EARLY RETIREMENTS AT MCMASTER

NOTE: below please find a copy of our special newsletter that attempts to put the McMaster early retirement scheme into the context of other early retirement schemes at Ontario Universities.

Since this newsletter was issues, we can now report that the scheme below was an outstanding success in generating early retirements. Although all the details are not yet available, it appears that just over 70 faculty members will take advantage of this opportunity. All eligible faculty who requested early retirement have been accomodated.

MUFA SPECIAL NEWSLETTER

February 1996

McMaster EARLY RETIREMENT PACKAGES for Faculty Members

We would like to take this opportunity to indicate the Faculty Association's involvement with the formulation and implementation of this year's Early Retirement Programme for faculty. Your Executive had been concerned with the initial reluctance of the University administration to bring the substantive issues before the Joint Committee. Finally, a special meeting of the Joint Committee was called on January 10, 1996. We reviewed the proposals and all of the members of the Joint Committee endorsed the Early Retirement Programme. Later the MUFA Executive endorsed it in principle as well. In general, we feel it is fair and reasonable. Although MUFA did have input at the Joint Committee level and we did approve it in principle, we must remind each faculty member eligible to take early retirement under the package that you should consider your own circumstances in making a decision about accepting the package. Individual faculty members should make sure they understand the gross compensation available each month, the deductions that will no longer be taken away from their monthly payment and the impact on their future income from an RRSP. Thus, individual evaluations on monthly net disposable income until age 65 plus total pension income after age 65 are important considerations. We have been asked by a number of faculty members how our early retirement scheme compares to others þ especially to the University of Waterloo which has received so much press. We do not have details on many schemes, but understand that our scheme is similar to many of them. Much information on the Waterloo scheme is available on the Web (see, http://www.adm.uwaterloo.ca/infoipa/early.html or follow the path from the MUFA Home Page under Interesting Sites). From the faculty standpoint, our scheme is really very similar to the Waterloo scheme. Both schemes involve a rule of 80, both involve a lump sum retirement payment, and both involve bridge funding to carry one over to age 65 when CPP payments should start. There is not a lot of difference in the size of the payments for individuals with equivalent experience and salaries at the two institutions. What does make a big difference, and probably has influenced their take up rate, is that Waterloo did not have a rule of 80 in their pension plan before the special scheme and still do not have one after. At McMaster, we had such a rule before and still have one. Thus the Waterloo package probably looked better relative to the alternative at Waterloo (no rule of 80) but not better than our scheme. The other plan we have some details on is the Western plan. Our information on this one is more limited. Our understanding though, is that the payout does not depend on years of service (except that you must satisfy a rule of 75 þ age + service are at least 75) but on the number of years `early' you leave. The payout is a fraction of salary depending on the number of years early and goes as follows:

Years Early	% of Annual Salary Paid Out
1	35%
2	70%
3	105%
4	130%
5	155%
6	180%
7	205%
8	220%
9	235%
10	250%

(Source: UWOFA Newsletter, December 4, 1995)

The lump sum amounts seem greater at UWO than here and at Waterloo, but there is no special early retirement plan (like our rule of 80) because their pension plan is a money purchase plan. Our rule of 80 (monthly pension is calculated without actuarial reduction) is worth more the earlier you retire and would make our total payments look similar to the above table in the sense that you get more the earlier you leave. If you left 5 years early and were getting a pension of roughly 50% of salary (this includes the CPP bridge) that sounds like about 250% of salary (while 10 years gives closer to 500%) and a lot better than at Western.

Hank Jacek & Les Robb