MUFA
SINCE 1951
McMASTER UNIVERSITY FACULTY ASSOCIATION

HAMILTON, ONTARIO
L8S 4K1
HAMILTON HALL
ROOM 103A

905-525-9140
EXT. 24682

FAX: 905-522-8320
mufa@mcmaster.ca

MUFA on the WEB
http:www.mcmaster.ca/mufa

McMaster University Faculty Association (MUFA) Remuneration Brief

December 17, 2012

Opening Statement

MUFA is a non-unionized faculty association that works with the University Administration through its well developed internal governance mechanisms to operate the University on all levels. In the specific domain pertaining to faculty[1] issues, the forum for direct discussion is the Joint Committee, which meets regularly under the terms of agreement set out in the Terms of Reference of *The Joint Administration/Faculty Association Committee to consider University Financial Matters and to discuss and negotiate matters related to Terms and Conditions of Employment of Faculty* (JC TOR). Since faculty remuneration (defined as salaries and benefits) is a vital issue to our members and to the University, it takes precedence in the year prior to the expiry of a collective agreement. MUFA represents its members' interests through a well defined process of negotiation as outlined in the JC TOR. The negotiation process begins with exchange of remuneration briefs and is expected to be completed by March 15 of the following year. In the event that agreement is not reached through negotiations, both sides prepare a final offer, only one of which will be selected *in toto*. This process encourages both sides to negotiate in good faith and also to present their most reasonable positions. It is in that spirit that we present MUFA's remuneration brief. History supports our successful use of this negotiating process, as negotiations have rarely proceeded to Final Offer Selection in the last 23 years.

In addition to the negotiation framework of the JC TOR, we are fortunate to have a set of principles to guide the negotiations, providing an important context for our discussions. MUFA remains committed to the *Principles for Negotiation of Faculty Remuneration* as agreed to by the Joint Committee, attached in Appendix 1. We will refer to these Principles throughout the discussion of our bargaining proposal, using the numbering system therein (i.e. PN1, PN2...). For the sake of clarity we have categorized our proposals in three sections: Salary, Benefits and Professional Support. However, many of the Principles for negotiation transcend all three categories and will appear more than once.

Our internal process has been based on two complementary approaches. In the fall of 2012 we surveyed our members in what has become traditionally known as the MUFA salary survey. With a strong response rate we received a very good sense of the needs and priorities of our members, particularly in the area of salary and benefits. The survey results help to ensure that our efforts are guided by the needs of our constituents.

In parallel, we benchmarked McMaster faculty salaries and benefits with respect to other comparable universities. This process considered existing remuneration packages and examined remuneration trends over time. Additionally, we considered benefits that have been adopted by other universities that we believe would be beneficial at McMaster as well. In this regard, two central principles have been that "Faculty salary and benefits should compare favourably to those in comparable

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[1] The term "faculty" is used throughout this brief to refer to faculty members who participate in the Career Progress/Merit Scheme and MUFA librarians.

jurisdictions, including specifically other excellent universities" (PN1) and "Faculty salaries and benefits should be protected from inflation" (PN2). Regarding the first principle, we consider McMaster University's most appropriate jurisdiction to be the other Ontario universities in the 15 leading research intensive universities in Canada (U15), namely University of Ottawa, University of Toronto, University of Waterloo, Queen's University and Western University. We refer to these universities as the G6 and as our comparator group, although we believe our ranking should be at or near the top of this group. Indeed, McMaster University has placed second in Ontario only to the University of Toronto over the last 11 years in the Top 50 Research Universities report. Regarding the second principle, we simply point out that the "miracle of compound interest" has a corresponding duty of vigilance to ensure that existing programs and plans are protected from potentially serious erosion by inflation over a sustained period of time. We have found that several of our plans either do not have adequate protection from inflation built in or simply have not been maintained for many years.

Our survey has highlighted issues of common interest as well as key issues that vary with demographics – particularly stage of life. We have strived to incorporate aspects of both in our proposals, to meet the needs of our members at each of these stages, and also to help ensure that the University is well positioned to recruit excellent faculty at the beginning of their academic careers, support them in their professional development (PN11), retain them as they advance through their careers and ensure that "Faculty should look forward to a good pension upon completion of their academic careers" (PN6).

In the area of Salary, MUFA reaffirms its commitment to the reward of academic excellence and supports the CP/M Scheme (PN3). To keep pace with settlements at our comparator universities and inflation we propose a modest salary increase. We note that McMaster faculty salaries have not kept pace with private sector salaries – another group often used for comparison purposes in discussion of faculty salaries.

In the area of Benefits, we have observed a significant erosion of our benefits over time simply due to inflation (PN2), weakening the ability of our health insurance program to protect faculty from significant one-time expenses. The quality of our health benefits affects all of our members and is a key factor in workplace productivity. In mid-career, the attention of many of our members turns to putting their children through university. Adoption of a tuition bursary tenable outside of McMaster would be an attractive inducement for recruitment, and arguably a necessity to compete for the best new faculty. Lastly, we heard from a broad spectrum of our membership the need to preserve a strong pension plan. This is a recruitment issue as much as it is an obligation to provide for our retirees. We found that due to the structure of our pension plan, the payments are simply not keeping up with inflation, significantly diminishing the value of this benefit. We have priced these three Benefit proposals and find that they correspond to a modest one-time increase of 0.54% of salary mass (0.12% for health insurance updates, 0.25% for tuition bursary and 0.17% for pension inflation protection).

In the area of Professional Support, we reaffirm the Principle that "The University should assist faculty members to enhance their research and scholarship effectiveness" (PN11), which it traditionally has done through the Professional Development Allowance (PDA). The PDA is now in need of maintenance with respect to inflation, after a two-year freeze. An essential benefit and recruitment tool for today's workplace is employer support of child care. We believe that it is crucial to support our faculty members in the early stages of their careers, where child care often competes with demands of tenure and promotion. We have priced these two proposals and find that they correspond to a modest increase of 0.47% of salary mass (0.25% for child care and 0.22% for PDA, the latter spread over two years).

Together, the non-salary proposals total 1.01% of salary mass. They are structured to maintain the integrity of existing benefits and/or to provide a benefit in line with our comparator universities. They are based on and in keeping with the aforementioned Principles of Negotiation and we believe them to be moderate and attainable. Together, they would help maintain McMaster University's position with respect to its peers as a leading Canadian research intensive university, by providing a competitive and attractive work environment.

MUFA looks forward to discussing our proposals with the Administration to advance our shared goals.

Proposals for July 1, 2013

MUFA proposes a two-year contract (July 1, 2013 to June 30, 2015).

SALARY

1. Career Progress and Merit

As in previous briefs, MUFA reaffirms its commitment to the reward of academic excellence. We propose an increase in the number of par merit units from 120 to 130 per 100 faculty with 120 par merit units to be allocated at the department level.

2. Across-the-Board Increase

MUFA proposes a 2.95% Across-the-Board increase in salary floors, breakpoints and salaries in each year of the contract. This is comparable to recent settlements in place at Ontario universities for the proposed contract duration and is required to maintain our current salary ranking within the G6 and raise average salaries to the G6 average, as indicated in Table I. Of particular note in our salary distribution is that McMaster 10th percentile salaries are the lowest in the G6 and 6% below its average. To put our proposal in a broader context, cumulative McMaster salary increases have lagged the Canadian aggregate wage indicator since 1991 and still lag by ~5% despite a gradual recovery, as illustrated in Figure 1.

BENEFITS

1. Health Insurance

Vision care benefits have been frozen at $250 per person per two year period and paramedical benefits have been frozen at $300 per person per practitioner *since 2005*, while health care costs have risen at a rate significantly higher than inflation during that time period. Hearing aid expenses are currently reimbursed at a maximum of $500 per ear every three years and have not increased *since 1998*. Vision care benefits cover only ~ 43%, paramedical benefits only ~50% and hearing aid benefits only ~14% of the actual costs. These benefit categories form part of a sound health insurance plan. Improvement to 80% reimbursement of all three benefit categories for our members would be equivalent to only 0.12% of salary costs.

MUFA proposes:

a. an increase in the Vision care benefit from $250 to $475 per person per two year period.

b. an increase in paramedical benefits from $300 to $500 per person per practitioner per year. Licenced speech therapists (currently limited to $200 per person per year), occupational therapists and registered social workers (currently not covered) would also be covered at $500 per person per practitioner per year.

c. an increase in the hearing aid benefit from the present 75% of the cost, (to a maximum of $500 per ear), to 80% of the cost, with a maximum of $3,000 per ear, over a three year period.

d. dental implants were excluded from the major restorative coverage of the dental plan post-retirement when they were added to faculty coverage in 2002. This is the only exclusion of extended medical and dental coverage between pre- and post-retirement. In light of the co-payment for post-retirement benefits and the cost neutrality of this now common procedure relative to alternative procedures, MUFA proposes removal of this exclusion.

2. Dependant Tuition Bursary Tenable at Universities and Colleges (other than McMaster)

The University offers tuition bursaries of up to $3,750 per year to dependents of its employees who attend McMaster. This represents a real cost to McMaster University since our high acceptance standards create an enrolment cap whereby a non-bursary student would bring in additional tuition revenue. Consistent with similar plans at University of Toronto, Queen's University and Western University, MUFA proposes that a new equal dollar bursary be introduced for dependents of faculty and librarians. Eligibility would be determined in the same manner as the bursary tenable at McMaster and the new benefit would be tenable at other accredited universities and colleges.

3. Pension Inflation Protection

The current pension is poorly indexed to CPI and thus the value of pensions has *declined* by 10% relative to CPI over the last 15 years, while during the same period the pension fund returns have *increased* by 80% relative to CPI, as shown in Figure 2. The pension indexing for the McMaster plan is by far *the least competitive* amongst our comparator universities at 63% of CPI as compared to an average of 92% of CPI for our comparators during the last 15 years, as shown in Table II. Additionally, MUFA pension contribution rates for 2012 are *the highest* amongst our comparator universities and significantly higher than the average, as shown in Table III. While our contribution rates and those of our comparators will rise over the subsequent two years based on recent settlements, McMaster contribution rates will remain significantly higher than average. In light of the high member contribution rate and poor indexing of our pension, MUFA proposes that McMaster faculty pensions for future retirees be *fully* indexed to the CPI. We estimate that improvement to full CPI indexing would be equivalent to only 0.17% of salary costs, but would have a significant long-term benefit in maintaining real pension values.

Professional Support

1. Child Care Support

Access to high quality and affordable child care is a positive factor in the recruitment of new faculty members, as well as providing support in the early stage of their careers. Studies indicate higher employee productivity and retention rates when employer-supported child-care programs are in place. Consistent with similar plans at University of Toronto and Queen's University, MUFA proposes $2,500/year for out-of-pocket child-care expense for each eligible child under the age of 7.

2. Professional Development Allowance (PDA)

MUFA notes that the cost of travel to attend conferences has risen much faster than inflation and the PDA increases were frozen in the last contract for the first time. MUFA proposes a $225 increase in the first year and a $75 increase in the second year of the contract in the PDA for faculty/librarians. As we have repeatedly heard from our members, the PDA is increasingly important in an era of scarce research support and tri-council restrictions on spending eligibility for indirect costs of research.

Table I: G6 Salary Averages

Salary 2010-2011	# of faculty members	Average salary	% deviation from weighted average
U. of Toronto	2150	139,543	7.87%
Queen's University	704	134,534	3.99%
McMaster University	761	128,530	-0.65%
U. of Waterloo	1023	125,851	-2.72%
Western University	1,029	120,722	-6.68%
U. of Ottawa	1,124	118,352	-8.52%
Weighted Average (G6)	6,791	129,474	

To maintain an internally consistent data set, this information is from *Salaries and Salary Scales of Full-time Teaching Staff at Canadian Universities, 2010/2011: Final Report*, Statistics Canada.

Table II: G6 Pension Indexing

	Pension Indexing (% of CPI) 1996-2011
U. of Toronto	81%
Queen's University	127%
U. of Waterloo	100%
Western University	N/A (DC)
U. of Ottawa	85%
Weighted Average (G5)	92%
McMaster University	63%

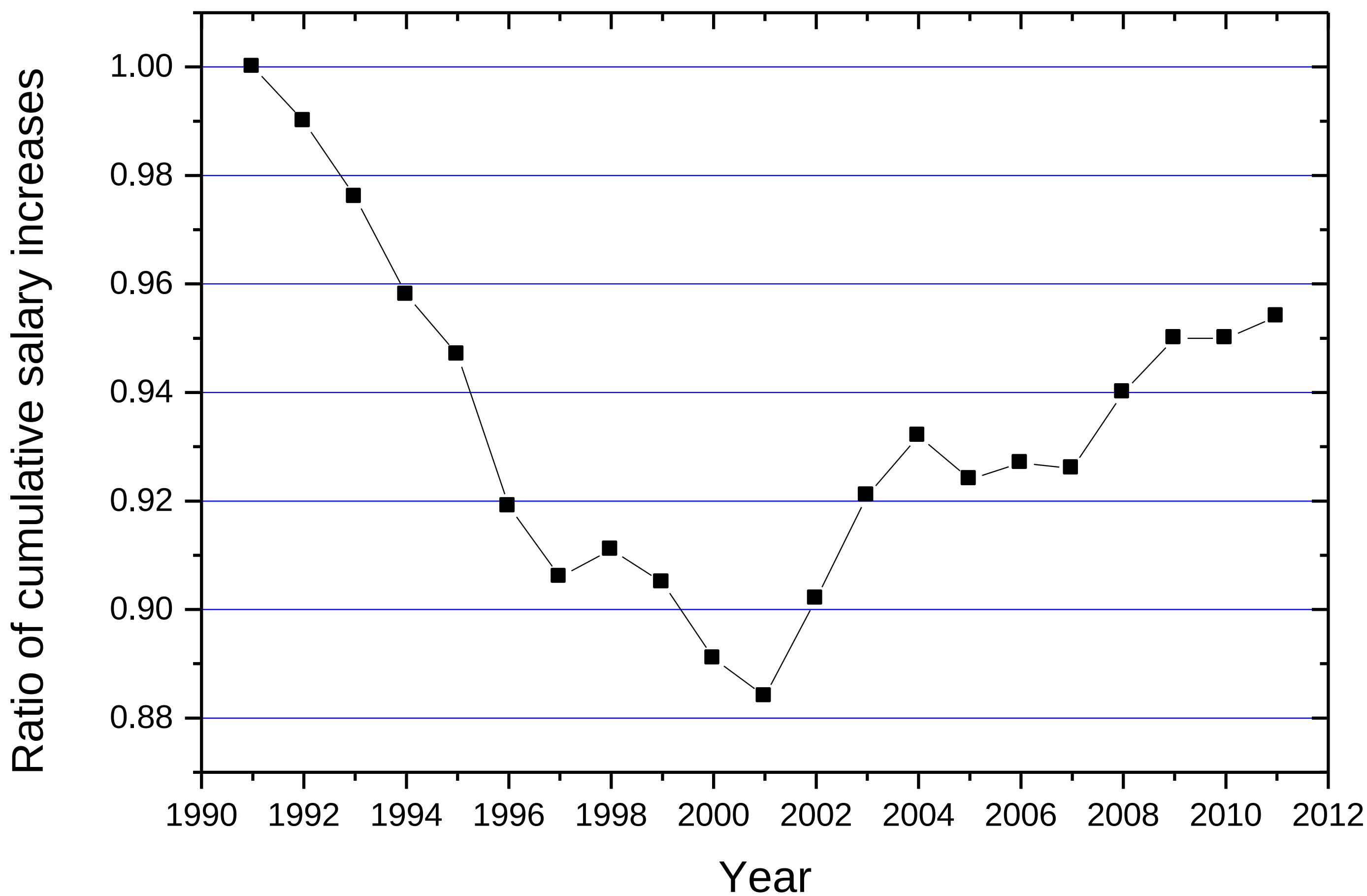
Table III: G6 Pension Contribution Rates

	Pension contribution at Max salary 2012	Pension contribution at Max salary 2013	Pension contribution at Max salary 2014
U. of Toronto (with SPP)	5.19%	5.97%	6.79%
Queen's University	6.86%	8.08%	8.98%
U. of Waterloo (with SPP)	6.88%	7.04%	6.96%
Western University	N/A (DC)	N/A (DC)	N/A (DC)
U. of Ottawa (with SPP)	5.36%	5.35%	5.34%
Weighted Average (G5)	5.81%	6.35%	6.81%
McMaster University	7.55%	7.98%	7.98%

DC = defined contribution plan; G5 = G6 excluding McMaster University

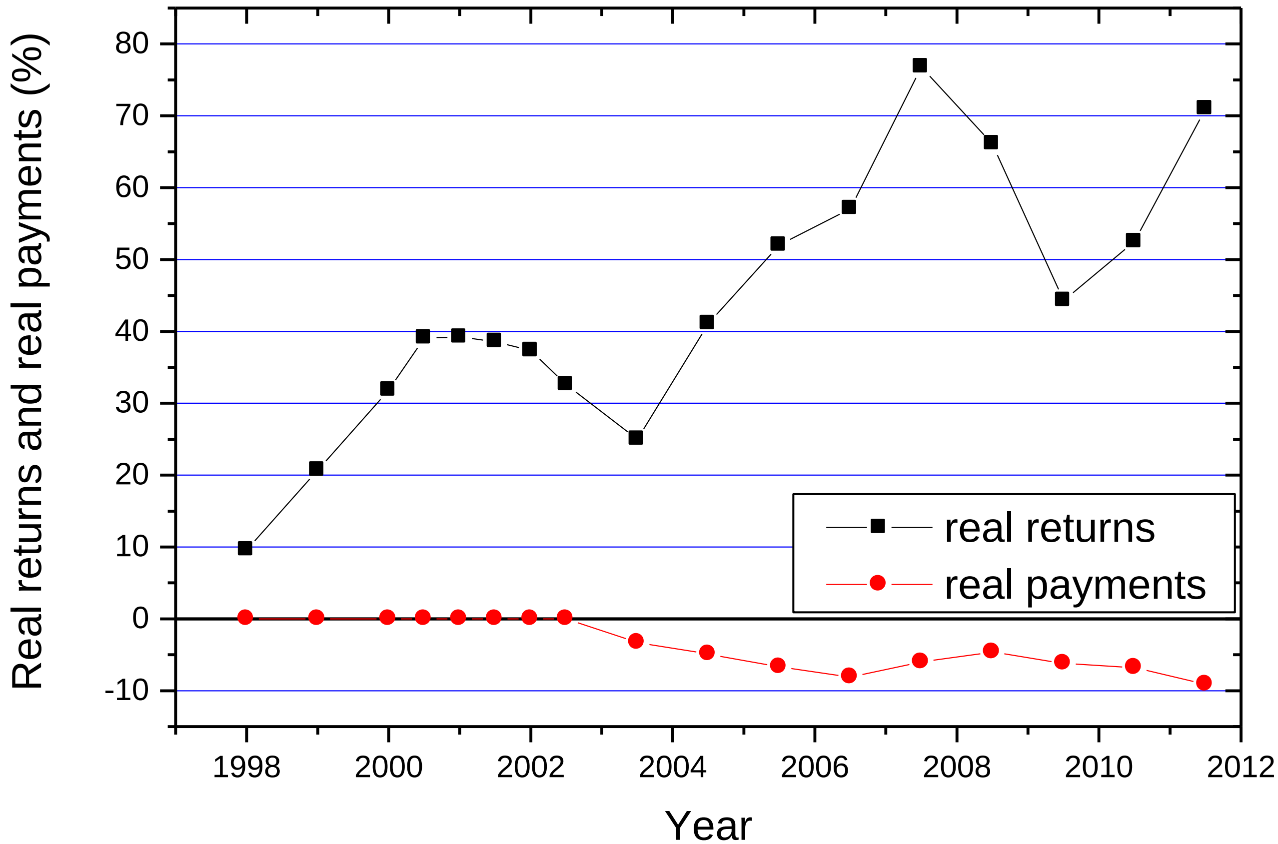
For a fair comparison between universities, the pension contributions must be referenced to the pension payments that would be received at retirement. Most faculty will be subject to the CRA defined benefit limit (DB limit) for pension payments and so that figure is used to adjust the effective pension contribution required to receive the DB limit. The Universities of Toronto, Waterloo and Ottawa have supplementary pension plans (SPP), which provide payments above the DB limit. In the first two cases the higher limit is used for the purposes of calculating the effective contribution rate. In the case of University of Ottawa where there is a salary cap in place, we have used that as the maximum salary. We have assumed an increase of the DB limit and the YMPE of 2% for 2014 as compared to the values for 2013.

Figure 1: Ratio of cumulative McMaster salary increases to cumulative Wage Measure increases over time



The “wage measure” is based on the Industrial Aggregate in Canada as published by Statistics Canada and is used to calculate increases to the YMPE and DB limit.

Figure 2: Cumulative McMaster Pension Performance; McMaster pension plan cumulative real investment returns and cumulative real payments over time



Note: The returns and payments are referenced to CPI (all items CPI for previous July to June period); therefore 0% on the graph corresponds to performance at CPI. The year refers to the end of the return period, whereas the payments become effective 6 months later. Annual pension increases are the lesser of CPI and the 5 year plan return average minus 4.5%.

McMaster University

The Joint Administration/Faculty Association
Committee to consider University Financial Matters
and to discuss and negotiate matters related to Terms
and Conditions of Employment of Faculty

1280 Main Street West
Hamilton, Ontario, Canada
L8S 4K1

Appendix 1
Principles for Negotiation of Faculty Remuneration

Introduction
In recognition that the negotiation of faculty remuneration at McMaster should be conducted within a collegial rather than confrontational framework, the Joint Committee agrees that it is desirable to establish commonly held principles within which such negotiations would take place. We hope that by doing so we can reach an agreement of mutual benefit by applying these principles rather than by hammering away at opposing positions until there is either enough "giving in" to reach an agreement or a stalemate forcing use of the final offer selection process. The following principles are presented for this purpose.

General Statement
Both the Faculty Association and the Administration recognize that McMaster University has a complement of highly qualified faculty members who are committed to the mission and objectives of the University and who work diligently to further those objectives. As a consequence, it is the desire of both parties that remuneration be at a level which adequately compensates faculty members for their contributions to the University. It is also the desire of both parties that the working conditions of McMaster faculty members be adequate, including both those matters which have a direct impact (e.g. class sizes) and an indirect impact (e.g. services and environment provided through the University infrastructure). In order to achieve these goals, it is important that other expenditures (e.g. for personnel services, fund-raising) be made judiciously. In the Joint Committee we are attempting to find an appropriate balance between these considerations in reaching an agreement on remuneration.

Principles Concerning Individual Compensation

1. Faculty salary and benefits should compare favourably to those in comparable jurisdictions, including specifically other excellent universities.

   Maintaining a competitive salary position with other universities is important both for the morale of faculty members and for McMaster's competitive position, i.e. being able to recruit and retain highly qualified faculty members.

2. Faculty salaries and benefits should be protected from inflation.

   Erosion of salaries relative to inflation, which has occurred in a number of years due to underfunding of the universities, is bad for morale and makes the prospects of an academic career less attractive to graduate students and young PhDs.

3. Differing degrees of contribution to the University depending upon experience and individual talents should be recognized through application of the CP/M Scheme, with sufficient par units to enable the rewarding of the many excellent faculty members without penalizing other competent faculty members.

4. Faculty should be protected from catastrophic expenses, such as those arising from ill health.

5. Consideration should be given to the tax effects of the form of remuneration.

6. Faculty should look forward to a good pension upon completion of their academic careers.

Principles Concerning Working Conditions

7. Faculty members should be able to teach in an instructional environment which is conducive to the educational process.

   A conducive instructional environment includes: students of high quality, class sizes which are not too large and access to instructional assistance, e.g. teaching assistants.

8. The University's operating budget should enable the appointment of new faculty, both to replace those who have retired (or resigned) and to compensate for an increased number of students.

   Working conditions will be seriously undermined if the University is unable to replace retiring professors, since the remaining faculty complement will need to provide additional instruction to compensate for their loss. Similarly, additional faculty members are needed to handle the increased number of students which have enrolled at McMaster in recent years. In allocating these appointments, consideration should be given to shifting teaching and research needs across the University.

9. The University should seek to redress the erosion of working conditions which has occurred during the past few years.

   The increased number of students, without a compensating increase in faculty appointments has resulted in a significant increase in student/faculty ratio during the past ten years. This has been accompanied by increased pressure on space (lecture rooms, offices and lounge space) and by fewer dollars available for instructional supplies and expenses.

10. Faculty should be provided with resources to do their jobs effectively.

    Such resources include: office and laboratory supplies, access to support staff (e.g. for typing correspondence or assisting in the development of laboratory experiments), library, computing facilities and instructional assistance.

11. The University should assist faculty members to enhance their research and scholarship effectiveness.

    Such assistance includes: research grants (through the Research Boards), funds for travel to conferences, funds for purchase of books and journals, and research leaves.

Approved by the Joint Committee — January 30, 1990
Reviewed and Approved in Principle by the Joint Committee — November 14, 2001