FAQs in Preparation for the April 18th Meeting with MUFA to Discuss the Tentative Joint Committee Agreement

Revised: April 21, 2011

Post-Retirement Co-Pay Program:	What are post-retirement benefits?	They are the extended health and dental benefits. Members of MUFA who have family coverage at retirement, will continue to have coverage (subject to age restrictions for children) for existing dependants upon retirement. New dependents cannot be added after retirement.
	When does the Post-Retirement Co-Pay Program ("Co-Pay Program") become effective?	Members of MUFA retiring on or after July 1, 2012 will contribute towards their post-retirement benefits as outlined in the schedule in the Joint Committee Agreement.
	Do I have to contribute even if I have no claims for the year?	Yes. The co-pay amount is determined based on post-retirement benefit costs for retired members of MUFA to determine the average cost per retiree with either single or family coverage. The co-pay amount is not determined based on an individual retiree's usage.
	How will I pay for post-retirement benefits?	The co-pay amount will be deducted from retirees' pension payments on a monthly basis.
	Can I change my benefit coverage after I retire?	When a member of MUFA retires, if they had family coverage while active, they will continue to have family coverage in retirement. If after their retirement, they determine they no longer require family coverage, they can change their coverage to single. A retired member of MUFA cannot increase coverage from single to family.
	Can I opt out of the Co-Pay Program?	Upon retirement, eligible retirees may elect to participate in the Co-Pay Program in order to have Post-Retirement Benefit Coverage. Retirees who elect to participate may permanently opt out of Post-Retirement Benefits at any time thereafter, effective the first of a month. Once the decision to opt-out is made, the retiree cannot opt-in at a later date.
	Will catastrophic drugs continue to be covered upon retirement?	Yes. MUFA members are covered for costs of drugs requiring a prescription. MUFA members do not participate in the Rx05 Drug Formulary that is in place for most other employee groups.
	The Co-Pay schedule reflects years of service of 10 or more. What about someone who retires with less than 10 years of service?	With one exception, they would not be eligible for post-retirement benefits. Examples: 1. If a member of MUFA was hired on July 1, 2005, was eligible to retire under the early retirement provisions, and retires on or after July 1, 2012, they would not have post-retirement benefits 2. If a member of MUFA was hired on July 1, 2005, was eligible to retire under the early retirement provisions, and retires on June 1, 2011 (before the implementation of the post-retirement co-pay program), they would have post-retirement benefits. 3. If a member of MUFA was hired on or after July 1, 2006, regardless of the timing of their retirement, they will not have post-retirement benefits.

Post-Retirement Co-Pay Program (Continued):	How will rates fluctuate over time?	It depends, as the co-pay rates will be determined annually based on the usage of the prior 3 years of benefits claims by all MUFA retirees with post-retirement benefits (not just those in the Co-Pay Program). The 3 year averaging is designed to reduce variability.
	What is the timing for rate changes or confirmation each year?	The rates will be confirmed for each May 1st, and will remain constant until the following April 30th.
	Do other G6 universities require that their faculty pay benefits?	Yes. Queen's University faculty share a cost of the premiums for health and dental coverage while active. Retirees pay a premium for health coverage while retired. (Dental benefits are not provided upon retirement.) University of Toronto's faculty pay 25% of the monthly cost for health and dental care. University of Western Ontario's health and dental plans for faculty are subject to a 15% co-insurance arrangement to a maximum of $450 for single coverage and $900 for family coverage. The co-insurance arrangement applies to both active and retired faculty. Retired faculty must satisfy a service component to be eligible for post-retirement benefits: 5 years of full-time service is required for those who were full-time faculty on June 30, 2007; 10 years of full-time service is required for those who became full-time faculty or after July 1, 2007.
	Will the retiree plan design be changed in the future?	This would be subject to Joint Committee Negotiations. Changes in plan design for retirees is one way to manage the cost of the Co-Pay Program for retirees.
	Is there a cap on the rates retirees will pay in the Co-Pay Program?	No. The actual cost of post-retirement claims will be used to determine the dollar amounts to be paid, as agreed at Joint Committee.
	Are the Post-Retirement Co-Pay amounts paid tax deductible?	Premiums paid to private health and dental plans may be eligible to be claimed in Income Tax returns. Individuals should check the Canada Revenue Agency website: www.cra.gc.ca for specific information regarding eligible claims and directions for completion of their tax return.
	How will the amount of the rates for the Co-Pay Program be determined?	See attached "Process for Determining Retiree Health and Dental Annual Premium Rates" which outlines the anticipated process.
	Are administrative costs included in the "Process for Determining Retiree Health and Dental Annual Premium Rates"?	The "Process for Determining Retiree Health and Dental Annual Premium Rates" which outlines the anticipated process for calculating the co-pay rates, includes an estimate of the administrative fees charged by Sun Life and applicable taxes. There are no University administration costs included in the calculation.

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MUFA Post Retirement Benefit Co-Pay Program

Effective for MUFA members who retire on or after July 1, 2012

THIS IS AN ILLUSTRATION OF THE PROCESS OF HOW THE CO-PAY AMOUNT WILL BE CALCULATED AND DOES NOT REFLECT THE FINAL RATES

Process for Determining Post-Retirement Benefit Co-Pay Rates

As of April 2011

IMPORTANT NOTES:

1) The process steps documented within are preliminary and subject to change.

2) The figures and examples provided below are for illustration purposes only and do not reflect actual claims costs or future retiree co-pay rates. Actual rates will be determined in the Fall of 2011 for implementation effective July 1, 2012.

Process Steps / Sample Calculations

(Figures may not add exactly due to rounding)

Actual Claims Based on MUFA Retirees Only

1) Determine total annual health and dental costs (including admin fees and taxes) for retirees, spouse survivors, and eligible dependents), using a 3-year average. Costs will be based on the full benefit year, which runs from July 1st to June 30th. Therefore May rates will be determined based on the actual claims data ending the prior June (e.g., 2012 rates based on July 1, 2008 to June 30, 2011 average annual claims).

Annual Claims by Benefit Year (July - June)	**Health**	**Dental**	**Total**
2008/09	$1,000,000	$600,000	$1,600,000
2009/10	$1,025,000	$625,000	$1,650,000
Estimated 2010/11*	$1,050,000	$650,000	$1,700,000
Average Annual Claims Costs	**$1,025,000**	**$625,000**	**$1,650,000**

(Including Admin Fees & Taxes of 15%)

**2010/11 based on actaul claims July 2010 to March 2011, estimated to June 2011*

3) Determine the current total number of retirees and spouse survivors receiving post retirement benefits.

	Health	Dental
Total # of Current MUFA Retirees and Spouse Survivors with Benefits	600	600

(Retirees and spouse survivors, as of February 2011)

4) Determine the current ratio of single versus family coverage.

Coverage Type:	Health	Dental
Single Coverage	150	150
Family Coverage	450	450
Single Coverage Percent	25%	25%
Family Coverage Percent	75%	75%

5) Determine the percentage of claims incurred by those with single coverage versus those with family coverage.

% Claims by Coverage Type:	Health	Dental
Claims by Single Coverage	15%	15%
Claims by Family Coverage	85%	85%

6) Determine the dollar value of health and dental claims by single versus family coverage.

Total Claims by Coverage Type:	Health	Dental	Total
Claims $ - Single Coverage	$153,750	$93,750	$247,500
Claims $ - Family Coverage	$871,250	$531,250	$1,402,500
*(= average annual claims cost * % claims by coverage type)*		**Total**	**$1,650,000**

7) Determine the total annual cost of health and dental claims per retiree based on single or family coverage.

Annual Claims by Coverage Type per Retiree:	Health	Dental	Total
Per Retiree Cost - Overall	$1,708	$1,042	$2,750
Per Retiree Cost - Single Coverage	$1,025	$625	$1,650
Per Retiree Cost - Family Coverage	$1,936	$1,181	$3,117

(= claims $ by coverage type / total # of retirees by corresponding coverage type)

8) Determine the annual retiree co-pay rates based on the years of service breakpoints and payment percentages per the Memorandum of Settlement.

Annual Retiree Co-Pay Costs:

		Overall		
Years of Service	Retiree Pays	Health	Dental	Total
25 or higher	25%	$427	$260	$688
20 or more but less than 25	50%	$854	$521	$1,375
10 or more but less than 20	75%	$1,281	$781	$2,063

OR

		Single Coverage		
Years of Service	Retiree Pays	Health	Dental	Total
25 or higher	25%	$256	$156	$413
20 or more but less than 25	50%	$513	$313	$825
10 or more but less than 20	75%	$769	$469	$1,238
		Family Coverage		
Years of Service	Retiree Pays	Health	Dental	Total
25 or higher	25%	$484	$295	$779
20 or more but less than 25	50%	$968	$591	$1,559
10 or more but less than 20	75%	$1,452	$886	$2,338

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Process for Determining Post-Retirement Benefit Co-Pay Rates

As of April 2011

IMPORTANT NOTES:

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Process Steps

9) Determine the monthly retiree co-pay rates by dividing the annual rates by 12 months.

Sample Calculations

(Figures may not add exactly due to rounding)

Actual Claims Based on MUFA Retirees Only

Monthly Retiree Co-Pay Costs:

				Overall	
Years of Service	Retiree Pays		Health	Dental	Total
25 or higher		25%	$36	$22	$58
20 or more but less than 25		50%	$71	$43	$114
10 or more but less than 20		75%	$107	$65	$172

OR

				Single Coverage	
Years of Service	Retiree Pays		Health	Dental	Total
25 or higher		25%	$21	$13	$34
20 or more but less than 25		50%	$43	$26	$69
10 or more but less than 20		75%	$64	$39	$103
				Family Coverage	
Years of Service	Retiree Pays		Health	Dental	Total
25 or higher		25%	$40	$25	$65
20 or more but less than 25		50%	$81	$49	$130
10 or more but less than 20		75%	$121	$74	$195

<table>
<tr>
<td rowspan="3"><u>Pension:</u></td>
<td>What early retirement provision do members of MUFA have?</td>
<td>In the Joint Committee Agreement effective July 1, 2006, the early retirement provision changed. For faculty who began at McMaster on July 1, 2006 or later, the Rule of 85 applied immediately.

For faculty who were hired prior to July 1, 2006, a 10 year transition period from Rule of 80 to Rule of 85 applies. The Rule of 80 stays in place until December 31, 2011. From January 1, 2012 to December 31, 2012, the Rule of 80 would be replaced by the Rule of 81. From January 1, 2013 to December 31, 2013, this would become the Rule of 82. From January 1, 2014 to December 31, 2014, this would become the Rule of 83. From January 1, 2015 to December 31, 2015, this would become the Rule of 84. From January 1, 2016 onwards, the Rule of 85 would be in place.

The Rule of 85 means that in order to retire before the age of 65, and still qualify for an unreduced pension, your years of participation in the pension plan plus your age must equal at least 85.</td>
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<tr>
<td>How does this provision compare to CAW, SAAO and TMG employee groups?</td>
<td>TMG and SAAO have adopted the Rule of 85 on the same basis as MUFA.

CAW, Local 555 (Unit 1) has Rule of 80. The Agreement with CAW and the University provides that the Rule of 80 will be maintained for the term of the Unit 1 collective agreement effective June 16, 2009 and any subsequent renewal collective agreement, provided Unit 1 members pay a premium for the value of the Rule of 80 through higher pension contribution rates relative to those of employees entitled to Rule of 85. In June 2012, using retirement data of Unit 1 members since June 16, 2006, the University will determine the actual cost of maintaining the benefit of Rule of 80 for Unit 1 members relative to the cost of Rule of 85. The actual cost will be used to determine the required change to employee pension contributions, if any, over the term of the collective agreement renewed in 2012, taking into account, and giving credit for, the higher employee pension contributions made since June 16, 2008.</td>
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<td>How do pension contributions for MUFA compare to those of SAAO, TMG and CAW?</td>
<td>Members of MUFA will have been paying lower pension contributions for a period of 3 years relative to those in SAAO, TMG and CAW.
<table>
<tr><th rowspan="2">Effective Date</th><th colspan="3">Pension Contributions on Salary up to YMPE*</th><th colspan="3">Pension Contributions on Salary above YMPE*</th></tr>
<tr><th>MUFA</th><th>SAAO & TMG</th><th>CAW Staff</th><th>MUFA</th><th>SAAO & TMG</th><th>CAW Staff</th></tr>
<tr><td>July 1, 2009</td><td rowspan="3">5.0%
↓</td><td>5.0%</td><td>5.5%</td><td rowspan="3">6.5%
↓</td><td>6.5%</td><td>7.0%</td></tr>
<tr><td>January 10, 2010</td><td>5.5%</td><td>5.75%</td><td>7.25%</td><td>7.5%</td></tr>
<tr><td>January 9, 2011</td><td rowspan="2">6.0%
↓</td><td rowspan="2">6.25%
↓</td><td rowspan="2">8.0%
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<tr><td>July 2, 2011</td><td rowspan="2">5.75%
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<tr><td>January 8, 2012</td><td rowspan="2">6.5%
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<tr><td>July 1, 2012</td><td>6.5%</td><td>8.75%</td></tr>
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* YMPE - “Year’s Maximum Pensionable Earnings”, currently $48,300 for 2011

CAW Staff currently pays a premium in employee pension contributions for retaining the rule of 80.</td>
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Increases to Salary:	Are the 1% ATB and $2,000 flat dollar increase to base salaries compounded?	The ATB increase is applied first, and not compounded on the $2,000.
	Why is the increase in 2011 effective July 2, 2011?	As pensionable salaries are determined based on the base salary in effect on July 1st, this deferral of 1 day will assist in the July 1, 2011 Salaried Pension Plan valuation.

Optional Life Insurance	The optional employee-paid group life insurance coverage is being increased from a maximum of $500,000 to $1,000,000. How will this be administered?	The details are being worked out. A communication will be sent to members of MUFA to inform them of the change and advise of the process to increase their current level of coverage.
	Will I need to satisfy medical requirements?	Yes, to increase the level of optional life insurance coverage, members of MUFA will need to provide medical evidence. The increase in optional life insurance will not take effect until medical information is reviewed and approved by Sun Life.