

MUFA

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McMASTER UNIVERSITY
FACULTY ASSOCIATION

MEMORANDUM

April 14, 2011

TO: Members of the McMaster University Faculty Association on the Career Progress/Merit Plan and MUFA Librarians

RE: Joint Committee Remuneration Agreement, July 1, 2011 to June 30, 2013

Attached you will find a copy of the Remuneration Agreement negotiated in the Joint Committee by the MUFA and Administration representatives. This Agreement was approved unanimously by the MUFA Executive on April 7, 2011.

The MUFA Remuneration Committee is pleased to present the text of our proposed Agreement. Negotiations in this round have been difficult due to both government net zero compensation restraint initiatives, which have complicated the negotiating process, and the University's concerns over its perceived state of its long-term financial commitments, including both the salaried pension and post-retirement benefit liabilities. As we announced several weeks ago, the Association and the Administration terminated bargaining on March 15, 2011 and moved into Phase 3 of our Final Offer Selection process. Each side prepared a brief presenting its final position for consideration by the Final Offer Selector, the well-respected arbitrator, Mr. Kevin Burkett. Mr. Burkett subsequently requested a hearing on April 6 for the purpose of obtaining a clearer understanding of the two proposals. As a consequence of these consultations, he facilitated a tentative agreement that both MUFA representatives and Administration representatives have agreed to unanimously recommend. MUFA representatives undertook to submit the Agreement to the MUFA Executive for approval and to the membership for ratification. The Executive has now unanimously approved the tentative agreement as well.

As noted in our final brief, MUFA has not employed the Phase 3 Final Offer Selection process for 15 years. An important aspect of our Final Selector process is the strict time limits on brief submission and settlement. These were faithfully observed in our negotiations. However, given the complexity of the issues and the desirability of achieving a reasonable settlement that fully but fairly addressed the pension and post-retirement benefit issues, the mediation process conducted by the arbitrator has resulted in a settlement which we believe to be fair and reasonable, and which we believe will significantly simplify future negotiations. We proceeded to Phase 3 because we were not prepared to agree to both the government's proposed wage freeze and to increased pension contributions without any salary offsets. However, with Mr. Burkett's assistance, we have achieved an agreement which provides for reasonable across-the-board increases for faculty and MUFA librarians and an appropriate additional salary offset for any increased pension contributions.

It should also be noted that during the day of mediation, April 6, both parties were free at any time to end the mediation without prejudice and request that Mr. Burkett proceed to Final Offer Selection with the briefs as originally submitted to him. Thus the underlying integrity of Final Offer Selection was preserved.

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MUFA is committed to ensuring that McMaster's ability to recruit promising new faculty is not compromised by any selective marginalization of benefits. Your Remuneration Committee placed a high priority on maintaining member pension benefits and post-retirement health benefits during these negotiations. As a result, the proposal includes increased pension contributions (to match other Plan members) with a full, compensatory salary offset. Pension benefits could have been reduced to address pension plan liabilities but this option was ruled out early in negotiations. While post-retirement benefits have been fully maintained, a graded, member co-pay (as described below) has been included to address the significant post-retirement liability. These changes maintain our preferred state among our comparator institutions with a good defined benefit plan, full dental, extended health and excellent drug coverage.

The agreement covers all MUFA faculty on the CP/M Plan and MUFA librarians. The majority of librarians who were formally part of MUFA are now represented by the McMaster University Academic Librarians Association (MUALA) which recently concluded their first agreement as a certified union.

The agreement is for two years which will afford greater stability than the one-year proposals submitted by both sides to Mr. Burkett.

There are four significant monetary/benefit components to the agreement.

1. \$2,000 fixed amount added to base salary each year of the settlement.
2. 1.0% increase to base salary each year of the settlement to offset increased pension contributions.
3. Increase in member pension contributions (similar to other Plan members).
4. Co-pay of post-retirement benefit premiums for all faculty who retire on or after July 1, 2012.

Years of Service	% of yearly cost paid by retiree	% of yearly cost paid by employer
25 or higher	25%	75%
20 or more but less than 25	50%	50%
10 or more but less than 20	75%	25%

Salary Floor Increases

The agreement includes an annual 1.0% + \$2000 increase of all salary floors. Changes in salary floors during the Agreement will be as follows:

TABLE 1. SALARY FLOORS — FACULTY AND MUFA LIBRARIANS

	Lecturer	Assistant	Associate	Full	Level 5 Librarian
Current	\$49,237	\$60,996	\$78,850	\$99,823	\$77,508-\$125,815
July 2, 2011¹	\$51,729	\$63,606	\$81,639	\$102,821	\$80,283-\$129,073
July 1, 2012	\$54,247	\$66,242	\$84,455	\$105,849	\$83,086-\$132,364

¹The agreement will begin July 2 rather than July 1, at the Administration's request, to facilitate the pension actuarial valuation, scheduled for July 1, 2011.

Career Progress/Merit (CP/M) Increases

The current McMaster CP/M system will continue with 120 units awarded per 100 faculty. The value of a single CP/M unit (called “par” unit) is based on the Assistant Professor floor salary using the following formula:

$$\text{CP/M unit} = (\text{Assistant Professor salary floor} \times 0.81) / 15$$

Adjustments to the par value are made based on salary range which ensure that maximum increases are made early in an individual’s career. At McMaster, there are two salary breakpoints. For salaries below the first breakpoint the par value is 1.0 x CP/M unit, for salaries between the two breakpoints, the par value is 0.75 x CP/M unit and for salaries above the second breakpoint, the par value is 0.5 x CP/M unit. Like the CP/M unit, breakpoints are based on the Assistant Professor floor and thus increase each year. Breakpoints are calculated as follows.

First Breakpoint = 1.81 x (Assistant Professor salary floor): 1.81 x \$63,607 = **\$115,129** (2011/12)

Second Breakpoint = 2.21 x (Assistant Professor salary floor): 2.21 x \$63,607 = **\$140,571** (2011/12)

For the current agreement, CP/M unit, par values and salary breakpoints will thus be as follows:

TABLE 2. SALARY BREAKPOINTS — FACULTY

	Par Value (1.0 CP/M unit)	First Salary Breakpoint	Par Value (0.75 CP/M Unit)	Second Salary Breakpoint	Par Value (0.50 CP/M Unit)
Current	\$3,294	\$110,405	\$2,470	\$134,803	\$1,647
July 2, 2011	\$3,435	\$115,129	\$2,576	\$140,571	\$1,717
July 1, 2012	\$3,577	\$119,900	\$2,683	\$146,397	\$1,789

Our CP/M system is comparable to the Progress-through-the-Ranks (PTR) system found at other institutions except it has a merit component rather than having a fixed amount awarded each year. The McMaster par value increases each year and currently compares favourably with PTR unit values at other institutions.

Salary increases are dependent on merit award, rank, and current salary. The following calculations exemplify how the negotiated increases will be implemented in several typical representative cases in which the annual merit award is 1.0 par units.

The CP/M par value, salary floors and breakpoints will increase substantially more over the next two years than has previously been the case because the 1.0% ATB and the \$2,000 base salary adjustment are applied to the Assistant Professor salary floor which underpins the CP/M scheme. As a consequence individuals will stay below breakpoints for slightly longer and should enjoy corresponding larger CP/M increases.

The merit pool for MUFA librarians will be calculated according to the procedures set out in their *Salary & Benefits Negotiations Policy* (2008).

TABLE 3. EXAMPLE CALCULATIONS — FACULTY

Current	\$60,000	\$80,000	\$100,000	\$120,000	\$140,000	\$160,000	\$180,000
YEAR 1							
1.0% ATB	\$60,600	\$80,800	\$101,000	\$121,200	\$141,400	\$161,600	\$181,800
Adjustment to Base	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000
Sub Total	\$62,600	\$82,800	\$103,000	\$123,200	\$143,400	\$163,600	\$183,800
1.0 CP/M	\$3,435	\$3,435	\$3,435	\$2,576	\$2,576	\$1,717	\$1,717
Salary at July 2, 2011	\$66,035	\$86,235	\$106,435	\$125,776	\$145,976	\$165,317	\$185,517
YEAR 2							
1.0% ATB	\$66,695	\$87,097	\$107,499	\$127,034	\$147,436	\$166,971	\$187,373
Adjustment to Base	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000
Sub Total	\$68,695	\$89,097	\$109,499	\$129,034	\$149,436	\$168,971	\$189,373
1.0 CP/M	\$3,577	\$3,577	\$3,577	\$2,683	\$2,683	\$1,789	\$1,789
Salary at July 1, 2012	\$72,272	\$92,674	\$113,076	\$131,717	\$152,119	\$170,759	\$191,161

In each year the contribution to the Pension Plan increases by approximately 1% of base salary. However, Pension Plan payments are ultimately subtracted from your taxable income. The net effect is that while take-home pay will increase in all salary ranges, the increase will be reduced in each year by approximately 1% in comparison with the percentages shown in the above table for base salary.

Note the above sample calculations are for illustrative purposes. Actual salary increases may differ slightly due to "feathering" of increases close to salary breakpoints.

As indicated, faculty will see significant increases in total compensation during the next two years. After deductions for increased pension contributions, individual take home pay increases will be less than indicated above.

Other Benefit Changes (agreed to in negotiation)

Ad Hoc Committee to Study Childcare

We agreed to strike a committee of stakeholders to study the required expansion in daycare spaces as well as the required licensing to accommodate children from birth to 18 months old.

Group Life Insurance

The optional employee-paid group life insurance coverage (above the employer-paid benefit coverage of \$175,000) will be increased from \$500,000 to \$1,000,000.

Comparisons to Other Universities

Two of our comparator universities, Western and Waterloo, have recently concluded multi-year agreements. Over the first two years, our settlement includes higher across-the-board-increases, but the Western and Waterloo agreements have additional years with relatively high ATBs. Toronto and Queen's are entering negotiations and will likely face the same compensation issues as MUFA. Our compensatory salary increase for pension contributions may provide a useful precedent for their talks. Our remaining comparator, Ottawa, is entering negotiation and also has significant pension liability issues. Our competitive increases over the last Agreement combined with the proposed increases on this Agreement have increased our average salary slightly relative to our peer universities while maintaining our benefits.

Conclusions

MUFA believes that this proposal is an excellent agreement as it provides a competitive salary increase, addresses the University pension liability problem without imposing hardship on our current members and ensures that our members retain full benefits upon retirement. However, the retirement benefit co-pay, to be introduced July 1, 2012, is a new cost that individuals close to retirement may wish to factor into their retirement planning.

We urge you to support this Agreement as the best that can be achieved under difficult circumstances. If the membership fails to ratify this agreement, the designated final selector will choose one of the two submitted briefs as the binding settlement for a one-year period.

If the Administration brief is selected, members will receive a more modest increase in salary, a substantial increase in pension contributions and a higher cost premium co-pay for post-retirement benefits. For some members, this would result in a decrease in salary even with CP/M factored into the increase. Alternatively, if the MUFA brief is selected faculty will receive 1.75% increase for one year. The pension issue would remain unresolved and would certainly be a focus of the next negotiations.

In closing, we would like to thank the members of the Remuneration Committee including Mike Veall, Nancy Carter and Qiyin Fang for their thoughtful deliberations during the negotiations. Thanks also to John Berlinsky, Martin Dooley and other members of the MUFA Executive for their efforts in reviewing and critically assessing negotiation issues. Joe Rose provided invaluable expertise to the Committee regarding the final selector procedure. Thanks to Steve Barrett, our legal expert, for legal assistance and advice during the preparation and presentation of the final selector brief. Phyllis DeRosa-Koetting and Kelly McCaughey, as usual, provided extraordinary support and expertise during the entire process.

Members may have questions about the agreement particularly with respect to retirement issues. Please feel free to contact MUFA with any question that you might have. We urge you to attend the special information meeting on Monday, April 18, 10:00 am in Hamilton Hall Room 302 and to return your ballot to the MUFA office by April 28, 2011 in favour of the Agreement.