



Opening Statement and Proposal of the University Administration's Representatives on the Joint Committee

December 13, 2007

The University Administration's representatives on the Joint Committee look forward to our Committee's deliberations to determine the remuneration provisions for the next few years. We recognize and have great respect for the relationship that the Faculty Association 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. In preparing for this meeting, we have reviewed the interests that formed the basis of our previous successful negotiations. Many of those interests are still applicable today. The interests presented herein inform and underlie all that we hope to contribute to, and achieve through, this process.

- 1) Our primary interest is to maintain, and, wherever possible, enhance, provisions that allow the University and the Faculty Association to ensure the highest standards of excellence of McMaster's faculty. This is the single most important ingredient necessary to ensure the University's achievement of its goals and mission.
- 2) The "Principles for Negotiation of Faculty Remuneration" have guided the parties' deliberations over more than a decade. [A copy of the original document can be found in Document 1-2.] Through this time, headway has been made in addressing some of the specific issues covered. The Administration's representatives accept, as we expect MUFA's representatives do, that the general philosophies regarding Compensation and Working Conditions continue to be important and relevant guides to our discussions.
- 3) It is our strongly held preference that the Committee achieve agreement in direct discussion. Agreements made directly between the members of the Joint Committee are always superior to ones imposed by someone external to the relationship.
- 4) In view of the demands and challenges that lie in the immediate future for the university and its faculty, it is our belief that we will all be best served by the stability and predictability provided by a three-year agreement on matters of remuneration.
- 5) Refining Directions is the strategic plan that sets out the future direction for McMaster University. Our vision is articulated in three main goals:
 - To provide an innovative and stimulating learning environment where students can prosper.
 - To achieve the next level in research results and reputation by building on existing and emerging areas of excellence.
 - To build an inclusive community with a shared purpose.

These three goals guide all of our decision making and are the basis upon which we enter into our discussions. The outcomes agreed to through our discussions must advance these goals of the University.

- 6) As in all matters, the agreement needs to be mindful of the fiscal health of the University. It is the Committee's challenge to balance this stewardship responsibility with the achievement of the interests stated above.

Documentation

Collegial discussion of common purposes and challenges relies on shared information. We have updated the contents of the information binder prepared to assist our negotiations two years ago. For each of the major areas of consideration that form the backdrop to our discussions the binder includes recent documentation and information providing specific data. As in previous rounds, we undertake to provide any other information the Committee requires to inform its discussions. Attached, please find:

- Financial Information (Tab 2)
- Fiscal Challenges (Tab 3)
- Employment Benefits (Tab 4)
- Remuneration (Tab 5)
- Comparative Data (Tab 6)
- Faculty Renewal (Tab 7)
- Campus Plan (Tab 8)
- General Statistical Information (Tab 9)

Major Areas of Consideration

As an overview of the major areas of considerations we offer the following.

The Financial Environment

Consideration of McMaster's financial position cannot be separated from discussion of increased faculty remuneration. The University is faced with an operating deficit in each of the next three years unless we develop financial strategies to address the shortfall.

The University Administration's members of the Committee look forward to a full and open discussion of these numbers, trends, and plans as our deliberations ensue. We welcome the input of our faculty leaders to assist in the strategies that will ensure financial viability and sustainability for the University.

The University will be undertaking significant planning for enrolment management, program prioritization and resource allocation.

Pension and Other Benefit Costs

Pension and other benefit costs are an area of significant concern for the University. Section 4 of our submission details the dramatic cost increases that the University is facing to sustain our pension, health and dental benefit programs.

The registered pension plan liability is outlined in Document 3-1 and is discussed in the Consolidated Budget (Document 2-3, pages 32-36). The University contributions to the pension plan were reinstated in the 2004-05 budget. Currently at 210% of employee contributions, or \$27.5 million, this amount will increase in future years. In addition, a funded status shortfall requires a significant contribution of \$8.1 million to fund deficit payments.

In the past fiscal year, costs for health and dental benefits rose by \$212,000, or approximately 5.1% [Document 4-2]. This cost includes both active and retired faculty members.

The cost of retiree benefits is of significant concern. At the present time the unfunded liability of post retirement benefits has reached a staggering \$223 million. Information on the post-retirement benefits and benefit liability can be found in Document 2-1 (page 17); Document 2-2 (page 3), Document 3-1, Document 3-3, and in Note 5 of the Audited Financial Statements [Document 2-1]. We cannot continue to ignore these costs and must begin to address a model that would be affordable and sustainable. We will be offering some suggested options to consider to control these escalating costs.

Remuneration

If we are to retain current faculty members and attract new and equally highly qualified ones, it is of paramount importance that McMaster establish a pay philosophy that supports our goal. There are four elements to any sensible philosophy: fairness, equity, ability to pay, and market. Section 5 details our analysis of each of these factors. The Career Progress Merit compensation strategy has been a cornerstone of our compensation model. CP/M details are submitted in Document 5-5.

Quality of Work Life

There is more to life as a faculty member at McMaster than salaries and benefits. A safe, functional, up-to-date, and clean working environment is also fundamental. An environment that is conducive to learning is also critical to attracting and retaining the best faculty, and thereby the best students. Achieving this goal however, does involve a major draw on our resources. The University Administration believes that this is an excellent investment that will have long-term benefits for all who participate. Recent improvements to our health and safety programs such as our Healthy Workplace initiatives are highlighted in Document 4-1.

Classroom and laboratory investments over the past several years have improved technology and general conditions for our faculty and students. The University is committed to continuing ongoing investments in these areas.

Faculty can expect to see continued investment in classroom technology, library resources, physical facilities infrastructure, and learning technologies.

Faculty Renewal

This issue, the importance of which flows from demographic trends associated with both faculty members and students, is by no means particular to McMaster. A critical component to our discussion will be an analysis of the size and nature of the challenge facing McMaster in this regard. Faculty renewal is fundamental to the University continuing to achieve its mission. This will be a source of pressure on our resources but it will also be the opportunity for McMaster to confirm its continued reputation for excellence.

We propose that the Committee give due consideration to the issues described in the opening statement, so that we might collectively establish an appreciation of the environment within which we are negotiating.

We further propose that we agree without delay to maintenance of the **Career Progress/Merit (CP/M)** scheme at the “normal” level of 120 par units per 100 faculty members.

Subject to agreement on this point, and working within the parameters of the attached Budgetary Framework, we propose that we then jointly establish an appropriate increase to **Salary and Benefit** compensation exclusive of the cost of maintenance of the CP/M scheme. With this in mind, we offer the following:

I. Career Progression/Merit (CP/M)

Our proposal is to make the preservation of the CP/M the foundation of our new agreement. We have provided information that outlines the calculation of CP/M in each year of an agreement. [Document 5-4]

II. Salary and Benefits

A) Scale Adjustments:

With the cost of CP/M established, we propose to determine through Joint Committee discussion the most effective way of addressing cost pressures while ensuring that we remain competitive in the market place. Our data are provided throughout our document but we would bring your attention to the following:

- The operating deficit facing the University over the next 3 years [Document 2-3].
- The rising cost of benefits [Document 4-2].
- Salary comparison data provided in Documents 6-3 and 6-4.

We believe that we have a pay philosophy that supports the principles as outlined in Document 1-2. This is discussed in Document 5-1.

B) Benefits:

i) Non-Pension Post-Retirement

The cost of non-pension post-retirement benefits is an increasing burden on the operating budget, and is having an adverse impact on the University's ability to achieve its strategic goals, and to compensate its faculty and staff. In response to this, the last agreement included the provision that faculty who begin at McMaster July 1, 2006 or later require 10 years of service before becoming eligible for benefits on retirement. This approach addresses some long-term costs. We would like to continue this discussion with a view to identifying additional approaches to the mitigation of these costs.

ii) Active Employee Benefits

The Prescription Drug Formulary Sub-Committee reported its findings on October 9, 2007. Its suggestions bear further consideration in the context of Joint Committee deliberations. Current benefit costs are set out in Document 4-2.

iii) The Pension Plan

The cost of the current Defined Benefit Pension Plan continues to be a burden to the University. This issue was addressed in the last agreement through adoption of an increased faculty contribution rate by a phased change from the Rule of 80 to the Rule of 85. We would like to explore what potential mutual benefits could be derived through the use of Defined Contribution and/or Group RSP approaches to pension provisions. Document 3-1 provides the information that we would like to review with the Committee.