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UNISEX PENSIONS: COUNTERINTUITIVE EFFECTS

By John Callahan

The pension committee will bring forward a recommendation of unisex pension benefits to be voted on by the membership of the plan in the new year. We presently use sex-differentiated tables for the calculation of benefits. Because our plan is a mixture of money purchase and minimum guarantee, the effects of having unisex benefits are not straightforward. The consulting actuary for the plan has proposed unisex factors which have different effects for the money purchase and minimum guarantee options.

(i) Money Purchase

Under the money purchase option a member has upon retirement a balance in an account which is used to pay a pension. Consider the following example:

	CURRENT FACTORS Male	CURRENT FACTORS Female	PROPOSED FACTORS Male/Female
Money purchase balance at age 65	$100,000	$100,000	$100,000
Life only pension from age 65	10,860	9,620	10,526
Optional pension examples:			
Life, guaranteed 10 years*	9,872	9,139	9,685
50% Surviving spouse**	9,524	9,014	9,303

Using the proposed factors, there would be a decrease in pensions for men and an increase for women. The decrease in male pensions would be smaller than the increase for women.

These figures substantiate the intuitive idea that, since statistically women live longer, they get smaller pension payments than men when sex-differentiated tables are used. Note, however, that when the available options are considered women become similar to men, actuarially speaking, in terms of total pension payout. That is, under optional plans sex-differentiation effects are decreased. This creates some counterintuitive or unexpected results when the minimum guarantee alternative is considered.

(ii) Minimum Guarantee

Under the minimum guarantee, pensions are related to the length of service and are not sex-differentiated. The pension plan puts aside a certain reserve to guarantee the pension; since statistically women live longer, more is put aside for women than for men. Consider the following example:

	CURRENT FACTORS Male	CURRENT FACTORS Female	PROPOSED FACTORS Male/Female
Life only pension from age 65	$10,000	$10,000	$10,000
Optional pensions:			
Life, guaranteed 10 years	9,090	9,500	9,201
50% surviving spouse	8,770	9,370	8,838

Currently, if a member wishes, the amount put aside for the minimum guarantee can be used for an optional pension. Under these options, our pensions decrease. But note that they decrease more for men than for women. It is more expensive actuarially to offer a 10 year life guarantee to a man than to a woman, because the chances of the woman's living the full ten years are higher than they are for a man. Men are in this sense "discriminated against" when sex-differentiated tables are used. Using unisex calculations for the optional minimum guarantee pensions would therefore raise pensions for males and lower pensions for females.

An additional factor to consider is that approximately 90% of plan members are scheduled to retire on the minimum guarantee over the next few years.

These changes are currently being studied. Opinions are again welcome and you are encouraged to phone John Callahan at 231-4373.

***A pension which is guaranteed for a minimum of 10 years, whereby if the retiree dies within 10 years of retiring, his or her estate receives the pension benefits paid to the end of the 10 year guarantee.**

****The 50% surviving spouse option, whereby when a retiree dies leaving a surviving spouse that spouse receives 50% of the pension benefits until his or her own death.**

PROGRESS IN ELIMINATION OF ANOMALIES: A REPORT ON SALARY ADMINISTRATION DURING 1981-82

By Les Copley

The Salary Adjustment Commission provided for in Appendix E (Salary Rationalization) of the Collective Agreement commenced its second year of operation in September 1981. It did so with a new composition and a somewhat modified mandate. It was no longer a committee of senior academics agreeable to both parties, but bearing no direct responsibility to either party. Instead, it reverted to the tried and true format of a parity committee with each party appointing two representatives, plus an alternate, who would be responsible to, and under the direction of their principals. The reasons for the change were several and are beyond the scope of this article to explain. However, there is ample *a posteriori* justification for the changes; over four times as much money was spent adjusting individual salaries upward in 1981-82 than in 1980-81. The 1981-82 membership of the Commission consisted of Professors B. Wand and B. Rutland (alternate) and myself for the union, and Dr. D.J. Brown, Dean S. Riordan and Mr. B. McFadyen (alternate) for the employer.

The Commission's work is to consider salaries that are either anomalously low, anomalously high, potentially requiring upward adjustment on the basis of equity or of special merit, or potentially requiring adjustment to reflect current market conditions. The total number of individuals that fell within the first three of these categories was somewhat in excess of 140, or approximately ¼ of Carleton's faculty members. Thus, not surprisingly, these three categories fully occupied the Commission until well into May of this year.

The Commission identified an individual's salary as being anomalously low if it fell below the lower limit appropriate to that person's rank. These lower limits, as well as upper limits and a standard progress curve, are defined in Appendix E. The Commission quickly concluded that it was inappropriate and unjust for anyone to continue to suffer a salary below the appropriate lower limit. Accordingly, it recommended that everyone in this category have his/her salary raised, with the increases to be effective as of May 1, 1980. This recommendation was accepted by President Beckel, who then ordered the prescribed increases. The total cost to the Adjustment and Anomaly Fund of this action was $38,172, which was distributed among eight beneficiaries. The individual amounts varied all the way from $393 to $11,789, illustrating the range of inadequate compensation which had existed prior to this action.

Anomalously high salaries are those that fall above the appropriate upper limit defined in Appendix E. In the case of associate and full professors, these anomalies could all be attributed to high starting salaries made necessary by market conditions that are still in effect. Consequently, the Commission concluded that no corrective action was necessary.

In the case of assistant professors, the most common reason for an individual's salary exceeding the upper limit is that he/she has failed to obtain promotion within the normal time period. To avoid the possibility of being perceived as passing judgement on decisions made by promotion committees, the Commission adopted the following principle: if an assistant professor whose salary is above the upper limit has held that rank for eight or more years, and if there are no "special circumstances" to explain his/her failure to obtain a promotion to associate professor, a recommendation to withhold his/her next CDI shall be made to the President.

The term "special circumstances" was not defined precisely. Instead, individuals were identified on a case by case basis and included the obvious (medical problems) as well as the not so obvious (the inherent limitations on scholarly productivity in the case of faculty transfers).

Twenty-seven cases had to be considered by the Commission. I contacted each of these individuals to solicit information that would assist me in arguing that "special circumstances" existed in their case. In the end, two sub-sets of these individuals did not require my arguments. One of these consisted of six individuals whose promotion was approved in the spring, and the other of two individuals who were saved by the raising of the upper limit during the recent contract negotiations. The final result, after an exhaustive and exhausting analysis, was a recommendation to withhold a CDI from only nine of the 27 faculty members initially identified.

The bulk of the Commission's work was committed to a review of individual salaries that had been identified as potentially requiring upward adjustment. Most cases were brought to the attention of the Commission either by the appropriate dean or by direct application by the individual to the President or to CUASA. The few remaining cases were identified by the Commission itself from a computer printout of faculty salaries. The Collective Agreement identifies four situations in which upward adjustment may be necessary: special merit, obvious inequity, offers of alternative employment and market differentials. In this phase of its work the Commission considered only the first three of these.

The information the Commission had available to it consisted of curriculum vitae, a salary history and age for each individual under consideration. In addition, we had access to the salary and number of years since first degree, last degree, appointment to Carleton, and last promotion of everyone in the bargaining unit. We also sought a recommendation, with supporting arguments, from each individual's dean. Finally, the case of faculty who had not been brought to our attention by their dean, I solicited the individuals in question to provide any additional information they might obtain that would help the Commission make an appropriate assessment of their contributions to the university. This additonal information often took the form of peer evaluation, usually by the individual's chairman.

A careful evaluation of so much information (my collection fills a large cardboard carton) requires a great deal of time. It is not surprising, therefore, that decisions were not forthcoming as quickly as some would have liked. Nevertheless, the bulk of this part of the Commission's work was completed by the end of January. The result was the upward adjustment of 44 salaries by amounts varying between $1000 and $3800. The total charge against the 1981-82 adjustment fund was $23,341. This latter figure is deceptively small because only that part of the increases paid in the 1981-82 salary year is charged against the fund.

The final phase of our work in 1981-82 was devoted to the question of market differentials, a project which will continue to preoccupy the Commission well into the 1982-83 salary year. This is arguably the most complex problem the Commission has to address and, since the long term implications for the salary structure at Carleton are considerable, it is one which must be addressed with the greatest care.

In addition to the onerous workload which this implies, the Commission is committed to designing salary rationalization plans for instructors and librarians in 1982-83. If we can continue to enjoy the same unity of purpose and level of cooperation from the parties that we experienced in 1981-82, we should be able to complete all three assignments during the coming year.