Carleton, Laurentian, Manitoba, McGill (hires prior to January 1, 2009), Queen's, Sherbrooke, Victoria, Wilfrid Laurier, Windsor, and York. (Table 1)
- Defined Contribution Plans: McGill (hires from January 1, 2009), UBC and Western. (Table 1)
- Among the 26 universities surveyed there is no trend in moving towards purely Defined Contribution Plans. There are only two Universities (in the group of 26) with pure Defined Contribution Plans, the remainder are Hybrids or Defined Benefit Plans.
- Among the group of universities reviewed, there is no trend to eliminate contributions for those working between ages 65–69. (Sherbrooke, UQAM and Laval have limits on contributions for the age 65–69 group, but they are the exceptions and this is not a new development).
- There is no trend among the Universities with Hybrid Pension Plans to eliminate the Guaranteed Minimum. One could in fact say the opposite: for example, Queen's recently chose NOT to eliminate the Guaranteed Minimum but rather agreed to adjustments to the contribution rates.
- Across the U26, contribution rates are a mix of matched and unmatched contributions between the employer and employee. Among the G15, the vast majority of employer pension plan contributions at least match the employee's contributions. (Table 2)
- There is a mix of Defined Benefit Formulas across the universities reviewed. (Table 3)
- A good number of employee associations have direct input in regard to pension plan amendments. Approximately 50% of the universities surveyed require faculty association approval for amendments to their respective pension plans. Of the others, approximately 20% require some form of consultation in relation to proposal to amend their pension plans. A minority allow for unilateral Board-approved changes to their pension plans.
- Approximately 80% of the faculty associations have extensive agreements with their respective institutions concerning access to information, especially useful when negotiating compensation issues, including pensions. McGill is not one of them.

Pension Plan Comparisons – Tables

(see abbreviations and definitions following Table 3)

TABLE 1: TYPES OF PENSION PLANS								
Comparators					Pension Plan Type			Pension Plan Sponsor
MAUT's 26U List	Admin's 20U List	Group of 15	Group of 13	Group of 10	Hybrid	Defined Benefit	Defined Contribution	
Alberta	X	X	X	X		X		Joint (Boards + Assoc.)
Brock					X			Board
Calgary	X	X	X			X		Joint (Boards + Assoc.)
Carleton					X			Board
Concordia	X					X		Board
Dalhousie	X	X	X			X		Board
Laurentian					X			Board
Laval	X	X	X	X		X		Board
Manitoba	X	X			X			Board
McGill	X	X	X	X	X[1]		X[2]	Board
McMaster	X	X	X	X		X		Board
Montreal	X	X	X	X		X		Board
Ottawa	X	X	X			X		Board
Quebec	X					X		Board
Queen's	X	X	X	X	X			Board
Saskatchewan	X	X			X[3]	X[4]		Board
Sherbrooke	X				X			Board
Simon Fraser	X					X[5]	X[6]	
Toronto		X	X	X		X		Board
UBC	X	X	X	X			X	Board
Victoria	X					X		Board
Waterloo	X	X	X	X		X		Board
Western	X	X	X	X			X	Board
York	X				X			Board
Wilfrid Laurier					X			Board
Windsor					X			Board

1. For eligible employees hired before January 1, 2009 – Part A
2. For eligible employees hired on or after January 1, 2009 – Part B
3. For eligible employees hired before July 1, 2000. Effective September 1, 2010, the defined contribution component has ceased. Defined contribution account balances remain in individual members' accounts until the member terminates or retires from the plan.
4. For eligible employees hired on or after July 1, 2000.
5. For those hired before March 20, 1973.
6. Non-contribution Defined Contribution Plan for those hired after March 20, 1973.

TABLE 2. CONTRIBUTION RATES AND RATIOS				
	Employee Contributions		Employer Contributions	
	up to YMPE (Maximum Pensionable Earnings)	YMPE and above	up to YMPE	YMPE and above
Alberta	10.55%	13.54%	Matched	Matched
Brock	4.4%	6%	7.4% *+DB*	9% *+DB*
Calgary	10.55%	13.54%	Matched	Matched
Carleton	4.37% + 1.7%	6% + 2.4% (capped at 2% of pensionable earnings.)	Matched *+DB*	Matched *+DB*
Concordia	Contributory Member: 4.5%	Contributory Member: 6%	9.66%	
Dalhousie	4.65% (first $5,000 of Salary) + 6.15% (Salary in excess of $5,000)		Contribute the balance needed to guarantee the benefits provided (as recommended by the Actuary)	
Laurentian	5% up to CPP basic exemption (first $3,500 of annual earnings) + 3.2% x earnings between basic exemption and YMPE.	5%	7% up to basic exemption + 5.2% between basic exemption and YMPE *+DB*	7% (Plus the balance needed to secure the guaranteed pension.) *+DB*
Laval[7]	9%		9% (cover deficits+)	
Manitoba[8]	7.5% to YBE 5.7% between YBE and YMPE (2011)	7.5%	Matched *+ DB*	Matched *+DB*
McGill	5%	5%	3.2% (up to age 39) 5.7% (ages 40-49) 8.2% (ages 50-69) *+ DB for those hired before January 1st 2009.*	5.0% (up to age 39) 7.5% (ages 40-49) 10.0% (ages 50-69) *+ DB for those hired before January 1st 2009.*
McMaster	5%	6.5%	Contribution = service costs, minus member contributions, plus any deficit or solvency payments that are required.	
Montreal	8.40%	10.90%	11.90% +	
Ottawa	4.25%	6.55%	12.19% (as determined by recent actuarial evaluation.)	12.19% (as determined by recent actuarial evaluation.)
Quebec[9]	10.8%		Depends on actuarial evaluation. At least matched.	
Queen's	7%	9%	6% *+ DB*	7.5% *+ DB*

7. Contributions continue up to age 67 for those hired prior to 1990. Contributions cease at 65 for those hired in 1990 or later. At 35 years of service, contributions apply to increases in salary received thereafter and not to the entire salary.
8. For 2012: 8% up to YBE; 6.2% between YBE and YMPE; and 8% above YMPE. For 2013: 9% up to YBE; 7.2% between YBE and YMPE; and 9% above YMPE.
9. "A 65 ans, vous cesserez de verser des cotisations au régime et d'accumuler des années de participation, et la rente de base calculée selon la formule «la rente normale» sera revalorisée. Ce montant sera augmenté par équivalence actuarielle. La revalorisation a pour but de refléter le fait que la rente n'aura pas été versée durant la période comprise entre la date normale de retraite et la date de la cessation d'emploi. Cette revalorisation ajoutera environ 6% à 8% au montant de votre rente de retraite pour chaque année ou elle n'aura pas été versée.» Source: *UQAM Brochure*

TABLE 2. CONTRIBUTION RATES AND RATIOS (CONTINUED)				
	EMPLOYEE CONTRIBUTIONS		EMPLOYER CONTRIBUTIONS	
	UP TO YMPE (MAXIMUM PENSIONABLE EARNINGS)	YMPE AND ABOVE	UP TO YMPE	YMPE AND ABOVE
Saskatchewan	Defined Benefit: 8.50% of pensionable earnings. Defined Contribution: 0.5%.[10]		Defined Benefit: Matched Defined Contribution: Matched.[11]	
Sherbrooke[12]	Choice: • Regular Contribution: 6.84% • Lower Contribution: 5.66%		Defined Contribution: Regular Contribution: • 3.16% (up to age 40) • 5.66% (age 40 and over) Lower Contribution: • 2.54% (up to age 40) • 4.54% (age 40 and over) Defined Benefit: For regular and lower contributions: 3.50%. (But limited to 3.5%)	
Simon Fraser	0		10% of basic salary, less the University's required contributions to the CPP.	
Toronto	4.5% of annualized salary up to the CPP earnings ceiling in effect on July 1, + 6% of one's annualized salary above that ceiling. Prorated to percentage of full-time worked.		Contributes the difference between employee's contributions and actual cost of providing the pension benefits, as determined in accordance with an actuarial valuation report. University must ensure the Plan is adequately funded to provide the promised benefits.	
UBC	5% up to YBE ($3,500) 3.2% between YBE and YMPE ($48,300).	5%	10% up to YBE + 8.2% between YBE and YMPE.	10%
Victoria	4.35% (Recent increase from 3%)	6.35% (Recent increase from 5%)	6.02% (Recent decrease from 7.36%) [Note: Recent DB contribution increase from 1% to 5.05%).	7.65% (Recent decrease from 9%) [Note: Recent DB contribution increase from 1% to 5.05%]
Waterloo	5.8%	8.30% up to 2 x YMPE 9.65% above 2 x YMPE.	145% of member's contributions.	
Western	Choice 1.5% OR 5.5% of earnings.		8.5% of earnings.	
Wilfrid Laurier	7%		Matched +*DB*	
Windsor	6%		Matched +*DB*	
York	4.5%	6%	Matched + *DB*	Matched +*DB*

10. As of September 1, 2010, the defined contribution component has ceased. Account balances remain in each member's Defined Contribution account until the member terminates or retires from the plan.

11. Contributions continue up to age 67 for those hired prior to 1990. Contributions cease at 65 for those hired in 1990 or later. At 35 years of service, contributions apply to increases in salary received thereafter and not to the entire salary.

12. Retirement after NRD (65yrs): "Vous cesserez alors de cotiser au régime et d'accumuler des années de service crédité. Le paiement de votre rente, prévu normalement à 65 ans, est alors suspendu jusqu'à la date de retraite, mais au plus tard jusqu'au jour précédant votre 71e anniversaire de naissance. La rente payable à la retraite ajournée est égale à la rente prévue, selon les options 1.3% ou 1.6% augmentée d'un montant de rente afin de tenir compte de la période de non-paiement entre la date normale de retraite et la date réelle de retraite.» Source: *Le Sommaire*, (Brochure) Page 6

TABLE 3: DEFINED BENEFIT FORMULA	
Alberta	2% of highest average salary x pensionable service before 1992, plus 2% of highest average capped salary x pensionable service in 1992 and 1993, plus 2% of highest average capped salary x pensionable service from January 1, 1994 x reduction factor. After age 65, reduced by: 0.6% of the average YMPE x pensionable service from January 1, 1994 x reduction factor. *Reduction Factor: Pension for service from January 1, 1994 is reduced by 3% for each year that one is under age 60, or for each year when the sum of one's age and years of pensionable service is less than 80, whichever gives the smaller reduction.* *Pensionable Salary Cap: For service on and after January 1, 1992, the pensionable salary does not include earnings in excess of the pensionable salary cap. The pensionable salary cap changes from year to year, and is equal to the salary that produces the maximum PP benefit accrual allowed for that year by the Income Tax Act. The pensionable salary cap for 2011 is $142,000.*
Brock	1.7% x one's best average earnings x pensionable service. Less 1/35 x 25% x lesser of best average earnings and final average YMPE x pensionable service (maximum 35 years).
Calgary	2% of highest average salary x pensionable service before 1992, plus 2% of highest average capped salary x pensionable service in 1992 and 1993, plus 2% of highest average capped salary x pensionable service from January 1, 1994 x reduction factor. After age 65, reduced by: 0.6% of the average YMPE x pensionable service from January 1, 1994 x reduction factor. *Reduction Factor: Pension for service from January 1, 1994 is reduced by 3% for each year that one is under age 60, or for each year when the sum of one's age and years of pensionable service is less than 80, whichever gives the smaller reduction.* *Pensionable Salary Cap: For service on and after January 1, 1992, the pensionable salary does not include earnings in excess of the pensionable salary cap. The pensionable salary cap changes from year to year, and is equal to the salary that produces the maximum PP benefit accrual allowed for that year by the Income Tax Act. The pensionable salary cap for 2011 is $142,000.*
Carleton	Years of credited service x the sum of 1.29% of the average of the highest 5 years' earnings up to the 5 year average of the YMPE + 2% of the average of one's highest 5 years' earnings in excess of the 5 year average of the YMPE.
Concordia	2% of final average earnings less 0.5% of this average up to the Average YMPE for each year of credited service recognized under the PP during which the Member was a contributor under the PP, plus 1.1% of FAE less 0.25% of this average up to the Average YMPE for each year of credited service recognized under the PP.
Dalhousie	The average of one's best 3 years of earnings x years of service x 2%.
Laurentian	1.3% x best average earnings up to the average YMPE in the year that one retires + 2% x best average earnings above the average YMPE in the year that one retires.
Laval	1.85% x average three years best salary (not necessarily successive) x years of service.
Manitoba	Minimum Benefit Guarantee: 2% of highest average annual basic salary (5 years) x years of credited service, less 0.7% of highest average annual basic salary under the YMPE in the retiring year x years of credited service after (to a maximum of 35 years).
McGill	For eligible employees hired before January 1, 2009, (1.8% x best earnings x years of credited service) – (0.58% x best earnings up to the average QPP earnings limit x years of credited service after 1971). Best earnings mean the average of basic earnings during five consecutive years of highest earnings.
McMaster	1.4% of best average salary up to the average YMPE x Pensionable Service, plus 2% of best average salary in excess of the average YMPE x Pensionable Service
Montreal	2% x average three years best salary x credited service.

TABLE 3: DEFINED BENEFIT FORMULA (CONTINUED)	
Ottawa	1.3% x average earnings up to the integration level, plus 2.0% x average earnings above the integration level. At a minimum, benefits accumulated for each year of credited service are equal to 1.5% of average earnings. *Integration level: The PP provides a pension that differs for the portion of earnings below and above a certain threshold. The threshold of earnings is based on the max earnings covered for purposes of determining the pension payable from the C/QPP and differs for service before and after January 1, 2004. For example, in 2010, the integration level used to calculate one's contributions was $34,989.*
Quebec	2% x average of the best 5 years salary x years of service.
Queen's	1.35% of best average earnings below the average YMPE, plus 1.4% of the best average earnings below the average YMPE, plus 1.8% of best average earnings above the average YMPE for total service.
Saskatchewan	For service before December 31, 2005: 2% x 4-Year Best Average Earnings x Pensionable Service. For service after December 31, 2003: 2% x 4 – Year Best Average Earnings x Pensionable Service, minus 0.4% x Average YMPE in the 3 year period preceding retirement x Pensionable Service
Sherbrooke	Based on Reduced Contribution: 1.3% x years of service x average salary of the best 5 years. Based on Regular Contribution: 1.6% x years of service x average salary of the best 5 years.
Simon Fraser	For those hired before March 20, 1973: (0.017 x Average salary of one's highest paid 5 consecutive years x accumulated years of service) – (O.005 x the annual YMPE x accumulated years of service).
Toronto	1.5% of one's highest average salary up to the average CPP earnings ceiling, plus 2% of one's highest average salary that exceeds the average CPP earning ceiling) multiplied by one's years of pensionable service.
UBC	Not Applicable.
Victoria	1.3% of FAE up to the average YMPE at retirement date times the number of years of credited service, plus 2% of FAE which is in excess of the average YMPE at retirement, times the number of years of credited service. *FAE Final Average Earnings – The average of one's basic gross regular salary calculated over the highest 60 consecutive months.*
Waterloo	1.4% of FAE up to the CPP average, plus 2% of the amount of FAE. in excess of the CPP average, multiplied by the number of years of credited service to arrive at the Annual Pension. *FAE: Final Average Earnings – one's average annual base earnings during the past 10 years of employment at Waterloo.*
Western	Not Applicable.
Wilfrid Laurier	1.37% of the average of the best 5 years' earnings up to the YMPE, plus 2% of the best average earnings above the average YMPE, multiplied by years of service in the plan.
Windsor	Members Years of Pensionable Service x [1.5% x Average YMPE + 2% x (Members Best Average Earnings – Average YMPE)]
York	1.4% of the final average earnings at retirement up to the average YMPE for those years, plus 1.9% of the final average earnings at retirement above the average YMPE for those years multiplied by one's credited service in the Plan.

Table Abbreviations and Definitions

ABYE (Average Best Yearly Earnings): Usually means the average of the member's earnings during the period of years (often 5 yrs) of their highest earnings prior to retirement.

Average QPP Earnings Limit: The average Q.P.P. earnings limit in the last five years before one retires.

Basic Earnings: This usually refers to gross earnings including stipends and sessional payments, but excluding overtime and annual or semi-annual payments.

Best Earnings: This usually means the average of one's basic earnings during several consecutive years (5 normally) of highest earnings and adjusted for inflation.

BOARD: University's Board of Governors

CPP: Canadian Pension Plan
http://www.servicecanada.gc.ca/eng/isp/cpp/cpptoc.shtml

CUSTOMS AND REVENUE CANADA CAP: The Canada Customs and Revenue's limit on the maximum amount of pensionable income that can be taken into consideration when funding a registered plan. Supplemental plans can be set up to allow contributions for earnings over the maximum pensionable income.

+DB: Plus the contribution by the employer needed to secure the guaranteed pension.

DB / DBP (Defined Benefit Plan)(French: Prestation Determinée): In a defined benefit plan, the member receives a pension based on a formula (usually tied to service and pay). The member does not have a pension account because their pension is paid based on the formula. It is the employer's responsibility to ensure that contributions and investment earnings are sufficient to provide for the member's pension. (McGill Pension Brochure, 2011)

DC / DCP (Defined Contribution Plan) (French: Cotisation Déterminée): A money purchase plan defines the contribution rates, generally expressed as a percentage of the employee's earnings, and the contributions together with interest are applied to provide whatever pension benefits can be purchased. In a defined contribution plan, the amount of contribution is known in advance, but the amount of pension isn't. The amount of pension one receives depends on the size of the member's pension accounts at settlement, the member's age and market when one converts these savings into a retirement income. Depending on the long-term investment results one achieves, one's defined contribution pension could be significantly higher than the pension one would have earned under a comparable defined benefit plan… or significantly lower, for that matter.

FAE (**Final Average Earnings):** Usually means the average of the member's earnings during the period of years (often 5 yrs) of their highest earnings prior to retirement

HP (Hybrid Plan): A hybrid plan has both defined benefits (D.B.P.) and defined contribution (D.C.P.) components. The defined benefit component serves as the minimum guaranteed benefit.

NRD (Normal Retirement Date (65yrs)) - Usually the last day of the month in which one reaches age 65 years.

Pensionable Service: Usually the number of total years and partial years of continuous service.

PP: Pension Plan

QPP: Québec Pension Plan
http://www.rrq.gouv.qc.ca/en/programmes/regime_rentes/Pages/regime_rentes.aspx

QPPEl (Quebec Pension Plan Earnings Limit):see YMPE

YBE (Year's Basic Exemption): The YBE is fixed at $3,500. It is the level of annual earnings below which contributions are not required by the CPP/QPP.

YBAE (Years' Best Average Earnings): The average of one's highest pensionable earnings in several consecutive years (usually 4-5yrs) of plan participation.

YMPE (Yearly Maximum Pensionable Earnings): The YMPE is an amount set by the government each year to determine maximum Canada Pension Plan/QPP contributions and benefits; the maximum earnings on which one can make contributions to the QPP each year. It is adjusted annually by the QPP to reflect changes in the average wage index and is roughly equal to the average industrial wage. The employer makes matching contributions to the Q.P.P. for the member. In 2011, the YMPE is $48,300.

Governance, CASC, Pensions and Benefits

Richard Janda (Past President, MAUT)
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MAUT's position on collegial governance has been that decisions regarding our working conditions — salary and benefits — should be taken collectively and reflect both our general stake in the financial soundness of the university and our efforts to ensure that these working conditions are commensurate with the ambition to be Canada's leading research university. The Committee on Academic Staff Compensation (CASC) is a parity committee with the administration designed to review total compensation and work out applicable policy. Our goal has been to do so on a multi-year basis. Together with the administration, we have committed to a policy of bringing our overall compensation package to among the top three of Canada's research-intensive universities. Over the last five years, however, in fact McGill's position has slipped considerably. Faced with the University's financial constraints, MAUT has reluctantly accepted two postponements of planned salary increases already.

What has further frayed our ability to participate meaningfully in compensation decisions has been a series of circumstances where decisions on staff benefits and pensions have been taken without consultation of CASC and brought directly to the Board. This problem has been acknowledged by the administration and we have therefore received a new commitment to clarify and formalize the mandate of CASC to ensure that decisions taken within the administration in fact get vetted through the Provost's office and through him with CASC, which the Provost chairs.

A small sub-committee consisting of John Galaty and me, as well as Provost Tony Masi and Dean Martin Grant has met with a view to settling the reporting and consultation lines for CASC in relation to the Staff Benefits Advisory Committee (SBAC) and the Pension Administration Committee (PAC); clarifying CASC's relationship to the Board; and ensuring in general that no decisions affecting the compensation of academic staff go forward without CASC's involvement. We are aiming to generate a favourable outcome on this governance question by the end of this calendar year.

...and on a whole other topic: The McGill Faculty Club

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The Faculty Club of McGill University occupies a unique building at 3450 McTavish Street, just up the hill from the McGill Bookstore. It has a rich history, constructed in 1887 as a personal mansion for the Baumgarten family. The senior Baumgarten was a merchant in Montreal specializing in sugar.

The Faculty Club later became the official residence of the Principal of McGill in the 1920s, General Sir Arthur Currie, and was eventually sold to the University by Baumgarten's widow for a nominal sum in 1926. The subsequent Principals in the 1930s felt that the structure was too imposing for their lifestyle in that era, and the building remained empty during that period. In 1935 the building was renovated and became the McGill Faculty Club. A more complete history of this building is available at: http://www.mcgill.ca/facultyclub/history/kaiser/

You are cordially invited to join the Faculty Club. The monthly fee is the princely sum of $5 (no, in fact this is not a typo!). There are nearly 1100 members in the Club, and the vast majority of them delight in bringing family, friends and colleagues from out of town to the Faculty Club for a fine meal or simply for a look-around this beautiful historic building. The Billiard Room on the third floor is worth seeing all by itself along with the spectacular Ballroom on the main level. Of course you are welcome anytime to drop in to see the Club personally.

The Faculty Club is open each weekday; rooms can be reserved for almost any kind of event, be it personal or associated with University or other professional activities.

We regularly hold social events at the Faculty Club. These are announced either on the website (http://www.mcgill.ca/facultyclub) or in the monthly newsletters sent to members. The June newsletter is available at http://www.mcgill.ca/facultyclub/news/

Events sponsored by the Club this Fall include:

- Bi-weekly mini “food festivals” in the Main Dining Room
- Trivia Evenings in support of Centraide (~30 tables of 3-4 players)
- Méchoui and Apple Picking at McDonald Campus (Family Event)
- Wine and/or Scotch tasting
- President's Cocktail Party
- Music events (Opera, Jazz, Classical, among others)
- Cooking classes with Chef Pierre Majois
- The Annual Christmas Buffet
- Children's Christmas Party and Brunch

We are hoping that Faculty will take advantage of the Club and all that it offers; membership is available for support staff as well. The Club is very well cared for by an experienced staff including the Manager, Mr. Carel Folkersma (6391) and the Assistant Manager, Mr. Nicolas Zrihen (6390), who would be happy to answer any questions you may have. As President of the Club, I am also available at (*david.harpp@mcgill.ca*) or 6685 and look forward to hearing from you.

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The MAUT / APBM *Newsletter* is published periodically during the academic year to keep members of the McGill Association of University Teachers / Association des Professeur(e)s et Bibliothécaires de McGill informed of concerns and activities.

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