

MUFA

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McMASTER UNIVERSITY
FACULTY ASSOCIATION

MEMORANDUM

March 20, 2013

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

FROM: Rafael Kleiman, Chair, Remuneration Committee

RE: Joint Committee Remuneration Agreement, July 1, 2013 to June 30, 2017

Attached you will find a copy of the Remuneration Agreement negotiated in the Joint Committee by the MUFA and Administration representatives. This Agreement was approved unanimously by the MUFA Executive on March 11, 2013.

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Process

A survey of our members was conducted in October 2012, with a response rate of greater than 50%, which helped us to understand the needs of our members, both in the aggregate and in the particular. Based on consultations with the MUFA Remuneration Committee and with the approval of the MUFA Executive, we submitted a Remuneration Brief on Dec. 17th 2012 outlining our position on the central negotiation issues. A series of direct meetings between the MUFA negotiating team and three members of the Senior Administration followed, with a deadline of March 15th 2013. Agreement was reached at the table on March 6th 2013. This time-tested process was designed to find solutions through collegial discussions. This year, in the face of many competing forces, we were able to find compromise and consensus, achieving an Agreement that we believe is fair, reasonable and in the best interests of the University.

Compensation

The desire to both restrain compensation for a two-year period and match comparator performance over the contract duration led to consideration of a longer than typical contract. This Agreement has a duration of four years, exceeding the longest previous contract (three years) at McMaster for the first time. While new for McMaster, four- and five-year contracts have become increasingly common in the university sector. Longer contracts mitigate some types of risk and assist in planning for both the University and MUFA members. The constraints imposed by a longer contract, such as the inability to revisit remuneration issues should higher inflation return, were considered acceptable on balance.

The net result of these considerations is a 6.5% ATB increase over four years, with a very modest ATB increase in the first two years (0 in the first year and \$1250 in the second year), with larger increases in the last two years. These average 1.61%/year over four years which is closely in line with increases at the G6 comparator

universities¹ in recent contracts. The 6.5% ATB is distributed in the form of percentage increases (3.0%) and lump sum increases (valued at 3.5%). This ATB structure helps to address the persistent feature of our salary distribution that 10th percentile salaries have been the lowest in the G6, presumably for historical reasons. To be specific, the relative salary increases are greater than average for our members whose salary is lower than average, with the converse true as well.

The structure of the CP/M process and par units allocated was preserved in its standard form.

Pension

The health of the Pension Plan and the potential for its deficit to spill over and affect University operations is a serious issue for the University. We heard from our members that they want to maintain a stable and sound defined benefit pension plan. We viewed the Administration request to increase our level of contribution to the Plan as a responsible and proactive effort to address the pension situation. The Administration requested three forms of increased contributions to the plan: increased contribution rates; removal of the “two times contribution” election; and a phased transition from the Rule of 85 to the Rule of 90 for the eligibility for an unreduced pension prior to age 65. Together, these changes bring us close to an Employer:Employee contribution ratio of 50:50. In addition to improving the financial condition of the Plan, they demonstrate sustainability for Stage 2 solvency relief from the Province and mesh with anticipated trends in university sector pension plans. While there are no guarantees, we have been assured by the Administration that these changes bring us to where we need to be. In the short term, we will be paying more for our pensions, but that helps to secure the long term health of the Plan and put these concerns behind us. Based on past precedents, we agreed to accompany these changes with Pension Offsets of 1.0% in the first year to offset increased contribution rates and 1.0% in the second year to broadly offset the potential cost of retirements that occur earlier than originally planned.

Health Benefits

As described in our Dec 17th brief, we felt that significant maintenance was required to bring benefit levels up to date after significant erosion by inflation. In particular, paramedical benefits have been increased to \$500/practitioner class/person/year and additional practitioner classes have been added. The hearing aid benefit has been among the most neglected and has been increased significantly to \$1000/ear. During our negotiations we carefully considered changes to the drug plan. We agreed to move to mandatory generics for a number of reasons. Over time, the regulatory environment for the safety and efficacy of generics has become very strong. Advice from medical experts supported this move as medically sound. Our current plan already has a generics-first policy and this plan simply strengthens the imperative to move to generics when available. At the same time, there are rare instances when brand name drugs are medically indicated. In such instances, Sun Life has an exception process in place to request a substitution. Also, members can continue to purchase prescribed brand name drugs, however with reimbursement at the cost of the generic equivalent. We felt strongly that the current drug formulary should remain unchanged.

It would seem that there would be a more efficient way to maintain benefit levels with respect to inflation without periodic intervention through collective bargaining, particularly over amounts that are quite small in the context of the total compensation package.

Professional Development Allowance

After a two-year freeze (from the previous contract), the PDA is back on the track it would have been without the freeze and continues the past trend of \$50/year increases.

¹The G6 refers to the six Ontario universities of the 15 leading research intensive universities in Canada (U15), namely McMaster University, University of Ottawa, University of Toronto, Queen's University, University of Waterloo, and Western University.

Work to Be Done

As described in our Dec 17th brief, we felt that three improvements to our compensation package would improve the employment environment at McMaster and would be consistent with programs in place at some of our comparator universities, namely, child care support, a broader dependant tuition reimbursement plan and improved pension indexation. We are particularly concerned about pension indexation because it affects our members after they retire and are thus unable to address their concerns through the collective bargaining process. Consequently, we have agreed to the formation of a sub-committee of the Joint Committee to study this matter and recommend creative solutions to improving our current pension indexation formula, while considering the current financial pressures on the Pension Plan.

Acknowledgements

The McMaster negotiation process is a well-conceived process for achieving consensus results in a limited timeframe based on agreed-upon principles. It has truly been an honour to lead the negotiation process for MUFA. I would like to thank my colleagues Martin Dooley (MUFA President) and Graeme Luke (MUFA Vice-President) on the negotiating team and other members of the Remuneration Committee — Catherine Connelly, Martin Horn, Joanna Pierazzo and Mike Veall for their steady guidance and support. Thanks to Phyllis DeRosa-Koetting and Kelly McCaughey for creating a conducive bargaining atmosphere in our humble offices in the basement of Hamilton Hall. Special thanks go to Phyllis for providing her wisdom, experience and institutional memory in the negotiation process for the last time ☺ in an official capacity before her retirement this summer. Finally, I would like to thank our partners on the Joint Committee (David Wilkinson, Roger Couldrey and Allison Sekuler) for their sincere efforts in working together with us to achieve an Agreement in the best interests of the University.

Summary

We have negotiated a Remuneration Agreement that on balance we consider to be fair and reasonable. It provides for comparator level ATB increases, solidification of the pension plan at no net cost to our members, catch-up of many of our health benefits with respect to inflation and restoration of PDA increases. The Agreement has been endorsed unanimously by the MUFA Remuneration Committee and approved unanimously by the MUFA Executive. I ask for your endorsement of this Remuneration Agreement by voting “YES” on the attached ballot and submission by campus mail or in person to Hamilton Hall 103A, by the deadline of April 3, 2013.

Members may have questions about the Agreement — feel free to contact MUFA (ext. 24682, mufa@mcmaster.ca) with any questions that you might have. We welcome you to attend the special information meeting on Thursday March 28th, 11:00 am in Burke Science Building, Room 136.