Newsletter

JANUARY 2003
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Tony Petric, EDITOR

in this issue:

President' Report

(Delivered at the MUFA General Meeting on December 9, 2002)

When I sat down to write this report, I thought that I would have little to say. However, looking back over the past four months, I realized that there was much to report. Both the MUFA Executive and the Joint Committee have been quite busy.

Benefits

PENSION SURPLUS SHARING UPDATE

In my Year Ahead article in the September 2002 Newsletter, I stated that "With the pension surplus distribution nearing completion, another pension matter needs attention, a Supplemental Employee Retirement Plan (SERP)." ....One reason that there has been little movement on the introduction of a SERP for faculty is that everyone has been preoccupied with the pension surplus distribution. *[Ed. Dr. Allan's remarks regarding the pension surplus distribution have been superceded by events. See* *below* *for a surplus sharing update.]*

TECHNOLOGY FUND

In MUFA's December 11, 2001 Remuneration Brief, we proposed the "Establishment of a Technology Fund of $1,500 per faculty member every three years with one-third of faculty members receiving grants per year. We removed this benefit from the table when the Administration agreed to the establishment of a Technology Fund for faculty in Social Sciences and Humanities. At the November 11 Joint Committee meeting we agreed to the following proposal from the Administration. Each faculty member (tenured or tenure-track) in Humanities and Social Sciences will receive $1000 every four years for computers and/or peripherals. The implementation will be staggered over the next four years, with ¼ of the faculty receiving $1000 each year. The first installment is January 2003. The details of the proposal will be finalized at the December Joint Committee meeting and will be available in early January.

PREGNANCY/PARENTAL/PATERNITY LEAVE POLICY FOR FACULTY (SPS 19)

This policy was last approved by the Joint Committee on June 25, 1997. Since then, there have been legislative changes which needed to be incorporated into the policy. These changes have resulted in enhanced benefits. A revised policy was approved by the Joint Committee in October. The revised policy is on the agenda of the next Board meeting on December 12. *[Ed. The policy was approved by the Board.]*

Policies — Revised and New

GUIDELINES FOR THE IMPLEMENTATION OF LOAD TEACHING IN PART-TIME DEGREE STUDIES

Many years ago, part-time and full-time degree studies were integrated, resulting in this policy being approved by Senate in 1972. It is this policy that specifies the trade-off between day, evening, and summer teaching. The policy, including its name, was badly outdated. The Joint Committee made a number of changes to the policy, some editorial, others more substantial. The revised policy is now before the Senate Committee on Appointments. *[Ed. The policy was approved at the December 11 Senate Meeting.]*

MEMORANDUM OF AGREEMENT REGARDING THE TEACHING OF DAY CLASSES AND TEACHING IN THE TWILIGHT [5:30-6:20 PM] HOUR

This Memorandum had expired. It was renewed, with some revision, in the Joint Committee in September.

AD HOC COMMITTEE TO ADVISE ON POLICY MATTERS CONCERNING PERSONAL PRIVACY AND THE CONFIDENTIALITY OF ELECTRONIC COMMUNICATION AND VIDEO SURVEILLANCE FOR CP/M FACULTY

Tom Davison, in his Report to the General Meeting on January 16, 2002, had a section on Work Completed. He included this *Ad Hoc* Committee in that section. He noted that this Committee was mentioned as a "to do" in Les King's report to the membership in January 1999. Tom was a little premature in including this Committee under work completed. While the Committee had been struck at that time, its report was just received by the Joint Committee.

Little J Committees

The Senate Committee on Appointments recently approved the terms of reference for two joint committees with MUFA.

JOINT FACULTY ASSOCIATION/SENATE COMMITTEE TO INVESTIGATE TEACHING APPOINTMENTS

The yellow document specifies that the maximum term of a Contractually Limited Appointment (CLA) is normally six years. This six-year maximum is frequently extended. Also, there appears to be an increase in the number of renewals of CLAs which are shorter than one year. These matters, as well as others, are included in the terms of reference of this joint committee.

JOINT FACULTY ASSOCIATION/SENATE COMMITTEE TO INVESTIGATE A UNIVERSITY HEARINGS COMMITTEE

The task before this Committee is to investigate the feasibility of forming a University Hearings Committee or Board that would hear and adjudicate appeals and grievances related to issues that affect faculty and librarians. If established, this Board would replace the appeals tribunals and boards in the following policies:

Tenure and Promotion Policy
Code of Conduct for Faculty
Statement on Consulting Policy and Procedures
Faculty General Grievance Policy
Librarian Grievance Policy

Luncheons

In September, Phyllis suggested to the Executive that MUFA might like to institute a practice of inviting new appointees to lunch. This suggestion was received with enthusiasm. Two or three times a month, I and another member of the Executive take a group of 4 - 6 new faculty to lunch. These lunches have been the highlight of my term thus far. The calibre of our new appointees is truly outstanding. They are bright, enthusiastic, and interesting. The only negative aspect of this endeavour, is the upward movement in my weight.

I am fortunate to have a dedicated and enthusiastic Executive. I thank them for their support and commitment. Finally, I want to acknowledge Phyllis and Kelly. My job would be impossible without them.

Lorraine Allan

FSCO Approves

Surplus Sharing Distribution Plan

We have received approval for the surplus distribution plan from FSCO and the payouts are scheduled as follows:

February 7: payout of all cash including accumulated interest with exceptions below.

February 14: transfer to all RRSPs, RRIFs and annuities.

February 28: all payments and transfers to the two-third buyback group and to those with circumstances.

New Members

Leslie Gordon	Mills Library
Ita O'Kelly	Biology
Dmitri Malakhov	Materials Science
Abigail Payne	Economics
Igor Zhitomirsky	Materials Science

McMaster Family Practice Unit to Offer Primary Care Services to New Appointees

During the summer, MUFA was contacted by a new faculty member who had just moved to the Hamilton area and was frustrated in his efforts to find a family doctor. In response, MUFA President, Lorraine Allan, met with Peter George to convey the Executive's belief that it was important that the University help new faculty find health care for themselves and their families. President George consulted with the Dean & Vice-President (Health Sciences) and the Unit Director of the McMaster Family Practice who agreed to provide primary care services for new faculty members. Information regarding the Family Practice Unit will be communicated to new faculty members when they sign in with the Human Resources Department.

Need to Know: Your Benefits

Long Term Disability

(LTD)

LTD is a mandatory programme for all eligible teaching staff and librarians. The full premium for these Plans is paid by the members with their after-tax dollars. As such, all benefits payable under the Plans are non-taxable. Non-clinical faculty members and staff members pay $1.12 per $100 of salary (an 8% Provincial Sales Tax applies to all premiums paid to employee benefit plans).

Subject to satisfactory medical evidence, benefits become payable once the period of 'Salary Continuance' ends.

During the period a member is receiving LTD benefits, normal coverage under other benefit programmes such as the Major Medical, Dental, and Life Insurance programmes are continued. In addition, members continue to accrue

pension benefits during such a period.

Benefits under the LTD Plans will be reduced by the amount(s) of disability payments that an individual receives from the Canada Pension Plan, Workers' Safety and Insurance Board, other group LTD plans, other employer plans (due to the same or subsequent disability), any retirement plan, or as a result of government legislation pertaining to a contract of motor vehicle insurance or to the Criminal Injuries Compensation Act.

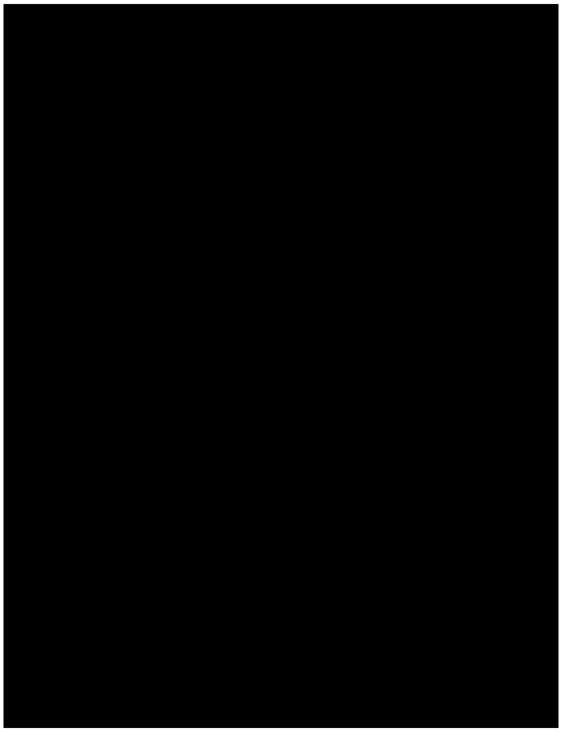
For non-clinical faculty and librarians, the benefit is provided through Sun Life and is calculated as 75% of net income to a maximum benefit of $7,000 per month. Benefits are payable for up to 24 months if the individual is incapable of performing his/her own occupation or up to the Normal Retirement Date if she/he is unable to perform the duties of any occupation.

Net income for Plan purposes is total income from McMaster less premiums to EIC, CPP and income tax payments based on the assumption that all members have dependent spouses.

Warwick Jack Burgoyne Owen
Professor Emeritus, English
1916-2002

Dr. W. J. B. Owen, Professor Emeritus of English, died 20 November after a lengthy period of poor health. Jack Owen joined the Department of English at McMaster University, Canada, in 1965, after spending almost two decades at the University College of North Wales, Bangor, where he had become Senior Lecturer. A New Zealander, he obtained his BA and MA at the University of Auckland (1937, 1938), a BA with First Class Honours (1941) and MA in English (1946) at St. Catherine’s College, Oxford, and his doctorate from the University of Wales (1955). He saw service during the Second World War in the UK, North Africa and Italy, rising to the rank of Captain. Having taught at the University of Auckland in 1938/39, Jack was appointed in 1946 as Assistant Lecturer in English at the University College of North Wales, Bangor, where he worked first with H. G. Wright and later John F. Danby. He came to McMaster as Professor of English in 1965 and retired in 1984.

Jack Owen was a distinguished Wordsworth scholar whose research on the poet’s manuscripts and subsequent scholarly editions gained him an international reputation. The author of six books on the Romantic poet, many reviews, and over fifty articles mainly on Wordsworth and Spenser, he will be remembered particularly for his three-volume edition (with Jane Worthington Smyser) of The Prose Works of William



Wordsworth (Clarendon 1974) and his edition of The Fourteen-Book Prelude (1985) in the definitive Cornell Wordsworth series. After his retirement, he continued to research and publish until recent years.

In acknowledgement of his scholarly achievements, Jack was elected Fellow of the Royal Society of Canada in 1975 and granted an honorary doctorate by McMaster University in 1988. In 1973/74, he was appointed Research Fellow at the Institute for Advanced Studies at the University of Edinburgh and, in 1980/81, was awarded a John Simon Guggenheim Fellowship. He served also as Associate Trustee of the Dove Cottage Trust, Wordsworth's home at Grasmere, Cumbria. For twenty-five years Jack visited Grasmere to pursue his research on manuscripts in the Wordsworth library and to deliver papers annually at the Wordsworth Summer School at Rydal Mount. The scenery and its literary associations together made Grasmere a very special place for him.

Jack is survived by his wife Betty, his daughter Lynette, and son Graham.

Other Passages

Gunter W. Bruns

Professor Emeritus
Mathematics & Statistics
died December 23, 2002

Ernst O. Gadamer

Retired Professor
Applied Mathematics
died January 3, 2003

James N. Siddall

Professor Emeritus
Mechanical Engineering
died December 26, 2002

Money Matter$

In response to requests from our members for financial information, we are pleased to provide the following column on what we hope will be a regular basis. The information below has been supplied by Joe Gadoury of Berkshire Securities. Please contact Mr. Gadoury directly at 905-529-5505 if you have any questions or require clarification.

Taking Control of YOUR Financial Future

In our previous three newsletters, we went over Rule #1: Set the Goal and the Time Frame to Achieve It; Rule # 2: Use Other Peoples's Knowledge and Rule #3: Pay Yourself First. As mentioned in the November issue, there's a variation on Rule # 3 which has actually created more net worth in society than most people can appreciate. And when done properly, can generate potentially much more tax efficient future cash flow too.

Wealth Law #4:
Use Other People's Money

Using other people's money or 'leveraging' as it is commonly known, is one of the most favored ways to increase one's net worth exponentially over time. Most people have used this concept at least once with the purchase of, usually their largest asset - their home. But it is rarely their best 'investment'. The unfortunate part of this practice is that the interest paid to subsidize this purchase in not generally tax deductible as it is in the US. Invariably this means that over a fully amortized period of say 15 years the total after tax cost of borrowing for a $200,000 house with $150,000 mortgage at an average interest rate of 6% will be almost $227,000, or over 13.5% more than the actual price you paid for the house. The cost of borrowing would be about $77,000 in total after tax dollars. Hmmm…some investment — but we all have to live somewhere.

However, the part that makes this all feasible is the monthly mortgage payment - which is an abstract form of the #3 — Pay Yourself First Rule. If you were to structure a similar type of arrangement where the borrowed money was used to purchase a qualified investment for tax purposes, the costs could actually be less than the above example since all the interest costs are tax deductible. And if you were to set up what I consider the 'perfect scenario' where you do not pay down the loan, but just the interest cost, the results could be even better.

In the interest only scenario payments to the interest cost could be considered similar to contributions to a 'Pay Yourself First' RRSP program. The amount of the tax deduction you would receive is exactly the same for the interest portion of any payments as it would be for the RRSP contribution. But unlike the RRSP program where you can modify or stop your payments quite easily, the leverage program commits you to make the monthly payments, a much more disciplined approach. And in that essence the risk factor for this type of program goes up exponentially, so this idea is not for the faint of heart or people who don't know how to budget. And it is not for those people with a short term time horizon of less than 5 years minimum.

But the future tax ramifications are also something to consider. As most people know, any RRSP proceeds are taxable when withdrawn regardless of whether they are principal or growth. In the leverage scenario, only the growth portion is taxed and since it is usually capital growth in nature, it is only taxed at half the rate of the RRSP. The much more favorable tax difference can best be explained in the following example.

Suppose you put $200/month into an RRSP every month for the next 15 years. At a growth rate of 8% it will have a future value of about $69,000. If your marginal tax rate (the rate on your last dollar earned in the year) is 30%, then that's the tax to be levied on the full $69,000 regardless of when you withdraw it.

On the other hand, in a pure interest only scenario, at an average borrowing rate of 6%, you could borrow around $40,000 which would be invested in a qualified investment. This would cost the same $200/month. At the same growth rate of 8% over the next 15 years, the future value would grow to about $127,000. If you then paid off the original loan, you would be left with $87,000. Since this is all considered capital growth, you would only pay tax on half of it at the similar tax rate above when you started to withdraw it. So in our example the end results of a more disciplined approach would be a much better after tax position than the standard everyday RRSP approach.

Doing something similar but amortizing the loan would not give as good a result as just the interest only scenario, but the end result is a paid off loan with still a much better after tax position than the regular RRSP.

You must always be aware that leveraging is a double edge sword. Both gains AND losses are enhanced because the money is borrowed. Remember that it eventually must be paid back, which makes this a much longer term strategy than most people can appreciate. And in periods of extended down markets, such as we have seen in the past 2 ½ years, it’s easy to lose your focus on what your long term objective is. That’s where the next law can be the most important. See you when we explain it in the new year. And have a good one!

Author’s Note - if you wish copies of our normal quarterly newsletter, please send either your e-mail address or postal address to: jgadoury@berkshire.ca. Back issues are available upon request.

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This publication is not meant to provide legal or account advice. As each situation is different you should consult your own professional advisers for advice based on your specific circumstances.

MEETING

MUFA Annual General Meeting
Tuesday, May 6, 2:00 p.m.
Council Chambers (GH 111)

Mark your Calendars Now!

MEETING

2003/2004 Executive

If you are interested in serving on the Faculty Association Executive or know of someone who would make an excellent candidate, please contact us: Hamilton Hall 103A; Ext. 24682; mufa@ mcmaster.ca).
DEADLINE — FEBRUARY 15, 2003.

olunteers Needed!

A voluntary organization such as the McMaster University Faculty Association can succeed in serving the interests of its membership only to the extent that the members participate in formulating and executing policy. At any given time, approximately two dozen individuals carry the burden for all of the members and after a few years most of them are exhausted by the tasks which they have voluntarily borne. Their valuable experience and wisdom is then lost to us. The best way to lessen this attrition of talent is for more of the membership to give some time and effort to the Association. If you are not interested in putting your name forward for the Executive Committee, please use the form below to let us know if you would like to participate in MUFA's efforts by serving on one of the following committees.

Yes, I am interested in working more closely with the Faculty Association. My interests are:

MUFA Council ___	Pension ___
Academic Affairs ___	Public Relations ___
Human Rights ___	Remunerations ___
Library ___	Grievances ___
Membership ___	Tenure ___
Ad Hoc Committees ___	Special Assignment ___

Are there other areas where the Faculty Association might be useful to its members?

____

NAME____ EXTENSION____________________

DEPARTMENT__________________________________ E-MAIL_________________________

Return form to McMaster University Faculty Association, HH 103A

February 4, 2003
pdk