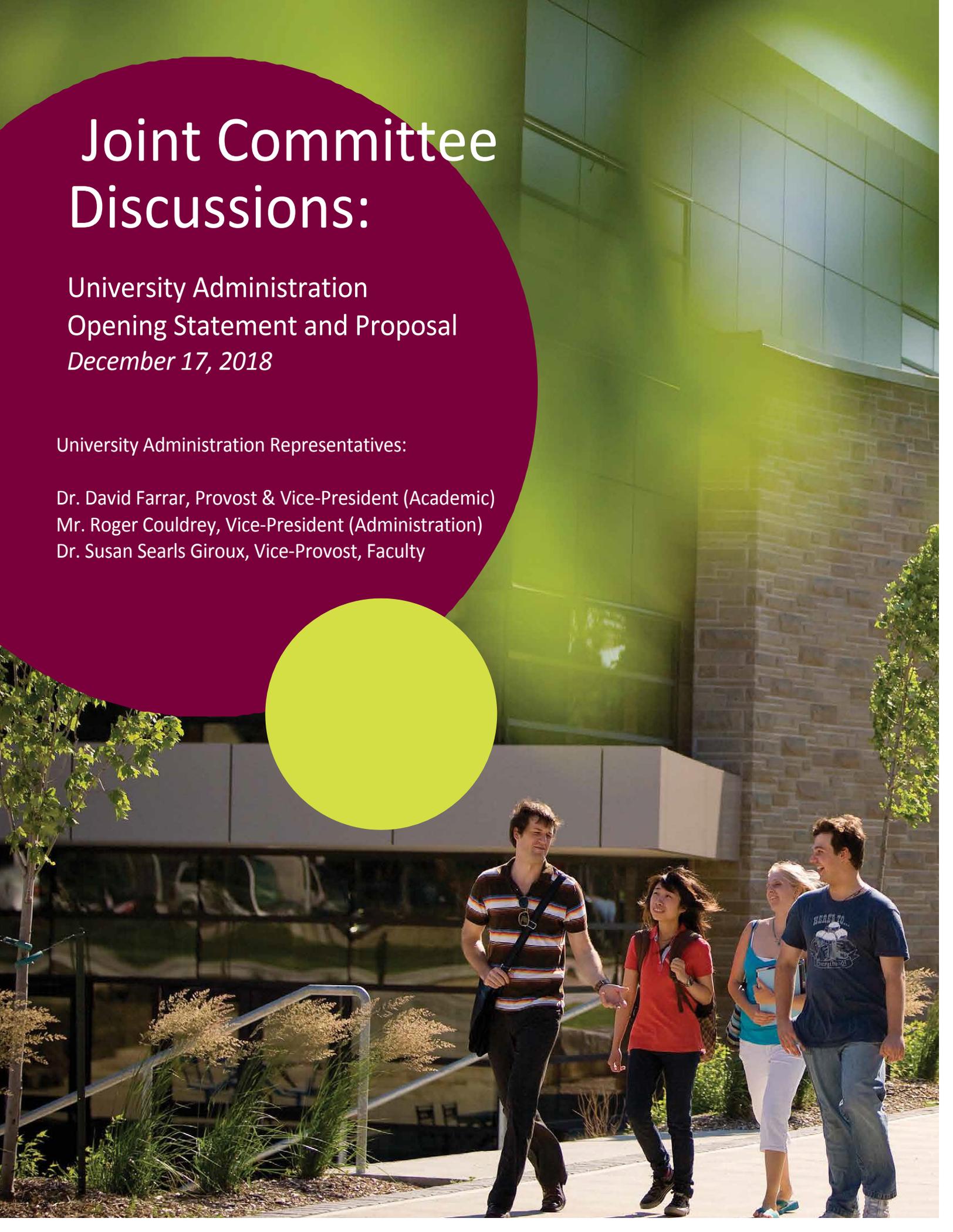


Joint Committee Discussions:

University Administration
Opening Statement and Proposal
December 17, 2018

University Administration Representatives:

Dr. David Farrar, Provost & Vice-President (Academic)
Mr. Roger Couldrey, Vice-President (Administration)
Dr. Susan Searls Giroux, Vice-Provost, Faculty



INTRODUCTION

The University Administration's representatives on the Joint Committee look forward to our Committee's deliberations to determine the remuneration provisions for McMaster University Faculty Association (MUFA) members. We recognize and have great respect for the relationship that MUFA and the Administration have built together and seek to reinforce it through the conduct of these negotiations. It is our intention to participate in open dialogue, with the objective of a mutually agreeable outcome. This opening brief outlines our view of the context and considerations that pertain to our discussions.

Our negotiations will be conducted in the context of McMaster's continuing role as one of Canada's leading universities with a commitment to world class research and to our history and future as an institution of innovative and committed teaching. Both our researchers and our students, with the support of staff, continue to tackle the challenges of today and are helping to build a brighter world.

A number of key developments and documents that will inform our discussions are:

- The principles and goals outlined in President Patrick Deane's *Forward with Integrity* documents;
- The renewed Strategic Mandate Agreement (SMA) with the Province of Ontario which outlines McMaster's goals and plans for the University's strategic priorities, growth and metrics from 2017 to 2020; and
- The University's Strategic Research Plan.

Together, these documents capture McMaster's commitment to excellence in research and teaching at both the undergraduate and graduate levels and to enhancing connections and partnerships to expand how McMaster serves our communities near to home and around the globe.

These goals guide our decision-making and are the basis upon which we enter into our discussions. We value collegiality and know that shared information is the foundation for productive discussions that address our common purpose and challenges.

To ensure that we can continue supporting McMaster as a research-intensive university with a renowned commitment to students and teaching, the Joint Committee must be mindful of the fiscal health of the University. Discussions about faculty total compensation cannot be separated from McMaster's financial position. We enter these discussions with a frozen operating grant due to the corridor funding model put in place through the 2017 Strategic Mandate Agreement with the province, the prospect of further cuts as the Province looks to pay down its deficit, uncertainty on tuition rates, and a challenged geopolitical environment affecting international enrolment. Our financial challenges are compounded by wage and benefit inflation costs, technology/capital infrastructure and sustainability requirements, and increasing needs for student-related services and support.¹

In March 2018, the Higher Education Quality Council of Ontario published a report titled, "University Sustainability: Expenditures". Among the conclusions of the report, it notes that in a 2012 study that examined academic salaries, contracts and benefits at public universities in 28 countries, Canadian full-time faculty had the highest entry-level salaries, and highest overall average salaries. Furthermore, the report states that in

¹ Source: McMaster University 2016/17 Consolidated Budget, page 1

2016, Ontario had the highest average salaries among 11 provinces and that within the Province of Ontario, McMaster University ranked second, behind the University of Toronto, in average full-time faculty salary.²

The University Administration’s members of the Committee look forward to comprehensive and open discussion with our faculty colleagues about these challenges and realities. For while our aspirations are substantial, our approach to faculty remuneration must also ensure the University’s financial viability and consider the fiscal challenges that face us.

CONTEXTUAL OVERVIEW

There are a number of important contextual factors within which the 2018-2019 Joint Discussions will take place, including our priorities; our commitment to equity, diversity, and inclusive excellence; our significant achievements; and our fiscal reality and political landscape.

Our Priorities

Forward With Integrity, the Strategic Mandate Agreement with the Province of Ontario, and the University’s Strategic Research Plan, together, define McMaster’s priorities and establish the foundation on which the institution’s decisions are made. The goals and priorities of the Faculties within the University, in keeping with these institutional priorities, are also part of our shared purpose and an important context for our discussions. The key themes and areas of focus included in these documents are summarized below.

Forward With Integrity	<ul style="list-style-type: none"> • The Student Experience • Research • Community Engagement • Internationalization
Strategic Mandate Agreement <i>2017-2020</i>	<ul style="list-style-type: none"> • Student Experience • Innovation in Teaching and Learning Excellence • Access and Equity • Research Excellence and Impact • Innovation, Economic Development and Community Engagement
Strategic Research Plan <i>2018-2023</i>	<ul style="list-style-type: none"> • Recruiting and retaining researchers and trainees of the highest calibre • Building on our strengths and capitalizing on our interdisciplinary capacity • Promoting a deeper understanding of the importance of equity, diversity and inclusion to strengthen our research programs and teams • Ensuring that Indigenous ways of knowing are recognized as valid forms of research • Encouraging a broad range of research approaches and methodologies • Promoting knowledge mobilization and translation, technology transfer, and commercialization to maximize the benefit of research to society • Fostering collaboration with national and international academic, hospital, government, community and industry partners • Providing trainees and early-career researchers with innovative research, mentoring and training opportunities.

² Source: http://www.heqco.ca/SiteCollectionDocuments/Formatted_University%20Core%20Expenditures_FINAL_ENGLISH.pdf

Our Commitment to Equity, Diversity, and Inclusivity

The University is committed to equity, diversity, and inclusive excellence. In pursuit of attracting and retaining the very best and brightest, our efforts to identify and remove barriers to full participation in our community are of critical importance. An Equity, Diversity and Inclusion (EDI) Framework and Action Plan for the University sets out four pillars for strategic action in this regard:

1. Institutional Commitment and Capacity (Leadership, Governance, Accountability)
2. Educational Content and Context (Teaching, Learning, Research)
3. Interactional Capabilities and Climate (Attitudes, Knowledge, Skills)
4. Compositional Diversity and Community Engagement (Equity, Access, Success)

The University has continued to regularly monitor and analyze salary levels to maintain gender equity among faculty members. A recent analysis of faculty salaries, conducted in September 2018, confirms there is no statistically significant relationship between salary differentials and gender among faculty members at McMaster.

Our Significant Achievements

Together, we continue to achieve many significant accomplishments at McMaster University, in our commitment to creativity, innovation, and excellence. Highlights of some of these accomplishments are:

Research Excellence

- McMaster has been named Canada's most research-intensive University in the annual ranking of the country's Top 50 Research Universities in two consecutive years
- McMaster continues to outperform its peers in research intensity, averaging \$434,700 per faculty member, which is more than double the national average
- McMaster advanced to 77th from 78th in the 2018 World University Rankings, published by Times Higher Education, and was ranked 4th among Canadian institutions, placing McMaster among the top 1% of universities in the world
- McMaster won the prestigious Global Teaching Excellence Award in 2018 based on the strength of its experiential learning opportunities and a commitment to global engagement

Top Employer

- McMaster has been named one of Niagara-Hamilton's Top Employers in each of the past three years
- Between July 1, 2015 and June 30, 2018, McMaster successfully recruited 101 faculty members at the ranks of Lecturer (8), Assistant Professor (77), Associate Professor (12) or Professor (4)

Our Fiscal Reality and Political Landscape

McMaster's fiscal health is affected by many factors, both revenue and expense related. The majority of the University's operating expenditures relate to the employment costs of its employees who advance, sustain and support McMaster's academic and research mission. Its two primary funding sources – the government operating grant and tuition – face uncertainty and we operate in an environment where continued restraint measures are expected.

The Ontario government has announced it faces a \$15B deficit. As a result, they have indicated there will be spending restraint and they are looking for sectors like ours to find efficiencies. As such, it would be prudent to anticipate some change in government funding support.

The new provincial funding model introduced in 2017/18 fixes the provincial grant funding level for domestic or funding-eligible enrolment at the 2016/17 level with limited negotiated expansion funding for graduate enrolment as stipulated in each institution's Strategic Mandate Agreement for the period from 2017/18 to 2019/20. Under the new funding model, McMaster, and other Ontario universities must keep its domestic enrolment within a five-year smoothing average of 3% of their respective corridor midpoint which is set at their 2016/17 level, leaving international student enrolment growth as the primary option to grow revenue. McMaster's support for an increased international presence and internationalization on campus compliments the University's decision to increase its international intake, but this is a strategy with built-in limitations and no small degree of associated risk.

While tuition may assist with offsetting potential cuts, McMaster and other Ontario universities face more uncertainties on this front. To date, the provincial government has not announced a Tuition Framework for 2019/20 and beyond, and the previous government provided a tuition framework that expires in 2018/19. For planning purposes, the University has assumed a tuition framework based on a 3% increase (meaning budgets for 2019/20 are based on an average overall increase of 3% for domestic undergraduates), but the reality could be different. As we look forward, there is considerable uncertainty on whether the 3% overall increase allowance will remain in place.

Of course, budgeting has always been a challenge for Ontario universities, given that grants have zero inflation embedded in them and that tuition increases are provincially prescribed at restricted rates. Research intensive universities are further challenged as they are not fully funded for the indirect costs related to research. The costs and inflationary rate of increase for salary and benefits for faculty and staff is a constant pressure. Within McMaster, the career progress/merit (or CP/M) model for faculty has exacerbated this situation. While the model was built to enable faculty renewal, the elimination of mandatory retirement means that the model is not providing the balance it should and is increasing compensation costs at an unsustainable rate.

Provincial Funding Formula Change

In April 2015, the Ministry announced a university funding model reform consultation process to modernize the university funding model. The main principles of the funding model review included supporting the existing differentiation process, enhancing quality and overall student experience, financial sustainability and increasing transparency and accountability.³ The financial sustainability challenge of universities related

³ Source: http://www.tcu.gov.on.ca/pepg/audiences/universities/uff/UniversityFundingFormulaConsultationReport_2015.pdf

predominantly to areas experiencing declining enrolments due to domestic demographics (student age population decline or lack of growth). The stabilization of lower enrolment schools was to be tackled by the redesign and was identified as a top Ministry priority.

The new funding model presented “corridor” funding as a revenue stabilizer to cushion universities from the otherwise destabilizing impact of enrolment decline. The impact of the Ministry assigning a fixed operating grant is that for each student above 2016/17 enrolment level, McMaster will have no operating grant revenue (only the associated tuition). The revenue in the form of weighted grant units (“WGU”) is fixed as long as it remains within the corridor. Falling below the corridor enrolment will mean a grant cut and rising above will not result in additional funding. McMaster is currently working with operating grant revenues reflective of 2016/17 for its 2019/20 budget.

The Province’s efforts to find savings as it attempts to address its deficit create considerable challenges for the post-secondary system as a whole and particularly for research-intensive institutions such as McMaster, which have seen a continuing increase in demand and remain on a growth trajectory. Domestic students will be held flat (no growth planned) and international student participation will grow up to capacity. Still, international participation will require diversification in order to protect funding from geo-political risks. As much as 61% of our international student population comes from China, reflecting a high degree of existing risk.

Tuition and Fees

Although the current tuition framework expires at the end of the 2018/19 fiscal year, the new provincial government has not announced a tuition framework for 2019/20 onward. In the absence of reasonable tuition increases, McMaster will have no incremental inflationary source of revenues from domestic students’ participation for expense pressures associated with salary, wages and benefits, and other expense inflation, which will have budget implications. Over time, if left unaddressed, this lack of revenue growth will erode the University’s financial health and sustainability. As noted, the University has chosen to grow international enrolment. This strategy supports the University’s interest in expanding its internationalization to increase excellence, diversity, and international reputation, and also offsets inflationary cost increases. International participation represents about 13% of our current student population (both undergraduate and graduate combined); growth of international participation to 20% or up to 25% is necessary in order to fund additional international student support, increase the Faculty complement in targeted areas receiving the student growth, and to defray normal run rate inflation on expenses.

Budget Model

The budget model introduced in the 2014/2015 fiscal year increased alignment and transparency between the University’s operating budget allocations and its strategic priorities, and increased accountability for allocations. Since its introduction, this budget model has been the subject of much discussion; following a letter from MUFA’s Budget Advisory Committee to the University in 2016 the model underwent a formal review in 2017. The review of the model recommended minor transparency adjustments; however, concluded that it should remain in place without further refinements. Since that time, the budget approach has been continually assessed and evaluated both internally and externally, the latter involving the sharing of best practices with other Canadian and U.S. universities, as well as participating in research undertaken by the Education Advisory Board. Review feedback and ongoing input and analysis has resulted in some changes to the budget to either address concerns or enhance incentives aligned to strategic priorities. The budget adjustments mostly alter values of the parameters and not the underlying principles. The model brings greater certainty to Faculties in terms of how funding is received by and allocated out to Faculties and/or to support units based on approved funding requests.

Salaried Pension Plan Valuation

MUFA faculty members participate in the Contributory Pension Plan for Salaried Employees of McMaster University Including McMaster Divinity College 2000 (the “Plan”), which is a defined benefit pension plan. As with many defined benefit pension plans, there are ongoing funding challenges with the Plan. As of the last full valuation on July 1, 2017, the funding shortfall for the Plan was estimated at approximately \$30.8 million on a going-concern basis and the solvency shortfall at that date was \$342.1 million.

New Pension Act legislative changes are now in place for plans filing full valuations on or after January 1, 2018. McMaster will file an early full valuation for its salaried plans effective July 1, 2018, in order to adopt the new pension rules. The new rules require solvency payments where a plan falls below 85% funding, and introduces a new Provision for Adverse Deviations (PfAD) which will need to be funded as a percentage of going concern liabilities based on the allocation of invested assets and whether the plan is defined as open or closed. McMaster’s Plan is currently defined as “closed” because it is only open to certain segments of employees rather than all the segments it originally supported, increasing funding requirements beyond the “open” plan PfAD definition by 3 – 5%.

In order to estimate the updated pension payments, McMaster’s actuary provides a 10-year payment projection schedule (updated at minimum annually, and more frequently during periods of interest rate variability). The draft summary of the expected July 1, 2018 valuation findings (shown below) were presented to the Pension Trust Committee in November 2018, based on 2017 employment data. The full valuation will be prepared for the Pension Trust Committee in January 2019 and then be presented for further governance approvals as required so that it can be filed with the Financial Services Commission of Ontario by March 31, 2019. Based on the projected payments for the going concern (current costs), PfAD (as a percentage of current costs), special payments (for deficiency/past costs) and pension benefit guarantee fund (PBGF) payments, the University’s share of the cost amounts under the revised Act amount to \$520.8 million over the 10-year period, as outlined in the table below. This 10-year projection is \$44.4 million lower than the July 1, 2017.

The new valuation filing reduces the previous funding shortfall projected. However, the University still bears the majority of costs associated with the Plan, with the University contributing 53% and employees contributing 47% of the cost of the total Plan.

Salaried Plan 2000 Updated Projections - Over a 10 Year Horizon

Plan 2000 Outflows '18-27	July 2017 Valuation	July 2018 Potential Valuation with PfAD
Going Concern: Current Service Cost (ER share) (Employer/Employee cost share split)	\$306.5M (54%/46%)	\$307.9M (53%/47%)
Going Concern Deficiency Special Payments	\$18.1M	\$126.0M
Solvency Ratio (point in time, changes)	84.8%	88.1%
Solvency Payments	\$228.9 M	None
Provision for Adverse Deviation (PfAD)	-	\$64.1M
Pension Benefit Guarantee Fund (PBGF)	\$11.685M	\$22.8M
Total Cash Outflows	\$565.2M	\$520.8M

Jointly Sponsored Pension Plan Update

In the provincial government's 2014 budget, it was proposed that single employer pension plans move toward single or multi-employer jointly sponsored pension plans ("JSPP"). Since that time, Ontario universities and some employee associations and unions have been exploring the feasibility of jointly sponsored arrangements, including consideration of transitional issues. In November 2015, McMaster and MUFA signed a memorandum of agreement regarding pension changes, which now forms part of the *Principles for Negotiation of Faculty Remuneration*. The memorandum sets out certain parameters for the way in which transition toward a JSPP would be determined⁴. In 2018, three institutions, (University of Toronto, Queen's, and Guelph) signed a Milestones and Key Terms Summary Agreement regarding the University Sector Pension Plan. These institutions are working towards establishing the JSPP for the university sector. The University is monitoring JSPP design and transition plans. The JSPP once formed by the inaugural three universities will be open to new entrants.

Enhancements to the Canada Pension Plan ("CPP")

CPP is a federal government program that provides pensions and benefits when people retire, become disabled or die. It covers almost all working Canadians over the age of 18, including people who are self-employed. The CPP is funded by contributions from employees, with matching employer contributions, as well as investment earnings generated.

CPP provides a predictable retirement income for most Canadians, outside the province of Quebec (who are covered by the Quebec Pension Plan). Currently, someone who has contributed for at least 40 years under CPP is eligible to receive at age 65 an annual pension equal to 25% of his or her average pensionable earnings in excess of the year's basic exemption (YBE). Presently, the YBE is \$3,500. The year's maximum pensionable earnings (YMPE) is \$55,900 in 2018 and will be \$57,400 in 2019. The annual pension from CPP is indexed to inflation.

In April 2017, the Government of Canada announced that changes to CPP are coming. These changes will begin in January 2019 and will be phased-in in two stages over a number of years. In the first phase, the YMPE will rise and the rate of employee and employer contributions on earnings up to the YMPE will gradually rise by 1% (from 4.95% to 5.95%). In the second phase, a new tier of CPP-covered earnings (i.e., earnings above the YMPE) will be phased-in over two years (2024-25). The upper limit on this new tier of covered earnings will be known as the "year's additional maximum pensionable earnings" (YAMPE). Employees and employers will contribute 4% of earnings between the YMPE and the YAMPE.

These enhancements to CPP will require that both employees and the University contribute more to CPP, beginning in 2019, and will result in enhanced CPP payments in the future. Once fully implemented, the enhancement will see the earnings ceiling increase by 14% and the annual pension from CPP benefit increase from 25% to 33% of his or her pensionable earnings, as illustrated in the following chart.

⁴ Source: <http://macfaculty.ca/wp-content/uploads/2015/03/MOA-Pension-Changes1.pdf>



The YMPE is \$55,900 in 2018.

The YAMPE is the Yearly Additional Maximum Pensionable Earnings which is estimated to be \$78,300 in 2025.

CPP contribution rates for both the employee and University will increase between 2019 and 2025:

Effective Date	Contribution up to the YMPE		Contribution Above YMPE and up to the YAMPE ⁵	
	Employee	University	Employee	University
Current	4.95%	4.95%	n/a	n/a
January 1, 2019	5.10%	5.10%	n/a	n/a
January 1, 2020	5.25%	5.25%	n/a	n/a
January 1, 2021	5.45%	5.45%	n/a	n/a
January 1, 2022	5.70%	5.70%	n/a	n/a
January 1, 2023	5.95%	5.95%	n/a	n/a
January 1, 2024	5.95%	5.95%	4%	4%

Pension Plan Integration with CPP:

McMaster’s Pension Plan was designed to be aligned with CPP. Both the contributions that employees make to the Pension Plan while actively employed, and the benefits payable from the Pension Plan when they retire, take into account participation in CPP. Integration with CPP is achieved using a stepped approach (instead of a fully integrated approach). That is, both the contributions made by employees on earnings already covered by CPP, and the benefits payable from the Pension Plan on those earnings, are lower than the corresponding contributions and benefits on earnings above the CPP earnings limit (the YMPE). Specifically:

- While actively employed, the current contribution rates to the pension plan for members of MUFA are:
 - 8% of salary up to the YMPE, plus
 - 11% of salary in excess of the YMPE
- On retirement, the Pension Plan provides an annual pension payable to a Member from the Normal Retirement Date, Special Retirement Date or Postponed Retirement Date that is the sum of:
 - 1.4% of Best Average Salary up to the Average YMPE, multiplied by Pensionable Service, **plus**

⁵ Year’s Additional Maximum Pensionable Earnings (YAMPE) will be introduced in 2024. YAMPE is estimated to be \$78,300 in 2025.

- 2.0% of Best Average Salary in excess of the Average YMPE multiplied by Pensionable Service.

The revisions to the CPP will result in increases in cost for both the employee and University, yet the benefit received will be minimal for many current faculty members. McMaster intends to maintain integration between the Pension Plan and the enhanced CPP in alignment with the current integration approach used in our plan – requiring adjustments to the pension formula for future service and adjustment of employee contribution rates in each case to take into account the new YAMPE.

Retiree Benefits Plan

Currently, as changes are made to the active faculty benefits plan, concomitant changes are made to create a new retiree benefit plan. The result is an increasingly complex array of retiree benefits plans, varying slightly by modifications made at any single point in time to the active benefits plan. This approach has created an increasingly problematic and unnecessary administrative burden, and potential for confusion for retirees. There is a need to unlink the retiree benefits plan from the active benefits plan for faculty, and to freeze the retiree benefits in their current state. The University seeks to change this approach. The retiree benefits plan which mirrors the current active plan and would be the post-retirement benefit plan for future MUFA retirees.

Analysis of the Cost of the Career Progress/Merit (“CP/M”) Plan

An analysis of CP/M over the 5-year period 2013/14 to 2017/18, shows that the average annual incremental CP/M cost is approximately \$1.033M per year, and the average incremental CP/M increase in total base salary over the same 5-year period is approximately 0.79%. This percentage represents the 5-year average of incremental CP/M divided by the 5-year average of total base salary. To put these figures into perspective, the CP/M model at the University, which was originally modelled to be cost neutral, has had a total incremental cost of approximately \$5.166M over the past 5 years.

To calculate the average annual incremental CP/M, the assumption is made that there are 26 retirees and the same number of new hires each year. The number 26 is selected as it represents approximately 1/35th of the faculty population, and the average faculty career span from hire to retirement is assumed to be 35 years. The annual incremental CP/M cost is the difference between the net savings (retirement savings – new hire costs) and the actual CP/M costs in a given year. This methodology is relatively conservative because in reality, the actual total net retirement savings are lower.

This recognition of the cost of CP/M is supported by comparing the cost of the McMaster CP/M model with those at other G6 universities. There is considerable variability amongst our peers. However, McMaster’s model, at 2.29% of average salaries over the past four years, is the richest of all. At other G6 universities merit programs have costs ranging from 1.43 to 2.16% (using 2017-18 data), with an average, excluding McMaster, of 1.74%. It is therefore not surprising that the McMaster CP/M program is not cost neutral.

The University plans to recognize the comparatively higher cost of CP/M in our settlement.

DEMOGRAPHICS AND COMPARATIVE DATA

Demographics⁶

The total faculty count, as at September 24, 2018, was **933**. Of this number:

- 61% are male; 39% female
- The average age is 52 years
- The average years of services is 15
- The distribution of faculty members by rank is: 42.7% Professor, 31.6% Associate Professor; 25.1% Assistant Professor; .01% Lecturer.

The chart below provides the faculty distribution by rank and gender:

	Faculty Members	Male	Female	Full Time	Part Time
Professor	398	302	96	390	8
Associate Professor	295	158	137	289	6
Assistant Professor	234	108	126	232	2
Lecturer	6	4	2	6	-
Total	933	572	361	917	16

Salary Data and Comparators

McMaster University's average faculty salary in 2017 was **\$161,612.93**.

It is important to note that salary reflects a significant portion of the University's cost of employing a faculty member, but salary does not reflect the total compensation cost. McMaster University has projected that employer paid benefits cost an average of **\$42,098** per faculty member for the period of July 1, 2018 to June 30, 2019, excluding the cost of special payments, PBGF payments, and post-retirement benefits attributable to MUFA members. Over a 3-year period, it is estimated that the total compensation cost, so calculated, for faculty has increased by 12.49%.

McMaster Faculty	Actual Costs July 1, 2015 to June 30, 2016	Projected Costs July 1, 2018 to June 30, 2019
Total Salaries	\$135,403,041.18	\$150,530,481.94
Total Benefit, Pension* & Statutory Employer Costs	\$33,329,027.81	\$39,277,373.29
Total Compensation Cost	\$168,732,068.99	\$189,807,855.23 ⁷

*Does not include cost of pension special payments, PBGF, and post-retirement costs attributable to MUFA members.

⁶ Based on data extracted from the University's HRIS of current MUFA Faculty, including CAWAR and Special, (not including the Librarian positions) as at September 24, 2018

⁷ Based on actual data from July 1, 2018 to September 29, 2018 and projected to June 30, 2019

Canadian and Ontario Universities

McMaster University is one of the six leading research-intensive universities in Ontario (the “G6”) and one of the fifteen leading research-intensive universities in Canada (“U15”).

McMaster’s average faculty salary of \$161,612.93 in 2017 was 4.03% above the average (excluding McMaster) of \$155,352.58 among the G6 universities and 11.25% above the average (excluding McMaster) of \$145,270.30 among the U15 universities. McMaster University’s average faculty salary in 2017 ranked second in both the G6 and the U15.⁸

The charts below illustrate the comparison of average salaries of the U15 and G6 institutions.

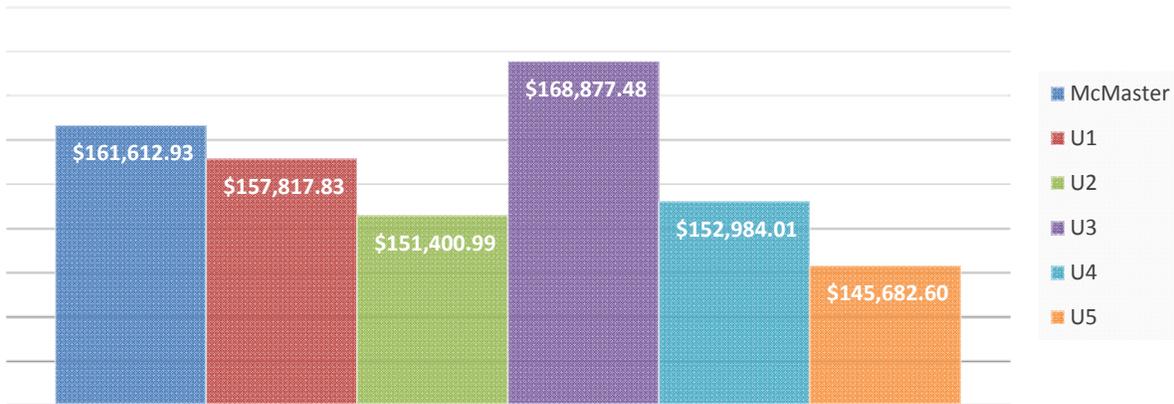
	G6 Average Salaries (2015)	G6 Average Salaries (2017)	U15 Average Salaries (2015)*	U15 Average Salaries (2017)
Highest Single University Average Salary	\$155,684.91	\$168,877.48	\$155,684.91	\$168,877.48
Lowest Single University Average Salary	\$139,813.14	\$145,682.60	\$115,821.94	\$123,241.05
Overall Single University Average Salary	\$147,968.34	\$156,395.97	\$139,748.70	\$146,359.81
McMaster’s Ranked Order Overall (McMaster’s Average Salary)	2 nd (\$151,340.02)	2 nd (\$161,612.93)	2 nd	2 nd

Professor (McMaster’s Average Salary)	2 nd (\$179,424.88)	2 nd (\$190,986.53)	2 nd	4 th
Associate Professor (McMaster’s Average Salary)	2 nd (\$147,012.96)	2 nd (\$154,525.36)	2 nd	2 nd
Assistant Professor (McMaster’s Average Salary)	5 th (\$111,440.23)	4 th (\$117,005.61)	5 th	5 th
Lecturer (McMaster’s Average Salary)	5 th (\$101,888.07)	2 nd (\$116,589.88)	6 th	2 nd

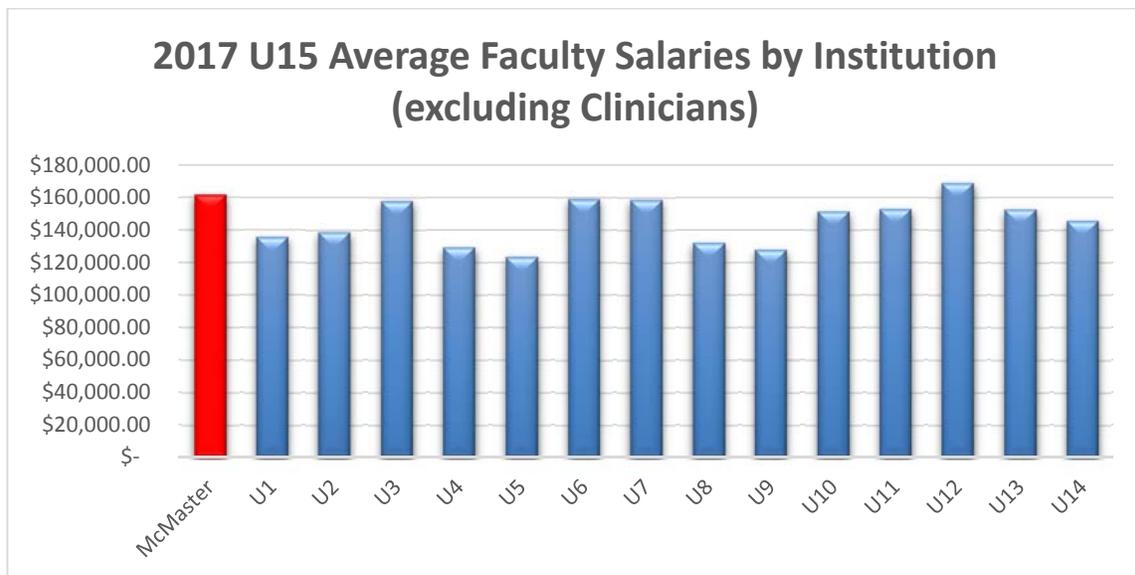
* Data not available for 2 Universities

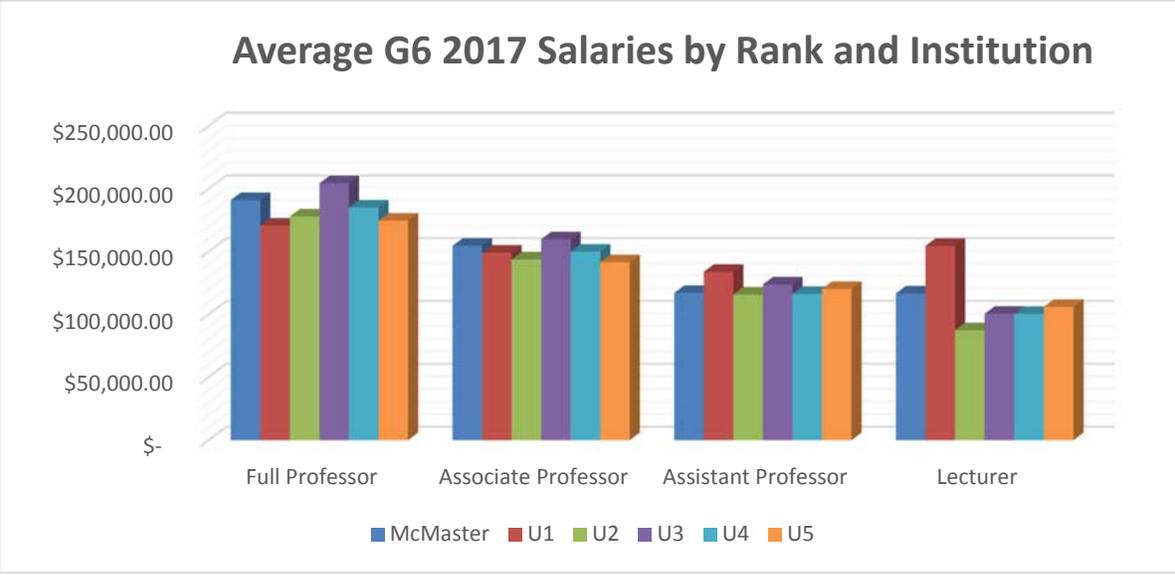
⁸ DataSource: UCASS

2017 G6 Average Faculty Salaries by Institution (Excluding Clinicians)

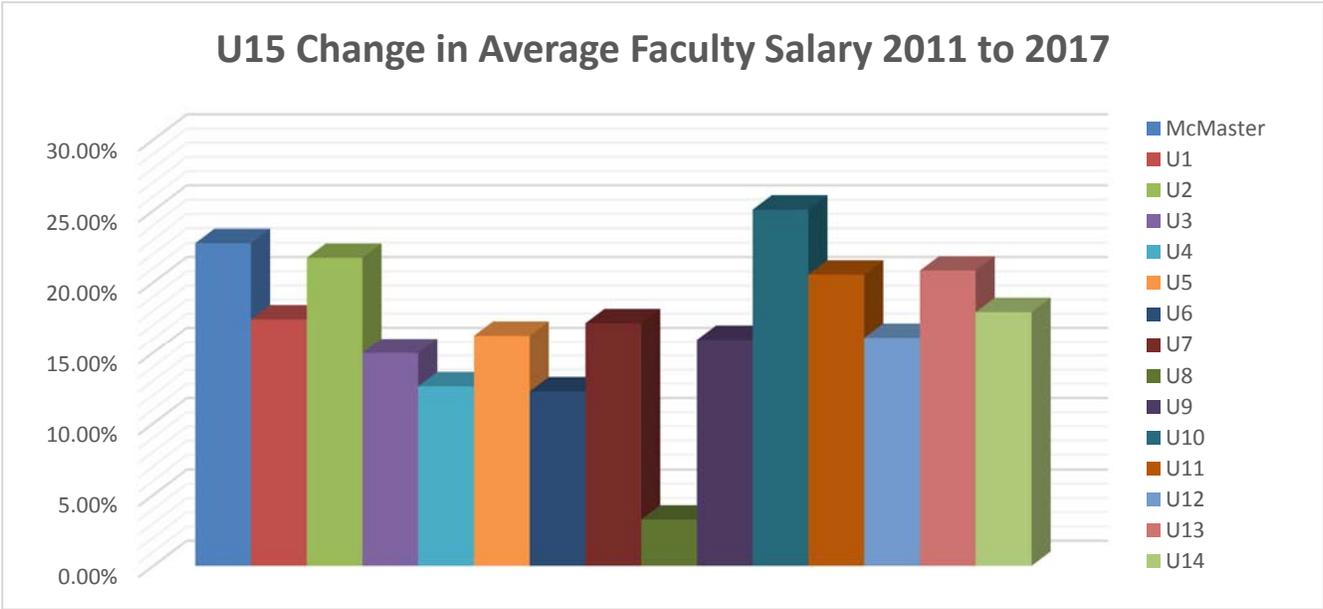


2017 U15 Average Faculty Salaries by Institution (excluding Clinicians)



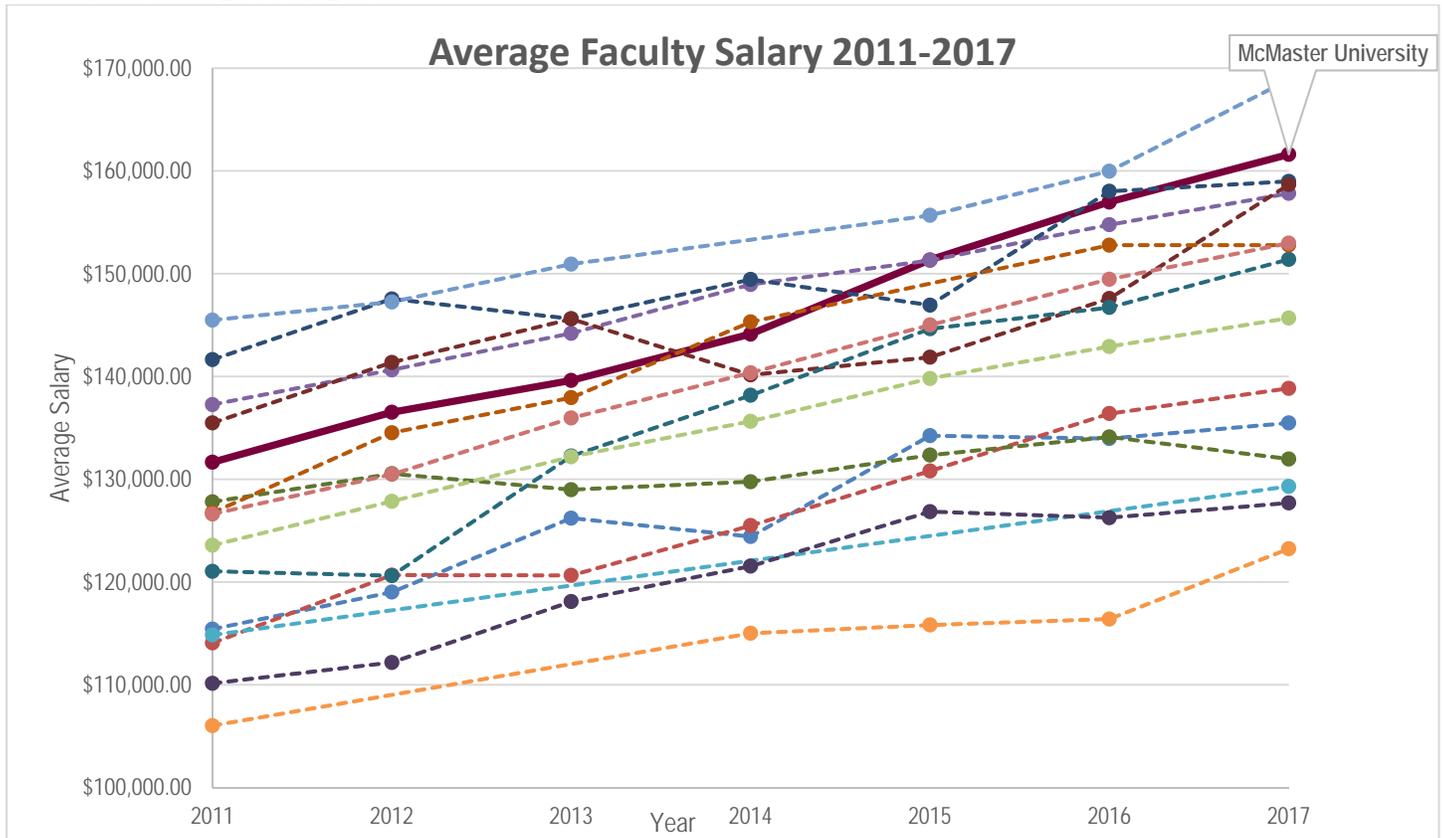


The chart below sets out the percentage change to the average faculty salary at each of the U15 universities from 2011 to 2017. Over this timeframe, the average total faculty salary increases range from 3.26% (U8) to 25.07% (U10), with an average increase 16.97%.⁹



⁹ DataSource: UCASS

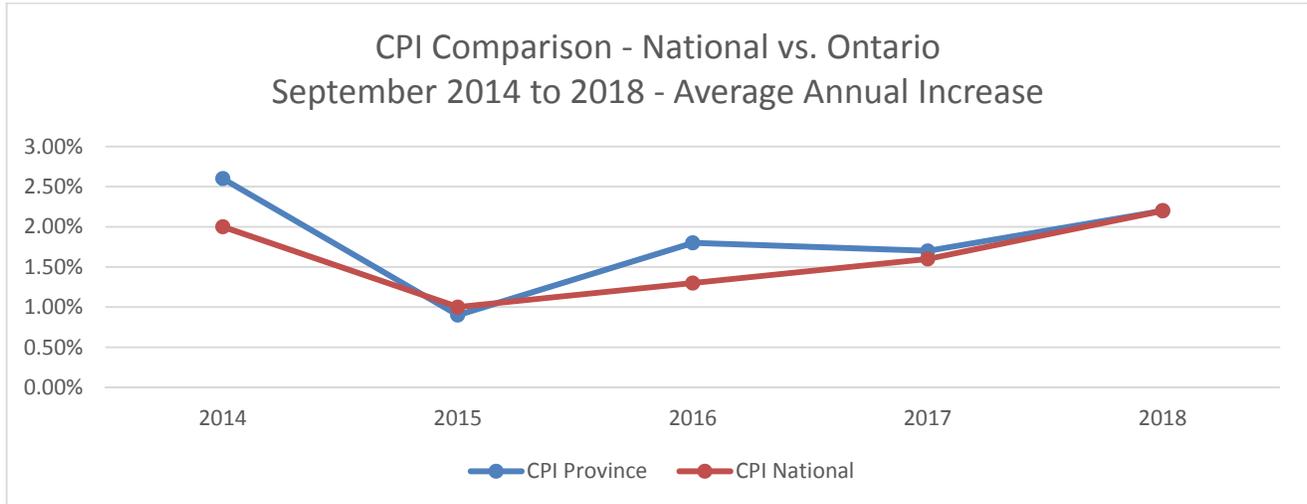
The following graph and table illustrate the comparison of average salary increases of the U15 and G6 institutions from 2011 to 2017.



	G6 Average Salary Increase (%) 2011-2017	U15 Average Salary Increase (%) 2011-2017
Highest Single University Average Salary Increase (%)	25.07%	25.07%
Lowest Single University Average Salary Increase (%)	14.97%	3.26%
Overall Single University Average Salary Increase (%) Excluding McMaster	18.96%	16.56%
McMaster's Ranked Order Overall	2 nd	2 nd
Professor	3 rd	5 th
Associate Professor	3 rd	5 th
Assistant Professor	2 nd	4 th
Lecturer	1 st	1 st

Consumer Price Index (CPI)

The most recent total CPI increase is 2.2% nationally and 2.2% in Ontario from September 2017 to September 2018¹⁰. CPI percentage changes (year over year) for 2014 to 2018 (to September 2018) are provided in the chart below.



McMaster University Settlements

The charts on page 17 show the cumulative compounded annual salary increases for MUFA Faculty, compared to the national and Ontario CPI, over the period of 2010 to 2018, and the compounded annual salary increases for MUFA Faculty compared to TMG and Unifor Unit 1 (Staff) over the same period of time. This information highlights that MUFA increases have far exceeded the rate of inflation and greatly outpaced the increases of other employee groups at McMaster, which has been a major contributor to cost escalation.

Appendices

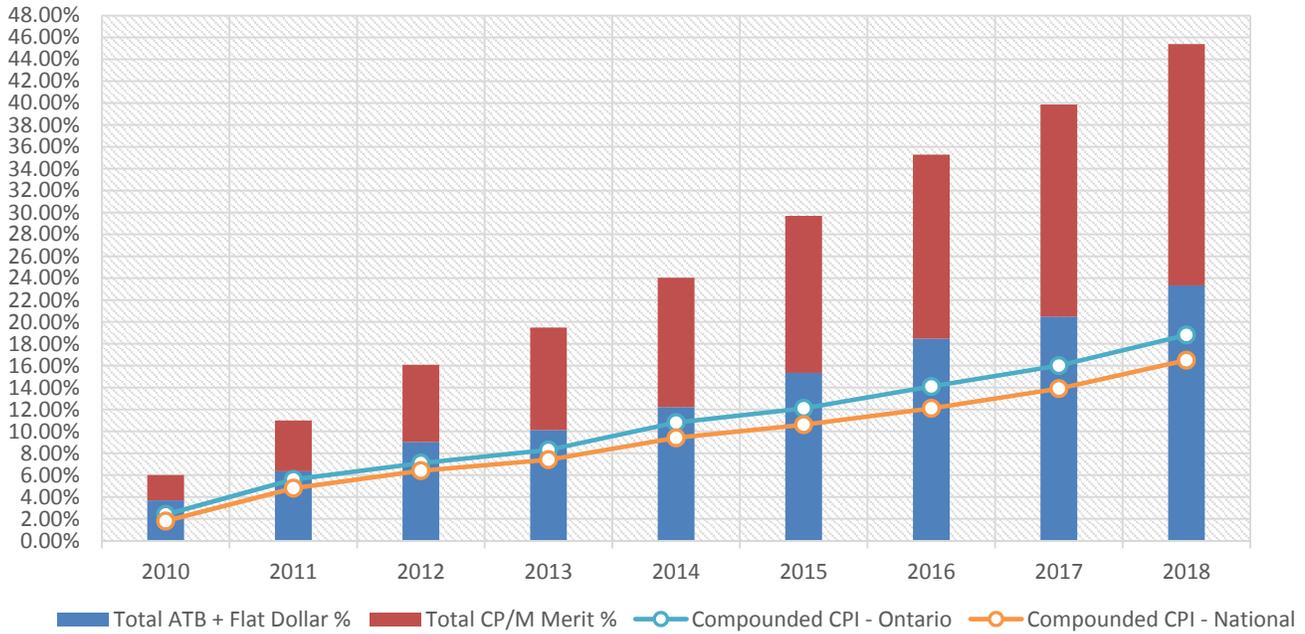
A summary of McMaster University settlements regarding ATB increases and lump sum payments, for the period 2015-2016, is included as **Appendix A**.

Appendix B summarizes CP/M and recent settlements at the G6 institutions.

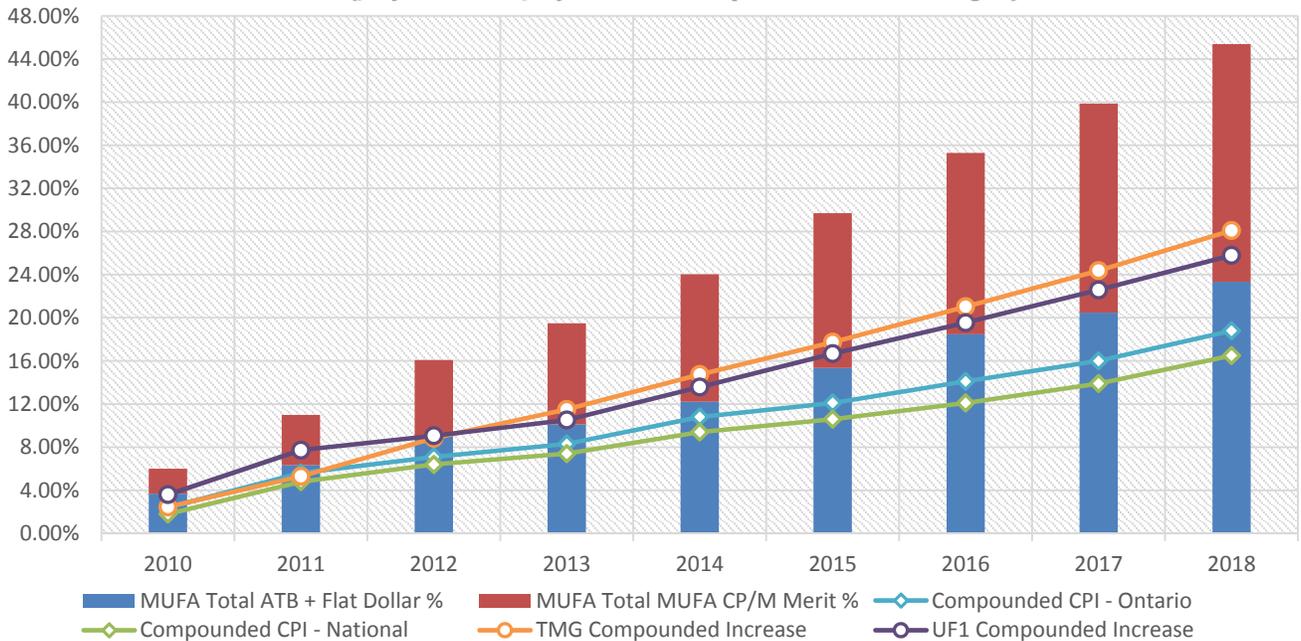
Appendix C summarizes salary floors and ceilings at the G6 institutions.

¹⁰ Source: <http://www.cra-arc.gc.ca/>

MUFA Faculty Increases versus CPI (July 2010 to July 2018 - Compounded Percentages)



MUFA Faculty Increases versus CPI, TMG, UF1 (July 2010 to July 2018 - Compounded Percentages)



UNIVERSITY ADMINISTRATION'S PROPOSAL

The University offers a comprehensive compensation package for members of the McMaster University Faculty Association, and proposes adjustments to the remuneration package as noted below:

Term

The University Administration proposes a 3-year term, effective July 1, 2019, to June 30, 2022.

Salary

The University is interested in reaching an agreement with MUFA that is fiscally responsible with respect to compensation increases, and that is reflective of the contextual circumstances described above, settlement trends, appropriate sector comparators, and the most recent settlements at McMaster.

Career Progress/Merit (CP/M)

The University is committed to rewarding excellence in faculty performance and affirms that a performance model of merit pay is important. The University is also committed to fiscal responsibility in the design and implementation of all compensation programs. Accordingly, the University seeks acknowledgement from MUFA that the CP/M program under its current structure is not cost neutral and the recognition of the comparative incremental value in the settlement.

Across the Board Increase ("ATB")

The University proposes ATB increases in the following amounts for both MUFA Faculty and Librarians:

- Year 1: 1.00%, effective the first day of the first pay period following July 1, 2019
- Year 2: 1.25%, effective the first day of the first pay period following July 1, 2020
- Year 3: 1.25%, effective the first day of the first pay period following July 1, 2021

McMaster uses a total compensation approach to discussions. Any agreement to increase benefits or retirement programs will be taken into account in the value of the settlement through the amount of the ATB that the University has proposed.

Benefits

Extended Health and Dental Plan

With a view to maintaining a competitive plan design that continues to meet the needs of members of MUFA, the University proposes making the following improvements to the extended health and dental benefits plan:

- **Continuous Glucose Monitor (CGM):** receivers, transmitters or sensors for persons diagnosed with Type 1 diabetes, up to a combined maximum of \$4,000 per person per benefit year. Sun Life must be provided with a doctor's note confirming the diagnosis.
- **Assignment of Dental Claims:** allow assignment of dental claims to the dental office so that Sun Life confirms the amount payable under the McMaster plan and pays the dental office that amount on behalf of the McMaster employee. The employee will only need to pay the dentist for the difference

between the total bill and the amount paid by the McMaster plan. This enhancement will enable a more convenient employee experience.

Note that Sun Life has advised that there are dental offices who do not accept assignment of benefits, they insist that their patients pay for their treatment up-front. In such situations, employees can continue to submit their dental claim online or through the mobile application and receive their reimbursement within 24 to 48 hours.

Retiree Benefit Plan

Introduce a new retiree benefits plan that mirrors the current active plan and would be the post-retirement benefit plan for all future MUFA retirees on or after July 1, 2019.

Pregnancy and Parental Leaves Policy

With a view to ensuring equitable application of policies and compliance with human rights legislation, the University proposes an amendment to the language of the Pregnancy and Parental Leave Policy (“SPS C4”).

- Revising the introductory language of the Policy to avoid any confusion about one's entitlement to receive both pregnancy and parental leave SUB benefits when both leaves are taken;
- Eliminating "Option B", which provides for benefits during the first 4 weeks of either pregnancy leave or parental leave (but not both); and
- Amending the period of time for SUB benefits to up to 17 weeks for pregnancy leave and up to 13 weeks for parental leave, for a cumulative total of up to 30 weeks when both leaves are taken.

Pension

Ensuring the financial stability and sustainability of the pension plan is in the best interest of all plan participants.

Integration with CPP

To continue to provide faculty members with the same level of retirement income as they currently receive from the Pension Plan and the CPP taken together, the University seeks to maintain integration between the Pension Plan and the enhanced CPP in alignment with the current integration approach – requiring adjustments both to reduce the benefit accrual rate on earnings covered by the CPP for future service and to adjust employee pension contribution and benefit accrual rates and by utilizing the YAMPE as the breakpoint for both contribution and benefit calculation purposes (instead of the YMPE).

Summary of McMaster University Settlements: ATB increases and Lump Sum Payments (2015-2021)

	Unifor, Unit 1 (2016-2019)		Machinists (2015-2020)		Security (2015-2019)		MUALA (2015-2019)		Hospitality (2016-2021)		CUPE PDFs (2016-2019)		TMG (2017/18)		SAAO (2016) (Freeze since 2009)	
	ATB	Lump Sum	ATB	Lump Sum	ATB	Lump Sum	ATB	Lump Sum	ATB	Lump Sum	ATB	Lump Sum	ATB	Lump Sum	ATB	Lump Sum
Year 1	1.25%	\$500	0.85%	\$1,000	0.75% 0.75% (Market Adj. for Level 7 only)	\$1,000 (FT) \$500 (PT)	0.75% 0.8% (pension offset)	\$2,000	0.48% (1.1% Skills Adj.)	\$250 for each employee; and \$600/\$400/\$275 for FT/PT Annual/ Seasonal EEs; and \$150 for EE Special Leaves	1.0%	\$300	1.0% +1.0% pension offset	n/a	0%	n/a
Year 2	1.25%	--	0.90%	--	0.75% 0.75% (Market Adj. for Level 7 only)	--	0.75%	--	0.47% (0.19% Skills Adj.)	--	1.0%	--	n/a	n/a	n/a	n/a
Year 3	1.25%	\$610 (Pension offset)	1.0%	--	0.75% 0.75% (Market Adj. for Level 7 only)	\$512 (Pension offset)	0.75%	--	0.8% (0.19% Skills Adj.)	\$250 (pension offset)	0.75%	--	n/a	n/a	n/a	n/a
Year 4	n/a	n/a	1.25%	--	0.75% 1.20% (Market Adj. for Level 7 only)	--	1.0%	--	0.0%	--	n/a	n/a	n/a	n/a	n/a	n/a
Year 5	n/a	n/a	1.0%	\$1,200 (for 1 EE in Pension Plan)	N/A	--	N/A	--	0.0%	\$500	n/a	n/a	n/a	n/a	n/a	n/a

Appendix B

Summary of CP/M and Recent Settlements at the G6 Institutions

Institution	Term	ATB	Other	CP/M Program
McMaster University	July 1, 2017 to June 30, 2019	Adjustment to pay scale: July 1, 2017 – 1.7% July 1, 2018 – 1.7%	Pension offset (added to base salary): July 1, 2018 – \$1,075	Annual steps in the par salary scale are equal over the first fifteen-year range (Range 1), then equal but lower over the next ten-year range (Range 2), and then equal but lower again until retirement (Range 3). The par increments in Ranges 2 and 3 are decreasing fractions of the Range 1 par increment, namely: Range 2: 0.75 of Range 1 par increment Range 3: 0.50 of Range 1 par increment A par increment shall equal the annual amount needed for a faculty member awarded par merit each year to reach 1.81 times the floor salary for an Assistant Professor at the end of 15 years
U2	May 1, 2018 to April 30, 2021	Adjustment to pay scale: May 1, 2018 – 2.00% May 1, 2019 – 2.15% May 1, 2020 – 2.15%	Salary thresholds for T1 and T2 for all ranks will be increased by 2% each year in addition to the annual adjustment to scale	Within each Faculty the Selective Increase Pool for members is determined as follows: 0.25 SIU for each FTE member + 0.25 SIU for each FTE member with salary below T2 + 0.5 SIU for each FTE member with salary below T1. Effective May 1/18 the selective increase unit (SIU) is \$3,920
U5	May 1, 2018 to April 30, 2021	May 1, 2018 – 1.7% January 1, 2019 – 0.8% May 1, 2019 – 1.7%	Salary scales have minimum and maximum and are adjusted in accordance with the negotiated salary adjustments	PTR values based on salary grid ranges which are indexed in accordance with the increases applied to annually to the salary scales.

Institution	Term	ATB	Other	CP/M Program
		May 1, 2020 – 1.7%		
U1	July 1, 2018 to June 30, 2020	<p><u>ARBITRATION AWARD</u></p> <p>July 1, 2018 – 1.9%</p> <p>July 1, 2019 – 2.0% paid out as:</p> <p>1.0% ATB + 1.0% paid out as \$1,630 increase to base salary (pro-rated for P/T members)</p>	<p>Compensation program includes a 5% Deans Merit Pool which is separate from the PTR funds.</p>	<p>Progress through the Ranks (PTR)</p> <p>Designed to produce salary progress leading to a career end salary of 2.5 to 2.7 times a faculty member’s starting salary assuming average PTR awards throughout career.</p> <p>Breakpoint is 2.2 times higher than minimum starting salaries and is intended to occur after about the 20th year of service.</p> <p>PTR for July 1, 2018 breakpoint deemed to be \$163,970.</p> <p>Effective July 1, 2019 breakpoints and increments will increase by 1.9% for the June 30, 2019 PTR process and by 2.0% for the June 30, 2020 PTR process.</p>
U3	July 1, 2014 to June 30, 2018	<p>July 1, 2014 – 1.25% ATB + \$1,050 increase to base salary</p> <p>July 1, 2015 – 1.00% ATB + \$1,050 increase to base salary</p> <p>July 1, 2016 – 1.00% ATB + \$1,050 increase to base salary</p>	<p>July 1, 2015 – Performance Linked Career Progress Fund established. Total # of points assigned = # of FT faculty x 2.4. A value is assigned to each point based on salary ranges.</p> <p>July 1, 2017 – Career Trajectory Fund established in the amount of \$800 per faculty member. Fund administered by Committee of five members and focus is on gender-based anomaly</p>	<p>Performance Assessment Indicator (PAI) is the weighted average of performance level points assigned and ranges from 0 to 4 points. The total number of points available = # of members x 2.40.</p> <p>2.2 of the 2.40 is distributed as Basic Salary Points and 0.2 as Discretionary Salary Points.</p> <p>Each salary point has a \$ value assigned that varies based on the base salary range.</p> <p>Total salary points awarded may not exceed 6 total points.</p> <p>Basic Salary Points (BSP) calculated as follows:</p> <p>BSP = PAI x adjustment factor (adjustment factor = 2.2 /average PAI within the Unit)</p>

Institution	Term	ATB	Other	CP/M Program
		July 1, 2017 – 1.00%	adjustments.	
U4	August 21, 2015 to April 30, 2019	May 1, 2015 – 1.00% May 1, 2016 – 1.25% May 1, 2017 – 1.50% May 1, 2018 – 1.75%	<p>Junior Increments - 1% of Floor F added each year to salary of members with less than 10 years of service and with a salary less than 1.65 times Floor F.</p> <p>Senior Abatements - activated at 2.2, 2.4 or 2.6 times Floor F applied as follows:</p> <p>i) at 2.2 times Floor F, abatement of 1.9% of Floor F</p> <p>ii) at 2.4 times Floor F, abatement of 2.4% of Floor F</p> <p>iii) at 2.6 times Floor F, abatement of 2.9% of Floor F</p>	Each merit point will have a value of 0.5% of Floor F (\$60,771). The value of the Floor F will be indexed by the ATB increases in each of the 4 years.

Summary of Salary Floors and Ceilings at the G6 Institutions

McMaster	<u>July 1, 2017 Floors by Rank (no ceiling)</u> Lecturer - \$63,155 Assistant Professor - \$75,977 Associate Professor - \$95,440 Professor - \$118,310	<u>July 1, 2018 Floors by Rank (no ceiling)</u> Lecturer - \$65,304 Assistant Professor - \$78,344 Associate Professor - \$98,137 Professor - \$121,396	
Queen's University	<u>Assistant Professor Floor (no ceiling)</u> 2015/16 - \$67,517 2016/17 - \$68,631 2017/18 - \$69,386 2018/19 - \$70,600 No salary floor or ceiling stated for Lecturer, Associate Professor, Professor		
Waterloo	<u>May 1, 2018 Floors by Rank (no ceiling)</u> Lecturer - \$62,180 Assistant Professor - \$80,143 Associate Professor - \$100,868 Professor - \$128,505	<u>May 1, 2019 Floors by Rank (no ceiling)</u> Lecturer - \$63,517 Assistant Professor - \$81,866 Associate Professor - \$103,037 Professor - \$131,268	<u>May 1, 2020 Floors by Rank (no ceiling)</u> Lecturer - \$64,883 Assistant Professor - \$83,626 Associate Professor - \$105,252 Professor - \$134,090
Western	<u>2015/16 Floors by Rank (no ceiling)</u> Lecturer - \$54,931	<u>2016/17 Floors by Rank (no ceiling)</u> Lecturer - \$56,030	<u>2017/18 Floors by Rank (no ceiling)</u> Lecturer - \$57,151

	Assistant Professor - \$73,954 Associate Professor - \$84,523 Professor - \$102,840	Assistant Professor - \$75,433 Associate Professor - \$86,213 Professor - \$104,897	Assistant Professor - \$76,942 Associate Professor - \$87,937 Professor - \$106,995
Ottawa	<u>May 1, 2018 Floors by Rank (min/max)</u> Lecturer - \$67,853 / \$89,752 Assistant Professor - \$82,994 / \$114,716 Associate Professor - \$91,624 / \$159,108 Professor - \$110,008 / \$192,051	<u>May 1, 2019 Floors by Rank (min/max)</u> Lecturer - \$69,764 / \$92,279 Assistant Professor - \$85,280 / \$117,947 Associate Professor - \$94,204 / \$163,589 Professor - \$113,106 / \$197,459	<u>May 1, 2020 Floors by Rank (min/max)</u> Lecturer - \$71,159 / \$94,125 Assistant Professor - \$86,986 / \$120,306 Associate Professor - \$96,088 / \$166,861 Professor - \$115,368 / \$201,408
Toronto	<u>July 1, 2017 Floors by Rank</u> Teaching Stream - \$82,600 Assistant Professor - \$60,900 / \$104,000* Associate Professor - \$74,800 Professor - \$100,400	<u>July 1, 2018 Floors by Rank</u> Teaching Stream - \$84,200 Assistant Professor - \$62,100 / \$106,000* Associate Professor - \$76,200 Professor - \$102,300	<u>July 1, 2019 Floors by Rank</u> Teaching Stream - \$85,900 Assistant Professor - \$63,300 / \$108,100* Associate Professor - \$77,700 Professor - \$104,300
	*Assistant Professor is only rank that includes both a floor and a maximum.		