news from cuasa

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PENSIONS AND FACULTY HIRED PRIOR TO 1957

In 1957 the salary year changed from September 1 - August 31 to July 1 - June 30, and some sort of deal was struck with faculty to compensate them for the two months which would be lost upon retirement. In 1957 pensions were based on a straight money purchase plan. The new plan from 1973 is, of course, based upon a minimum guarantee and the issue naturally arose of pension credits for pre-1957 faculty. Section 5.01 of the plan text is clear that "For those members who joined the plan before July 1, 1957, the normal retirement date as used for purposes of this plan will be *the first day of September* [my italics] coinciding with or immediately following attainment of age 65". For other faculty normal retirement is July 1.

What sort of deal was worked out in 1957? There is some disagreement. The pension committee was regularly informed that pre-1957 faculty would retire on July 1 and would receive, in effect, a bonus of two months salary at their 1957 rate. However, it now seems that the arrangement was for faculty to revert to their 1957 salary for their last two months of employment (July and August) prior to retirement on September 1. This procedure does seem to have been followed up to the time of the first collective agreement although faculty who left employment prior to retirement were paid the bonus. When the collective agreement took effect in July 1975, the 1957 arrangement became null and void since independent of any agreement with respect to pension credits, salaries were now governed by Article 22 (now Article 45). Faculty on staff for July and August prior to retirement would have to be paid at the current rate. We now know that the administration deliberately followed this policy in the case of four individuals by permitting retirement on September 1 with full and current salary payments for July and August.

The President's letter of December 6, 1978 to concerned faculty managed to confuse matters still further. In direct violation of Article 6 on past practice the administration unilaterally attempted to enforce yet another arrangement. Pre-1957 faculty were immediately paid a bonus of two months salary at the 1957 rate and their retirement date was arbitrarily altered to July 1. No consultation with faculty. No consultation with CUASA though the agreement of both parties is required to change past practice. We argued that the September 1 retirement of four individuals on full salary to the date of retirement constituted past practice and we began grievance proceedings on this basis.

Fortunately, the issue has been settled more informally. Following representation of CUASA to the President Pro-Tem the administration accepted our position that faculty with dates of appointment prior to July 1, 1957 should be able to retire on September 1 in their year of retirement and receive full salary for for July and August. We agreed that they should have the option of returning the bonus payment and continuing to a September 1 retirement or of keeping the payment and retiring on July 1. In either case members would receive two months credited service for pension purposes. Each person can calculate for himself where the financial benefit lies. My opinion is that even if we were to make only very minimal assumptions about rates of salary increase and maximal assumptions about rates of return on investment of bonus money (typically amounting to less than $900) most if not all members would be better off returning the money and receiving two months full salary before they retire. The only exceptions are those faculty members with birthdates between July 1 and September 1. In this case it is probably to your advantage to accept the bonus payment and thus achieve a retirement date of July 1 in the year after reaching 65.

* * * * * * * *Bill Jones, Staff Welfare Chairman.*

OCUFA Teaching Awards

NOMINATIONS: are now being accepted for the OCUFA 1979 Teaching Awards. While no standard form of submission is required, sponsors should provide sufficient evidence, from as many sources as possible, to make it clear that outstanding work deserving of recognition has been done.

PROCEDURE: Deadline for receipt of nominations is April 30th, 1979.
Letters of nomination with supporting documentation may be sent to:
OCUFA Committee on Teaching Awards
40 Sussex Avenue
Toronto M5S 1J7
The name, address and telephone number of a person designated by the nominators to supply further information should also be included.

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INCOME TAX REPORT FROM OCUFA

W. Charles Hebdon, OCUFA's Research Director, Financial Planning, prepared the following report.

THE DEFERMENT OF INCOME TAX ON THE RECEIPT OF CERTAIN LUMP SUMS

UPON TERMINATION OF EMPLOYMENT:

Individuals, including university teachers, are often confronted with the need to consider the various options regarding registered pension plans and lump sum separation payments received as a result of termination of employment.

Accumulated Credits in a Registered Pension Plan - The following options are available:

(a) If the Registered Pension Plans of the old and new employers so provide, the member may transfer his credits into the new Plan;
(b) a member may accept a paid-up deferred pension or any other option contained in the termination provisions of the Plan;
(c) Registered Pension Plan funds may be transferred into an Income Averaging Annuity Contract, or
(d) the member's equity may be transferred into a Registered Retirement Savings Plan.

The four transfer options mentioned above will defer income tax until such time as the funds are withdrawn, normally in the form of an annuity at retirement.

Separation Allowances - Lump sums received in consideration of termination of employment may be transferred into an Income Averaging Annuity Contract or a Registered Retirement Savings Plan which will defer tax until the funds are withdrawn. Damages for wrongful dismissal escape income tax entirely.

UPON DEATH BEFORE RETIREMENT:

The equity in a Registered Pension Plan of a teacher who dies while still in service may be refunded tax-free into an Income Averaging Annuity Contract payable to the estate or beneficiaries or into a Registered Retirement Savings Plan of which his or her spouse is the annuitant. No income tax will arise until the funds are withdrawn from the Plan.

CONCLUSION:

The foregoing commentary makes no attempt to consider the conditions and exceptions which relate to the various transfers described therein. Nor does it assess the advantages and disadvantages of these options. Its sole purpose is to call attention to the fact that such options exist so that they may be investigated by interested parties. *W.C.H. Dec/78.*

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SABBATICAL IN SCOTLAND:

EAST SALTOUN HALL, PENCAITLAND, JUST OUTSIDE EDINBURGH. East Saltoun Hall is the self-contained east wing of Saltoun Hall, the family home of the Fletchers for over 500 years. The entire Hall, now a condominium of 8 apartments, stands in some 15 acres of lawns and woodlands, and is half a mile from the old village of Pencaitland, five miles from Haddington, the historic centre of East Lothian, and 13 miles from the centre of Edinburgh. It has 2 miles of private fishing, and is in easy reach of Pencaitland primary school. (½ mi.

Accomodation: 5 bedrooms, one study, 2 bathrooms, dining-room and kitchen - all centrally heated
oak-panelled library: one of the finest privately owned libraries in Scotland, dedicated to Andrew Fletcher, the scholar and Scottish patriot of the early 18th century.

Availability: July or August 1979 for one year

Rent: $450.00 per month.

For further information, phone Dr. Kenneth King in Ottawa at 235-4558 (home)
996-2321 (work)

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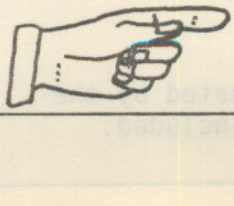
Editor's Note: CUASA undertakes to publish advertisements only if there is sufficient space available.

PLEASE NOTE: NEW TOLL FREE PHONE NUMBER 1-800-267-7996 FOR BOB JONES



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