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|  | <h1>Newsletter</h1> <p>NOVEMBER/DECEMBER 2002 Volume 29.3 Tony Petric, EDITOR</p> | <p>in this issue: <u>General Meeting Agenda</u> <u>New Members</u> <u>Group Life Insurance</u> <u>David Winch</u> <u>Money Matters</u> <u>House</u></p> |
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General Meeting

Monday, December 9, 2002 - 2:00 pm
Council Chambers (Gilmour Hall 111)

Agenda

1. MINUTES of the Annual General Meeting held April 23, 2002
2. BUSINESS ARISING
3. OCUFA PRESIDENT: ISSUES FOR DISCUSSION — H. Jacek
 - a. Mandatory Retirement
 - b. Enrolment Management: Double Cohort
 - c. Provincial Election
4. PRESIDENT'S REPORT — L. G. Allan
5. OTHER BUSINESS

1. Minutes of the Annual General Meeting held on Tuesday, April 23, 2002, 2:00 pm, MGD 505

PRESENT: Approximately 30 members

1. MINUTES

Motion

that the Minutes of the General Meeting held on January 16, 2002 be approved as circulated.

B. Lynn/E. Werstiuk

2. BUSINESS ARISING

There was no business arising.

3. COMMITTEE REPORTS

- a. *Association Standing Committees.* In response to a question from Dr. Nainar, Dr. Davison confirmed that the Joint Committee's request that the employee pension holiday be extended until June 30, 2003 will go to the Board of Governors on April 25 for approval.
- b. *University Committees and Boards.* There were no questions from the floor regarding the reports from these committees.
- c. *Ad Hoc Committees.*

Pension Surplus Distribution

Les Robb reported that between July 1, 2000 to March 31, 2002, the Pension Plan's assets increased by 5.6%. Any increase in the Plan's assets will be reflected in the surplus distribution; i.e., if the surplus had been distributed on March 31, 2002, an individual's surplus share would have been increased by 5.6%. While there is no guarantee that the fund will stay at this level, members will benefit if the Plan continues to increase in value.

The application to withdraw the surplus has not yet been filed with the Financial Services Commission of Ontario (FSCO). Plan amendments had to be filed with FSCO and with the Canada Customs and Revenue Agency (CCRA) before the application for withdrawal could be filed. The upside is that the interest, discussed above, continues to accumulate.

There is some confusion regarding the buy-back option. Different calendar years are subject to different rules and it depends whether the year is before or after 1990. If after, then a buy-back can trigger a Pension Adjustment and can influence how much RRSP room an individual has. If before, RRSP cannot be affected.

In addition, you need to consider whether the year which you want to buy back is one in which you were or were not a member of another pension plan at some time during the year. If you were not a plan member at any time during the year, then your pension from the buy-back period is capped at 2/3 of the amount of the normal cap. Thus, salaries over \$69,000 (as of July 2000) will be capped. Of course, the expenses or cost of the buy-back will similarly be capped. A new table has been provided so that employees can determine their cost if they are capped. If the year you wish to buy back is one in which you were a member of a pension plan, you are not capped and the original table applies. A more detailed discussion of the buy-back option is on the MUFA web site.

In response to a question from Dr. Nainar, Dr. Robb stated that Human Resources will be contacting those who are ruled ineligible for the buy-back option or if the amount to buy back a year has changed. Dr. Allan observed that the buy-back tables are difficult to interpret.

Option forms are coming in slowly. As of April 15, less than half of the responses had been received.

Motion

that the committee reports be accepted as submitted.

**M. Parsons/B Lynn
Carried**

4. TREASURER'S REPORT - B. Kaczynski

a. *Mill Rate*

Dr. Kaczynski reported that the Association was in good shape financially and should be able to meet its commitments even with a reduction in the mill rate.

Motion

that the mill rate be lowered, effective July 1, 2002 from 5.1 to 5.0.

**B. Kaczynski/E. Mead
Carried**

b. *Preliminary Budget for 2002/2003 and Annual Statement of Income and Expenditure*

Motion

that the preliminary budget for 2002/2003 be adopted.

**B. Kaczynski/M. Veall
Carried**

c. *Appointment of Auditor for 2002/2003*

Motion

that Hoecht Galvin Chartered Accountants be appointed as the auditor for the Faculty Association for 2002/2003.

**B. Kaczynski/D. Verma
Carried**

5. RETURNING OFFICER'S REPORT — E. Mead

As Returning Officer for the election of an Executive Committee for 2002/2003, I hereby report that, as there were no further nominations by the April 1, 2002 deadline, the Nominating Committee's slate, which was distributed to the membership on March 18, 2002, is declared elected.

The 2002/2003 Executive is as follows:

President Lorraine Allan

Past
President Tom Davison

Vice-
President Adele Reinhartz

Members Joseph Adamson, Vikki Cecchetto, Trevor Chamberlain,
at Large Nibaldo Galleguillos, Gerald Moran, Marilyn Parsons, Tony
Petric, Geoffrey Rockwell, Mary Anne Trainor, and Eva
Werstiuk.

6. PRESIDENT'S REPORT — T. M. K. Davison

I will bring you up to date on what has been happening since the General Meeting in January. You have already heard about the work of the Remuneration Committee and its consequences. Our rather smooth negotiations with the Administration in the Joint Committee were due in no small part to the leadership of Bernadette Lynn. Also Les Robb has just reported on the ongoing Pension Surplus Distribution saga.

A small-j committee has been constituted (Joint MUFA/Senate Committee to review the Load Teaching Document) to consider our Load Teaching document. Our representatives are Lorraine Allan and John Weaver, and the Senate representatives are Naresh Agarwal and Rhonda Lenton. It is hoped that their work will be complete by September, at which time the Joint Committee will deliberate their recommendations.

The Joint Committee is currently reviewing the teaching in twilight hours document (Memorandum of Agreement regarding the Teaching of Day Classes and Teaching in the Twilight [5:30-6:20 pm] Hour). It is hoped that this discussion, too, will be completed in September.

Senate has constituted an *ad hoc* committee to review the University Planning Committee's performance since its inception. There are six members of this committee, three of them being faculty. We were successful in asserting our right to nominate one of the faculty members. This is Fred L Hall, the author of the report that led to the founding of the UPC. The other faculty members are Susan Watt and Peter Sutherland.

In other news, your Executive decided on your behalf to donate \$10,000 to CAUT's Academic Freedom Fund. CAUT is hoping to raise \$1,000,000 for this Fund. If all faculty associations match our gift, this is feasible. You will note that we managed this while taking a contribution holiday (in March) and lowering the mill rate.

I now must indulge in a Cassandra moment. I view with trepidation and dismay the growing practice in Science and Engineering of permitting faculty members on the CP/M scheme to opt out of teaching if they have external grants that permit or encourage this. By removing excellent researchers from undergraduate teaching, this will tend to demolish our claim to be a research-intensive, student-centred University. I foresee problems administering the CP/M scheme as a result of this, if the practice becomes more widespread.

Ending now on a more cheerful note, I would like to thank my hard-working Executive for their service to MUFA. Of course on my own and their behalf, I thank Kelly and Phyllis, our staff, for their ability to make the day-to-day running of MUFA so incredibly smooth. Thank you.

7. OTHER BUSINESS

- a. *Enrolment.* Dr. Franek expressed his concern regarding overcrowding in the classrooms. He wondered if MUFA could intervene to improve the situation. Dr. Davison recognized the problem and added that because of the double cohort, this and many other problems were only going to get worse in the next few years. Next year's Executive will be focussing on the ramifications of increased enrolment due to the double cohort. Dr. Jacek reported that McMaster has an official enrolment plan which was endorsed by the University Planning Committee in 1999. This year the University is already over half way to next year's enrolment numbers. The University is taking in too many students which will only strain resources and debase the quality of education. He urged members to write to both the President and the Provost demanding that the University stick to the official enrolment plan.
- b. *Words of Appreciation.* On behalf of the MUFA Executive, Lorraine Allan thanked Tom Davison for a most enjoyable year on the Executive and for his strong leadership as MUFA President. She added that he managed to avoid the usual presidential "crisis" because of his

ability to handle situations effectively and efficiently. Members concurred with a round of applause.

There being no further business, the meeting was adjourned at 2:45 p.m.

3. MANDATORY RETIREMENT DISCUSSION PAPER

Stemming from discussion at the June 2002 Board meeting, the OCUFA Board decided to undertake a study of mandatory retirement so as to obtain further information about 1) salaries of members before and after the age of 65; 2) the potential introduction of post-tenure performance review; and 3) the impact on planning and replacement procedures within programs. Special regard was to be made to obtain information about the experiences of university faculty associations in provinces where there is no mandatory retirement legislation (Quebec, Manitoba, Alberta and New Brunswick). This is the first draft discussion paper in response to the Board motion. Further data with regard to the specific questionnaires submitted by universities in Alberta, Manitoba, Quebec and New Brunswick will be forthcoming.

Introduction

Under the current Ontario Human Rights Code, an employee's right to be free from discrimination because of age is limited to people between the ages of 18 and 65. For faculty and academic librarians the impact of this is that, unless a faculty association has been able to negotiate extended employment rights, the decision as to their right to remain resides exclusively with their university administration.

OCUFA has a long standing policy position opposing mandatory retirement. In fact, OCUFA was one of the principles in a landmark case on mandatory retirement. In June of 1985, the OCUFA Board members passed a motion to pursue test cases on mandatory retirement in conjunction with CAUT and the other provincial faculty associations. The test case, involving seven university professors in a case known as McKinney *et al.*, was pursued all the way to the Supreme Court. In a decision dated December 6, 1990, the justices stated that universities were beyond the terms of reference of the Charter. Notwithstanding, while all the justices agreed that mandatory retirement fundamentally violates the Charter, five of the seven ruled that the violation was a reasonable limit on an individual's rights. The two dissenting justices were women, who argued that mandatory retirement was particularly unfair to women and other underprivileged groups who often start their academic careers later in life.

It needs to be pointed out that the courts have supported the mandatory retirement of individuals even where the human rights code prohibits discrimination on the basis of age. A significant case in this regard was that of Olive Dickason who was a tenured full professor at the University of Alberta and was forced to retire at the age of 65 because of a mandatory retirement clause in the collective agreement between the university and its academic staff. The province of Alberta did not at that time (and still does not) have mandatory retirement legislation in place. Ms. Dickason filed a complaint with the Alberta Human Rights Commission alleging that her forced retirement was in violation of the *Individual's Rights Protection Act* by discriminating against her on the basis of her age. There is a section in the Act which allows discrimination if the employer can demonstrate that the breach was reasonable and justifiable in the circumstances. A board of inquiry was appointed to hear Ms. Dickason's complaint and decided in her favour. The Court of Queen's Bench upheld that decision, but it was overturned by the Alberta Court of Appeal.

The Supreme Court judgement, published in 1992, upheld the decision on the grounds that the discrimination on the basis of age was reasonable and justifiable. In the ruling the Justices found

that:

it was the total package and trade-offs found in the collective agreement that made the subject rule reasonable and justifiable. In Dickason, a faculty member was required to retire at a certain age, but that the same faculty member had benefited from security of tenure and a pension scheme. Therefore, the Dickason case can be distinguished on its facts. There was no trade-off of any other benefits for the excluded group. In fact having been excluded from the Buyout payment, if they returned to work it would not have been in the same condition of employment as when they left. The returning Complainants would be subject to the across the board wage reduction and limited scheduling structure as part-time employees that arose out of other terms of the Buyout Program.

The objectives of mandatory retirement were stated to be the preservation of tenure, the promotion of academic renewal, the facilitation of planning and resource management and the protection of "retirement with dignity" for faculty members. Like the objectives put forward in McKinney, in which they are subsumed, they are of sufficient significance to justify the limitation of a constitutional right to equality. The impugned retirement practice is rationally connected to the objectives cited. The retirement of faculty members at the age of 65 ensures that the university may readily predict the rate at which employees will leave the institution and that positions are opened for new faculty. Mandatory retirement also allows the university to renew its faculty by introducing younger members who may bring new perspectives to their disciplines. It provides a means of remedying the twofold problem of limited funding and a "bulge" in the age distribution of professors. As well, the policy supports the existence of a tenure system which creates barriers to the dismissal of faculty members thereby enhancing academic independence. In the university setting, mandatory retirement also withstands the minimal impairment test. No obvious alternative policy exists which would achieve the same results without restricting the individual rights of faculty members. Finally, the effects of the prima facie discrimination are proportional to the legitimate objectives served.

Recent events have brought mandatory retirement to the forefront of the public policy agenda. The Ontario Human Rights Commission in a paper published in June 2001 entitled *Time for Action: Advancing Human Rights for Older Ontarians*, which argues that mandatory retirement should be revisited as a public policy issue.

Also, there was a recent decision by British Columbia's Court of Appeal which determined that mandatory retirement policies of public bodies must be justified on a case by case basis. The majority of the B.C. Court of Appeal stated that the Supreme Court of Canada case, *McKinney et al.*, was not definitive of the constitutionality of all retirement policies in the private sector, and does not relieve the employer of the responsibility to establish that its policy of mandatory retirement is justifiable under the Charter. However, the judgement also notes that the *McKinney* judgement was upheld only because of its context within the university sector.

Current Canadian Context

The situation with regard to mandatory retirement in those provinces where it has not been legislated by the government is complex. Despite the lack of a legislated retirement date, many of the universities have negotiated mandatory retirement policies, which are part of faculty collective agreements, and which are strictly adhered to. The New Brunswick Human Rights Commission provides an interesting example of the mixed messages surrounding mandatory retirement. The Commission's 2000-2001 Annual Report notes that the courts have stated that it is not possible to avoid human rights laws through contracts or collective agreements, and that the human rights laws

prevail over any other law that conflicts with them unless it expressly says otherwise. However, the Human Rights Act itself contains exceptions. The most notable in the context of this paper is that mandatory retirement is allowed when it is provided for by a pension plan. Despite the provincial legislation in New Brunswick, the University of New Brunswick, St. Thomas University, as well as Mount Allison University all have collective agreements or stated university policies which specify the normal retirement date for professors and academic workers as 65.

In Quebec, the universities have generally not negotiated mandatory retirement into their collective agreements with faculty and academic staff. Here the situation is viewed with frustration by the universities who feel they have a lack of control over finances with respect to hiring. To varying degrees, the Boards of Governors at McGill, Concordia and Bishop's Universities have offered early retirement packages to try to entice older, higher-earning professors to retire, and have articulated their frustration with the fact that universities are constantly challenged by a shrinking budget. It is interesting that Quebec seems to be the lone province that has no legislated mandatory retirement, but where the universities have not found a way around the provincial mandate through the collective agreements.

US Context

A federal law mandating the elimination of mandatory retirement in the United States was passed in 1987. The implementation date of the legislation was January 1994, though a recent study shows that less than one quarter of academic institutions waited until 1994 to officially end mandatory retirement. At that time, some of the academic community feared that voluntary faculty retirements would slow and that this would decrease the opportunities for academic institutions to make new faculty appointments, and would also increase the institutions' salary costs. Recent studies of the experience of US academic institutions since the abolition of mandatory retirement have found that there has been little effect on the probability that faculty retire prior to normal retirement age. What has been demonstrated is that a substantial fraction of faculty members who would have been constrained by the law to retire at a specific age now appear to be postponing their retirements to later ages.

In 2000 the Committee on Retirement of the American Association of University Professors conducted a *Survey of Changes in Faculty Retirement Policies* of a large national sample of colleges and universities. The statistics and information about the American experience with the elimination of mandatory retirement presented here are from this AAUP study, as well as a subsequent TIAA-CREF Institute publication citing the same survey. The goal of the 2000 survey was to glean information on the characteristics of regular retirement programs for tenured faculty, the existence and nature of retirement incentive programs and phased retirement programs for tenured faculty members, on institutional policies relating to retired faculty, and on institutions' perceptions of the impact of the end of mandatory retirement on their faculty. The survey became a joint effort of the AAUP, the American Council on Education, the College and University Professional Association for Human Resources, the National Association of College and University Business Officers, and the TIAA-CREF Institute.

The issues of early retirement or financial incentive to retire is an important one. The survey found that 46.2% of the responding institutions had one or more financial incentive program instituted since the abolition of mandatory retirement in 1994 which encouraged tenured faculty members to retire prior to age 70. In slightly more than half of the cases in which buyouts were available, all tenured faculty members were automatically eligible for the buyout if they met the age and/or years of service and/or age plus years of service requirement for eligibility.

Some faculty members find the prospect of abruptly ending their academic careers very distasteful, and this is likely to induce them to postpone retirement. With regard to the gradual transition into retirement, the survey found 27% of responding institutions had formal programs to permit tenured

faculty members to retire gradually by working part-time for a number of years before they formally retire. Institutions with defined contribution pension plans are twice as likely as institutions without defined pension plans to have such programs. The study found that almost all of the institutions permitted their retired faculty to teach after retirement on a part-time basis, although about half of the institutions indicated that only some retired faculty were permitted to teach. Most of the institutions reported that retired faculty members teaching part-time were paid similarly to other part-time faculty, which is to say, less than their salary as a tenured professor.

Many faculty members contemplating retirement would like to continue to teach on a part-time basis after they retire. Slightly less than half of the institutions indicated that they provide office space to retired professors, though a huge majority of doctoral institutions indicated that they provide such office space. Two-thirds indicated that they would provide retirees with access to computer systems and parking. Despite being a particular concern to active research scientists, only 11% of the American universities surveyed indicated that they routinely assign lab space to retired professors.

The survey found that only 22% of the institutions that responded indicated that the number of tenured faculty members continuing in full-time employment after age 69 was greater than prior to the institution's elimination of mandatory retirement. Most respondents reported that they did not believe that the abolition of mandatory retirement has caused more tenured faculty members to remain in their positions until a later date.

Some final points from the US survey demonstrates that the proportion of faculty staying on beyond age 70 was most likely to have increased at institutions which grant doctoral degrees. This would have significant impact on Ontario's public university system where the majority of university level academic institutions are equipped to grant doctoral degrees. For public institutions in the US, the study found that those which made contributions to retired faculty members' health insurance and/or have a phased retirement program were more likely to have reported that an increasing share of their faculty are now staying on beyond the normal retirement age of 70.

References

"The Survey of Changes in Faculty Retirement Policies." Ronald G. Ehrenberg for American Association of University Professors. 2002.

"Faculty Retirement Policies after the End of Mandatory Retirement". Ronald G. Ehrenberg and Michael J. Rizzo. Research Dialogue; TIAA-CREF Institute. Issue no. 69; October 2001.

"Student Enrolment and Faculty Recruitment in Ontario: The Double Cohort, the Baby Boom Echo, and the Aging of University Faculty." Byron G. Spencer, McMaster University. Revised March, 2002.

"Time for Action: Advancing Human Rights for Older Andirons." Ontario Human Rights Commission. June 2001.

Mandatory Retirement: Background and Current Issues

Background

A number of recent events has caused OCUFA to re-visit the issue of employee determined retirement (often referred to in public policy discussions as "ending mandatory retirement"). Although OCUFA has been extremely active on this issue in the past, it has been more than ten years since our policy position has been considered by the OCUFA Board. In March, the Board will be asked whether it wishes to develop a more current policy on the issue. At its meeting of February 8, the Collective Bargaining Committee will be given an opportunity to provide direction to the Board on this issue, as it has collective bargaining, as well as legislative, implications.

Recently, a number of faculty associations in Ontario have either been approached by individual

members concerning their ability to maintain their employment past the normal age of retirement, or the bargaining committee of the faculty association has sought advice on negotiating extended or employee determined retirement into the collective agreement.

Under the current Human Rights Code, in employment, the right to be free from discrimination because of age is limited to people 18 years and older but less than 65 years. As a result, an employer can have a mandatory retirement policy, but the law does not require them to do so. A faculty association is free to negotiate a retirement age other than 65, but if the employer refuses to do so, it will not be guilty of age discrimination under the Code. However, the issue of mandatory retirement as discrimination has recently been examined by the Ontario Human Rights Commission in a paper published in June 2001 entitled *Time for Action: Advancing Human Rights for Older Andirons*, which argues that mandatory retirement should be revisited as a public policy issue.

OCUFA has argued that not only is mandatory retirement a discriminatory practice, but the economic and labour considerations that have traditionally been arguments upholding mandatory retirement policies must be seriously reconsidered. Economically, it is more beneficial to society for workers to contribute tax revenues, rather than having those forcibly retired workers drawing income from the state. On the labour front, the long standing arguments that mandatory retirement was necessary to allow new, younger workers access to jobs is no longer valid. The post-secondary education sector is one of many currently experiencing a drastic labour shortage, and which perfectly demonstrates the impracticality of forcing qualified, willing professors to retire when they are so desperately needed. The labour shortage in all sectors is predicted to increase as the baby-boom generation retires. Since court challenges to mandatory retirement in Ontario have been unsuccessful, it is necessary to amend the Ontario Human Rights Code in order to make it illegal for workplaces to discriminate on the basis of age.

A recent decision by British Columbia's Court of Appeal determined that mandatory retirement policies of public bodies must be justified on a case by case basis. The majority of the B.C. Court of Appeal stated that the Supreme Court of Canada case, *McKinney et al.*, was not definitive of the constitutionality of all retirement policies in the private sector, and does not relieve the employer of the responsibility to establish that its policy of mandatory retirement is justifiable under the Charter. The judgement also notes that the *McKinney* judgement was upheld only because of its context within the university sector.

Historical Involvement

Ontario's university professors have long had an interest in changing public policy in Ontario to allow university professors to determine their own retirement date. In June of 1985, Board members passed a motion that OCUFA would pursue test cases on mandatory retirement in conjunction with CAUT and the other provincial faculty associations. The test case involving seven university professors known as *McKinney et al.*, was pursued all the way to the Supreme Court. In a decision dated December 6, 1990, the justices stated that mandatory retirement was a legitimate infringement of the Charter of Rights and Freedoms, and was justified because the practice benefits society as well as the majority of employees. All of the justices agreed that mandatory retirement fundamentally violates the Charter, but five of the seven ruled that the violation was a "reasonable limit" on the individual's rights. The two dissenting justices were women, who argued that mandatory retirement was particularly unfair to women and other underprivileged groups who often start their academic careers later in life. In April of 1991 the Board moved to continue lobbying the provincial government for amendments to the Ontario Human Rights Code which would end mandatory retirement.

In 1987 OCUFA made a submission to the Ministry of Labour Task Force on Mandatory Retirement outlining OCUFA's concern with overall retirement policies, and maintaining that mandatory retirement was unjustified and unjustifiable discrimination on the basis of age. The Task

Force's report advocated that should the government decide to end mandatory retirement, university faculty members should be exempt on the basis of the tenure system and the need to make way for younger academics. OCUFA sent a letter of rejection to the Minister of Labour.

In light of OCUFA's submission to the Task Force, as well as the motion passed by the Board to continue lobbying the provincial government to amend the Code in favour of voluntary retirement, current OCUFA policy endorses flexible retirement policies, including the right of professors to continue working past the normal retirement age.

Collective Bargaining Approaches to Ending Mandatory Retirement

In the mid-1980's, three Ontario faculty associations were successful in negotiating an extension to the normal retirement date. CUASA first negotiated an extension to mandatory retirement in 1985. The collective agreement allowed an employee to continue working until the age of 71 at the employee's discretion. However, under intense pressure from the employer, concessions to the language were negotiated in subsequent rounds of bargaining, and the clause was abandoned entirely in 1996. YUFA negotiated a flexible retirement policy in 1987, but had mandatory retirement imposed by the employer in the strike of 1996 (limited extended retirement rights still exist for low income faculty). OISE Faculty Association negotiated similar provisions to CUASA and YUFA, and were also forced to concede the language in the mid 90's. Since then, no faculty association has been successful in bargaining an extension to the normal retirement date.

Newsletter Articles



New Members

Chris Bart
Maria Whiteman

Business
School of the Arts



MUFA Names Representative to EMT

Ian Hambleton, Professor in the Department of Mathematics & Statistics, will represent the Faculty Association on the reconstituted Enrolment Management Team. The Enrolment Management Team "will implement and oversee all enrolment policies approved by Senate and, after consulting with Faculties, Programs and other appropriate University groups, will report to the Provost on enrolment matters" (*Terms of Reference*). The EMT is chaired by Fred A. Hall, Associate Vice-President (Academic).

Need to Know: Your Benefits

Group Life Insurance



The purpose of this benefit is to assist your beneficiary, in the form of a lump sum payment, in the event of your death while employed at McMaster University.

Basic coverage is provided by the University to all eligible staff. Optional coverage is fully paid for by the employee. All rates are subject to change based on the experience of the Plan and the demographics of the group being covered.

Basic Coverage is 175% of your annual salary* (maximum coverage of \$175,000). Evidence of insurability is not required for enrolment in this mandatory benefit and McMaster pays the entire premium. The premiums paid are a taxable benefit.

Optional Coverage ranges from 25% to 500% of your annual salary* (maximum coverage of \$500,000). Employees applying for optional life insurance coverage are required to provide evidence of insurability. The entire premium is paid by the employee and is based on your age, gender, and smoking status.

At retirement, an individual is provided with a \$5,000 Life insurance policy. If the individual is retiring on or after her/his Rule of 80 date, the individual may elect to continue his/her lump sum coverage up to age 65. Coverage under the Optional programme may not be continued beyond the individual's termination/retirement from the University.

***[For benefit purposes, salaries are limited to \$100,000 and if the salary is not an even \$1,000 it will be raised to the next higher \$1,000.]**

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Early in 2002 McMaster University lost David Winch, a highly valued faculty member who will be dearly missed by the academic community.

David Winch had already established a strong reputation as a microeconomic theorist when he joined the Department of Economics in 1966. During his twenty-three year career at McMaster, he continued his superb scholarship, publishing several books, articles and reviews that earned widespread recognition in the economics community. In recognition of his achievements, David was awarded a Killam Fellowship in 1971 to work on his scholarly text Analytical Welfare Economics. He was invited to give the prestigious Innis Lecture at the annual Canadian Economics Association meeting in 1977 and made a Fellow of the Royal Society of Canada that same year. David served as associate chair and then chair of the department for a total of six years, proving himself to be an outstanding leader and supportive mentor. Later serving on various committees and associations, including OCUFA (Ontario Confederation of University Faculty Associations), he continued to take part in departmental initiatives.

To honour David's memory, there is a memorial fund established in his name. For more information regarding this fund please contact Shelley Pooley, Faculty Advancement Officer for the Faculty of Social Sciences, at extension 24607, or e-mail pooleys@mcmaster.ca.



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

As we continue with introducing you to the 5 Laws of Wealth Creation, so far we've covered Rule #1: Set the Goal and the Time Frame to Achieve It and Rule # 2: Use Other Peoples's Knowledge. One thing is for sure, in order to achieve anything in life, one has to devote some positive habits and a consistency to their applications. This leads us to the next topic.

Wealth Law #3: Pay Yourself First

This concept has been covered in many books, including one written ages ago titled *The Richest Man in Babylon*. One of its central themes suggested that “10% of what you earn is yours to keep”. We all recognize there are so many things which drain our bank accounts each month that sometimes there’s “too much month at the end of the money”.

In that essence, in order to plan proactively for your nest egg, you must establish the positive habit of Paying Yourself First before any money goes to those expenses which you need to sustain your being. This habit varies with each individual, but the best way is to use it in conjunction with Rule #1. Set up your future financial goal, subtract the future value of what you currently hold in your portfolio given a certain growth percentage, then calculate the yearly or monthly contributions necessary at a given growth rate to help you make up the deficiency if there is one. This is the first step in making an informed, calculated decision.

This may be best described by an example. Assume it is calculated that your future nest egg needs are \$1.2 million, and that you currently have a portfolio worth \$200,000. The time frame is 20 years. At an average 8% growth rate the \$200,000 would be worth about \$932,000. This leaves a deficiency of \$268,000. You would need to put away about \$5,860 each year or roughly \$455/month to achieve the \$1.2 million goal at the same 8% growth rate.

Methods vary, but by far the easiest is to have the value deducted straight from your paycheque. In many cases, some employers will match these contributions at some percentage value such as 50% - 100% up to a maximum contribution. In these instances, you should always take advantage of this ‘free’ money since it’s an immediate return on your money which cannot be matched that consistently by any investment vehicle. And although this extra money is taxable, by having your plan sheltered under a registered vehicle such as a Registered Retirement Savings Plan (RRSP) or Registered Pension Plan (RPP), you can defer paying the tax on the employer contributions until some later date.

If this is not available, or for contributions over the maximums allowed through your employer sponsored plans, many institutions will enable monthly or bi-monthly pre-authorized contributions (PACs) directly from your bank accounts.

No matter which method is chosen, when used in conjunction with mutual funds whose daily values fluctuate, this habit takes advantage of the concept called “dollar cost averaging”. This is the process where a fixed monthly amount is used to purchase a variable amount of shares or units of funds at the existing price. The paradox of this method is that it is actually beneficial when prices go **down** since this price volatility helps in buying more units at the lower prices. This will drop your average price/unit so that over time you would not need to recover to the top price in order to break even. Invariably, one hopes that over time the prices of the units will be much higher when you start withdrawing the funds on a systematic program, well into the future.

While there exist numerous options of what to purchase, you would need to ensure that whatever you buy will still have the growth potential necessary for you to reach your goal. Buying a 3% GIC or even a bond fund averaging 6% may **not** get you to where you’re going. It’s a simple mathematical fact. Achieving a higher level of return on even your monthly contributions may require a higher level of risk in what you include in your portfolio. What level of risk you can accept is an individual choice.

In our next edition, we will introduce a slight modification on the “Pay Yourself First” concept. It’s one that could potentially be less expensive and more tax efficient for the future income stream that will be derived. Stay tuned.

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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For Sale

103 Watson's Lane, Dundas. Next to Royal Botanical Garden/Park. Custom built, all brick, 2 storey on 50 x 100 ft. lot. Home in excellent condition (spring clean, like new). Lower level completely finished for in-law situation. Family room, kitchen, bedroom and 3-piece bath plus 2400 sq. ft. on the upper 2 levels. Three bedrooms all with walk-in closets (2 master bedrooms), two 5-piece bathrooms plus powder room on main level. Priced at \$320,000. Central air, central vac, central humidifier and 2-car garage. Very handy to McMaster University (5-minute drive/10 minutes by bike). Easy access to 403/QEW/407. Please call Tom (ext. 27265 or 905-627-8617).

House for Rent

Century farmhouse circa 1860, situated on private three-acre property overlooking the Dundas Valley. Ten minutes from McMaster. This 10-room home has en suite master bedroom, 4 other bedrooms, 5-piece bath plus 2-piece on main floor. Living room with heatilator fireplace; dining room, plant room with entrance onto back deck; study; large kitchen with mudroom; ramp access to deck and rear entrance. Lower level has study with walkout to ground level; large storeroom; utility area in original old basement.

For further information, call Sylvia Cerruti, 905-627-5161 (before 10:00 pm).

November 29, 2002
pdk