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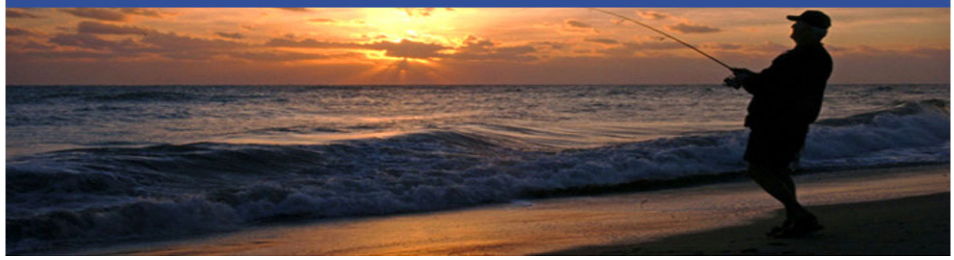
News & Views

March 2011



In this issue:

Pension Update

UGFA has recently had several meetings with Administration on the pension issue. We are currently working towards a joint meeting with the employer that will involve the Actuaries for both parties.

The Administration has confirmed that they will be filing their application to enter Phase I of the Solvency Relief process outlined by the Province by March 23rd, and that the UGFA will receive a copy of this document prior to that date. The employer is required to share this document with us; however they are not required to seek consent from the bargaining units for this application.

The required payment by the University (if their application is accepted) will be approximately $36 million for 2011/12. This amount represents the normal cost of our plan (approximately $22 million), PLUS the interest on only the current solvency deficit for our pension plan. The normal costs of our plan include the regular payments used to fund the ongoing commitments of the pension plan.

Update: Recent Amendments to the Canada Pension Plan

The Canadian Government has recently announced a number of amendments to the Canada Pension Plan.

Starting in 2012, you may choose to both collect *and* pay into CPP at the same time to increase your Post-Retirement Benefit (PRB).

Changes to the actuarial factor for early and late retirement:

The actuarial factor is the adjustment made to retirement benefits based on whether a person retires before or after age 65. **If a person retires before age 65, the actuarial factor lowers the retirement benefits**, as that person will likely collect benefits for a longer period of time and has contributed for fewer years than someone who retires at age 65. In comparison, **the actuarial factor increases the retirement benefits for a person who retires after age 65**, as that person will likely collect benefits for a shorter period of time and has made additional contributions. The government is implementing changes to the actuarial factor for the Canada Pension Plan. The changes will be phased in gradually over a number of years, starting in 2011 and will be completed by 2016.

CPP retirement pensions will be higher if taken after age 65:

Before the changes, CPP retirement pensions increased by 0.5% for each month after age 65 (up to age 70) that contributors delayed receiving them. For example, if contributors started receiving their CPP pensions at the age of 70, their pension amounts were 30% more than if taken at age 65.

The **Actuarial Factor** is the actual adjustments made to retirement benefits based on when a person retires (before 65 versus after).

From 2011 to 2013, the Government will gradually increase this percentage from 0.5% per month (6% per year) to 0.7% per month

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(8.4% per year). This means that by 2013, if contributors start receiving their CPP pension at the age of 70, their pension amounts will be 42% more than if taken at age 65.

CPP retirement pensions will be lower if taken before age 65:

Before the changes, CPP retirement pensions were reduced by 0.5% for each month before age 65 that contributors began receiving them. For example, if contributors started receiving their CPP pensions at the age of 60, their pension amounts were 30% less than if taken at age 65.

From 2012 to 2016, the amount by which a contributor's early pension will be reduced will increase from 0.5% per month (6% per year) to 0.6% per month (7.2% per year). This means that by 2016, if contributors start receiving their CPP pensions at the age of 60, their pension amounts will be 36% less than if taken at age 65.

Changes to the general drop-out provision:

Virtually all contributors are entitled to the general drop-out provision, which allows them to exclude a portion of their zero or low earnings from the calculation of their retirement benefit.

Because work interruptions occur for a variety of reasons, including involuntary job losses, and because time out of the labour force can lower the amount of one's CPP pension, the pension formula is being enhanced to exclude up to eight years of low earnings under the general drop-out provision.

Starting in 2012, the number of years of low or zero earnings that are automatically dropped from the calculation of CPP pensions will increase.

Before the changes, when Service Canada calculated average earnings over a contributor's entire career (from age 18 until retirement), 15% of the contributor's career period with the lowest earnings was automatically dropped. Under this provision, if contributors took their CPP retirement pension at 65, up to seven years of their lowest earnings were automatically dropped from the calculation of their average earnings.

Starting in 2012, the percentage of low earnings will increase to 16%, which may allow up to 7.5 years of a contributor's lowest earnings to be dropped from the calculation. In 2014, the percentage will increase to 17%, which may allow up to eight years of a contributor's lowest earnings to be dropped.

Introduction of the Post-Retirement Benefit

Starting in 2012, if contributors are receiving CPP retirement pensions and they choose to work, they could continue to make CPP contributions that will increase their payments through the Post-Retirement Benefit (PRB). The newly-created PRB will be comprised of contributions made while contributors are receiving their CPP retirement pensions. If they are under age 65, By 2016, if you start receiving CPP at age 60, the amount will be 36% lower than if you started at 65.

By 2016, if you start receiving CPP at age 70, the amount will be 42% higher than if you started at 65.

contributions will be mandatory for them and their employers. If they are age 65 to 70, contributions will be voluntary (their employers will have to contribute if they do). People between the ages of 60 and 70 who make these contributions may begin to receive the PRB the following year.

Working CPP retirement pension recipients who wish to opt out of contributing to the Plan after age 65 will be required to inform the Canada Revenue Agency.

Contributions made while beneficiaries are receiving their CPP retirement pensions will build up only the PRB. These contributions will not create eligibility or increase the amount of other CPP benefits, nor be subject to a credit split or retirement pension sharing.

Each year of work will provide an additional post-retirement benefit that will begin the following year and will be paid for life.

UGFA Budget Overview

At the May Annual General Meeting, the UGFA will be presenting a proposed budget for the 2011/12 year. In preparation, we thought it would be useful to provide background information on how the budget is prepared.

Income

UGFA's only income is derived from the dues that are paid monthly by the Membership, and any interest that may be earned on investments.

The UGFA calculates dues based on a mil rate of 11.46 or 1.146% of salary. The current mil rate has existed for a number of years and was approved by the Executive, Council and the general membership. To calculate the dollar value of the mil rate, we take the average salary by rank effective the previous July 1 and multiply by our mil rate then divide by 12. So, if the average salary of an assistant professor was $100,000 the formula would be (100,000 x 1.146 ÷ 12). Our dues are collected from the first pay of each month from all UGFA members.

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CAUT/OCUFA

As an Association, a large portion of our income goes to pay affiliation fees for CAUT and OCUFA. CAUT and OCUFA use almost the same process to determine their rates; the only difference is that they use the national and provincial salary averages respectively. UGFA is mandated to pay membership dues to both bodies for each of our members. As such, our members are entitled to benefits associated with membership in these affiliate organizations such as discounts on insurance, office products, car rentals, courseware, and events/entertainment.

For more information on CAUT's Infinity Program for members visit www.caut.ca and click on Membership. For more information on OCUFA's Edvantage program for members visit www.ocufa.ca and click on Edvantage.

CAUT and OCUFA also provide a range of services for member Associations such as advocacy, academic freedom, collective bargaining, health and safety, and legal services.

CAUT Defence Fund

The UGFA is also a dues paying member to the CAUT Defence Fund, the unified strike fund for all Academic Staff Associations. The primary purpose of the Defence Fund is to provide strike benefits to associations while its members are engaged in a strike or lock-out and experiencing loss of salary. These benefits are paid as a grant to the Association, to be used at the local union's discretion, usually as strike pay (which is non-taxable) for individual union members.

Mandated Fund

The UGFA is mandated to maintain a number of reserve funds including: a 6 months operating reserve; a $500,000 UGFA Defence Fund (separate from the CAUT Defence Fund); a $300,000 Arbitration Fund; as well as sufficient funds for contractual obligations. This totals approximately $1.5M. Our current Asset value is approximately $1M, so our budget must take into account building our reserves up to the mandated amount.

Audited Statement

The UGFA 2009/2010 audited statement is available in the UGFA House for review by any member. Please just call ext. 52126 to arrange a time to view. The financial statements (both audited and proposed) will be presented at the AGM May 19th.

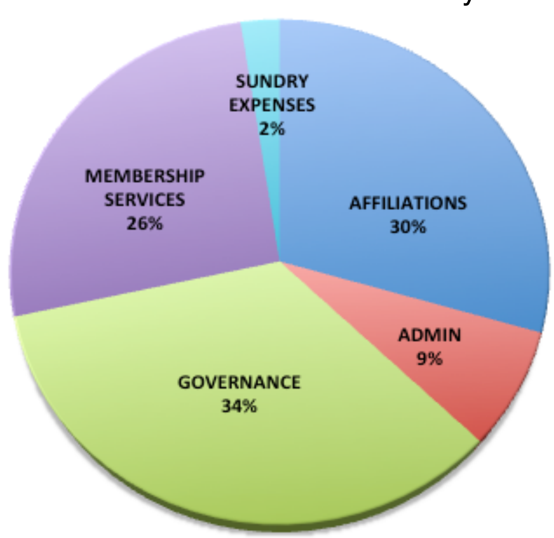

Figure 1: Approximate breakdown of how Dues are spent for the current fiscal year.

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Come out to the Annual General Meeting on May 19^{th}.

UGFA Updates and Events:

1. Annual General Meeting May 19th @10am

The UGFA Annual General Meeting is scheduled for May 19^{th} at 10am (location TBD). Come out to ask questions and get an overview of what the UGFA has accomplished this past year.

2. Correction to last edition of News & Views

In the last News & Views we listed last years teaching award winners. Denise Mohan, the recipient of the Special Merit Award, was erroneously placed into OAC. Denise Mohan is a professor in the College of Arts.

We are sorry for any confusion this caused. The corrected version of the Newsletter is available on our website.

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