

**Relevant History of the Salaried Pension Plan for
Members of CAW Local 555, Unit 1
Pension Contributions and Early, Unreduced Retirement Eligibility**

- September 17, 2012 -

Prior to June 16, 2008, employees in CAW Local 555, Unit 1, had always paid the same employee pension contributions as employees in other employee groups, such as The Management Group (TMG), and were eligible to retire with an early, unreduced pension under the same eligibility requirements when the sum of their age and years of participation in their respective Plans equaled 80 (“Rule of 80”).

Changes to Early, Unreduced Retirement Eligibility

In June 2006, the Board of Governors approved changes to the early unreduced pension eligibility provisions found in the University’s two Salaried Pension Plans: “Plan 2000”¹ and the “Original Plan”² which impacted employees in TMG and other employee groups. The changes are being implemented in the following manner:

1. Immediate change to Rule of 85

Plan Members in TMG hired on or after July 1, 2006, can retire with an immediate, unreduced pension when the sum of their age and years of participation in the Plan equals 85 (“Rule of 85”). This change was applied to other employee groups on varying dates.

2. Transition from Rule of 80 to Rule of 85

Starting on January 1, 2012, Plan Members in TMG and other employee groups can retire with an immediate, unreduced pension when the sum of their age and years of participation equals between 81 and 85 (inclusive) points, in the calendar year in which they retire, as follows:

<u>For Retirement Dates</u>	<u>Age + Plan Participation in the Calendar Year You Retire Must Equal At Least</u>
Prior to December 31, 2011	80
January 1, 2012 to December 31, 2012	81
January 1, 2013 to December 31, 2013	82
January 1, 2014 to December 31, 2014	83
January 1, 2015 to December 31, 2015	84
January 1, 2016 onwards	85

3. CAW Local 555, Unit 1 Maintain the Rule of 80

As an outcome of the 2006 collective bargaining process, CAW Local 555, Unit 1 members maintained the “Rule of 80” and agreed to make additional pension contributions of 0.50% below and above YMPE³ commencing on June 16, 2008.

¹ “Plan 2000” - *The Contributory Pension Plan for Salaried Employees of McMaster University Including McMaster Divinity College 2000*

² “Original Plan” - *The Contributory Pension Plan for Salaried Employees of McMaster University Including McMaster Divinity College*

³ YMPE – Yearly Maximum Pensionable Earnings as determined by the Canada Revenue Agency (\$44,900 for 2008; currently \$50,100 for 2012)

History of Employee Required Pension Contributions

The following chart compares employee pension contribution rates for members of CAW Local 555, Unit 1 versus TMG since prior to July 1, 2006, to the present:

<u>Employee Group</u>	<u>Employee Pension Contribution</u>	<u>Prior to Jul 1, 2006</u>	<u>Jul 1, 2006</u>	<u>Jul 1, 2007</u>	<u>Jun 16, 2008</u>	<u>Jan 10, 2010</u>	<u>Jan 9, 2011</u>	<u>Jan 8, 2012</u>
CAW Unit 1	Below YMPE	3.50%	4.25%	5.00%	5.50%	5.75%	6.25%	6.50%
	Above YMPE	5.00%	5.75%	6.50%	7.00%	7.50%	8.25%	8.75%
TMG	Below YMPE	3.50%	4.25%	5.00%	5.00%	5.50%	6.00%	6.50%
	Above YMPE	5.00%	5.75%	6.50%	6.50%	7.25%	8.00%	8.75%
CAW Unit 1 Differential		0.00%	0.00%	0.00%	+0.50%	+0.25%	+0.25%	0.00%

As the chart above illustrates, the premium that members of CAW Local 555, Unit 1 paid for the right to maintain the “Rule of 80” diminished over time as the contribution rates for members of TMG increased. As of January 8, 2012, there is no difference in employee pension contributions rates between the groups.

The 2009 CAW Local 555, Unit 1 Agreement to Maintain Rule of 80

As part of the collective bargaining process in 2009, the Union and the University agreed that members would maintain "Rule of 80" provided they paid for the superior benefit through increases to employee pension contribution rates. The parties agreed that in June 2012 the University would determine the actual cost to maintain "Rule of 80" relative to "Rule of 85" and that increases to employee pension contribution rates would be implemented with the renewal collective agreement in the fall of 2012, taking into account, and giving credit for, employee pension contributions made since June 16, 2008.

Required Increases to Pension Contribution Rates for Members of CAW Local 555, Unit 1

As per the terms of the 2009 agreement, the University has determined the cost of maintaining “Rule of 80”⁴. On an on-going basis, the cost results in an annual increase to employee pension contribution rates of 0.56% both below and above YMPE. For the period June 16, 2008, to January 5, 2013, employee pension contributions rates have been too low; to account for this under-contribution, employee pension contributions will increase by an additional 0.75% for the 20-month period commencing January 6, 2013, and ending September 13, 2014. The net effect of these increases is as follows:

<u>Effective Date</u>	<u>Employee Pension Contribution Rates on Regular Salary</u>		
	<u>Increase due to “Rule of 80”</u>	<u>Up to YMPE</u>	<u>Above YMPE</u>
September 1, 2012	No increase	6.50%	8.75%
January 6, 2013	0.56% + 0.75% = 1.31%	7.81%	10.06%
September 14, 2014	0.56%	7.06%	9.31%

The above contribution rates will be included in the renewal Collective Agreement between CAW Local 555, Unit 1, and the University.

The premium for maintaining the superior benefit of the “Rule of 80” will be subject to review and audit by the University.

⁴ Members of CAW Local 555, Unit 1, hired on or after May 1, 2010, are required to have both attained age 60 and have the “Rule of 80” to be eligible for an early, unreduced pension.