McMaster University

MURAnews

McMaster University Retirees Association http://www.macra.ca e-mail: mura@mcmaster.ca January 2005

PRESIDENT'S REMARKS

On behalf of your *MURA* Council I would like to wish all of you a happy and healthy 2005!

We are working on various interesting *MURA* endeavours to keep McMaster retirees involved. Your interests are at the centre of our efforts.

Thanks to ***Helen Otrosina*** we enjoyed a successful Christmas luncheon at the ***Schwaben Inn***, and in spite of bad weather there was a very good turnout. The two McMaster Retirees Gerontology scholarship winners attended as our guests. They are ***Maria D'Elia*** (part-time student), and ***Jennifer Luynes*** (full time student). We offer our congratulations to both of them.

I am very happy to report that one of our Council members, Helen Barton, has been appointed to the ***CURAC Executive National Association.*** We are honoured by this recognition.

Mildred (Cihocki) McLaren

A few of the many pictures taken at the Schwaben Inn Christmas Luncheon

Left: Our dedicated President Mildred with Gerontology Scholarship winners Maria D'Elia and Jennifer Luynes

Right: Our highly valued secretary Averil with husband Ian Thompson

Left: Our esteemed Honorary President Arthur Bourns with distinguished colleague Martin Johns

NOMINATIONS TO MURA COUNCIL

Now is the time to start thinking about and preparing for replacements for our current members of Council whose terms of office expire this year.

As a long-time employee at McMaster, it was for me, a privilege to be able to extend my association with the University, at least in a small way.

Serving on *MURA* Council has been both stimulating and rewarding. This is the only committee I've ever served on whose members arrive early enough to exchange pleasantries before the stated meeting time!!

There must be lots of McMaster retirees out there who have something to contribute to the welfare and interests of their fellow retirees. Don't be shy at coming forward to serve on Council. If I overcame that I know you can. I guarantee you'll enjoy it! The interaction and camaraderie is great, the tasks are not onerous, and the duration of service is short.

I hope I have convinced you by now that we need your expertise and the wisdom, garnered from your many years of service at McMaster, to foster the interests and well-being of your fellow retirees, by indicating to our Secretary, ***Averil Thompson***, that you are willing to serve a term on the *MURA* Council. You can either use the addresses at the top of this page, drop a line, or leave a phone message at the ***MURA* office, 905-525-9140, ext.23171.**

REMEMBER...BEING INVOLVED KEEPS YOU YOUNG

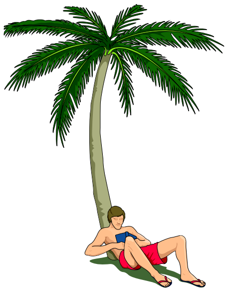
Details of the membership of the Nominating Committee will appear in the next newsletter.

Veronica Morrison
MURAnews Editor

ANOTHER YEAR ANOTHER FIFTEEN DOLLARS!

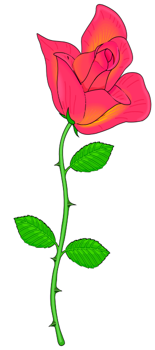
With the New Year, members may be wondering how our plans are developing for alternative MURA funding, approved in principle at the May 2004 AGM. It is clear that any new mechanism will take some more time to develop. Consequently, members are urged to continue their voluntary annual contribution for 2005. Please use the tear-off on the Money Matters page at the end of the Newsletter

RECENT RETIREES



Mrs. A. Ainsworth–President's Office
Mrs. M-L. Beecroft–Obstetrics/Gyn.
Mrs. C. Blaney–CIS
Dr. P. Chang–Pediatrics
Mr. H. Chapple–Operations/Maint.
Mrs. K. Gosh–Biochemistry
Mrs. J. Hughes–President's Office
Mrs. A. Kosicki–Building Operations
Mrs. B. Krick–CAF
Dr. J. Lott–Biology
Mrs. M. Molinaro–Building Operations
Mrs. S. O'Keefe–Hospitality Services
Mrs. M. Pontrelli–Maintenance
Mrs. I. Rorie–Registrar's Office
Mrs. L. Soskic–Building Operations
Dr. P. Tam–Surgery
Mrs. A. Willows–Education Services
Dr. P. Yip–Mathematics/Stats.
Dr. L. Yun–Pathology
Mrs. D. Tomson–Medicine
Mrs. B. Woods–Education Services

PASSSINGS



Linda Parker–June 1,2004
Ronald P. Proctor–June 11,2004
Frank Norman Shrive–September 11, 2004
Vivian Duncan–September 22, 2004
James Neil Evenden–December 11, 2004
John Ryznyk–September 25, 2004
Lillian Hurley–October 16, 2004
Charles Fletcher–October 18, 2004
Rose Sanges–October 26, 2004
David Nuttall–November 3, 2004
William Carment–November 18, 2004
Dr. William Muirhead–December 11, 2004
Fumiko Miyasaka (Fumi)–December 31, 2004
B. Joan Buddle–January 6, 2005

CURAC ***(College and University Retiree Associations of Canada)*** are holding their 2005 Convention and AGM May 11-13 at the UBC Robson Square Campus in downtown Vancouver. If you happen to be in the area and wish to attend, log on to CURAC website, www:curac.ca. for further information. Our representative, Helen Barton, will be attending.

bequests

Making a Gift of a Lifetime

Charitable bequests hold a special place in the history of McMaster. In fact, it was a charitable bequest that led to McMaster's founding in 1887 when Senator William McMaster and his wife, Susan Moulton McMaster, bequeathed $900,000 to create a new university.

Because bequests are one of the most personal forms of charitable giving, a provision in your will can serve to reflect your values and commitment to McMaster University in a tangible and meaningful way.

There are four types of bequests:

1. Specific bequest is the most common type of bequest and is defined as a specific sum of money, property or asset.
2. Residual bequest is when you direct that McMaster receive your entire estate or a portion after payment of other bequests and/or estate-related expenses.
3. Contingent bequest is a bequest that is realized only under certain circumstances. For example, if a beneficiary named in your will predeceases you, the bequest intended for that individual would go to McMaster.
4. General bequest is for a stated dollar amount.

Our strength as a university and our ability to meet current and future challenges confidently and successfully are greatly enhanced by friends and alumni who have chosen to support McMaster with a planned gift. Notifying us of a planned gift, not only allows us to thank our generous donors, but also assists us in our planning for the future of McMaster University.

If you would like more information about bequests or other types of planned gifts please contact the Office of Gift Planning at 905-525-9140 extension 23447 or 26505.

PENSION PLAN FOR SALARIED EMPLOYEES

By now, all retirees belonging to the McMaster **Salaried Pension Plan 2000** will have received their letter from Human Resources informing them that there will be **no pension increase for January 2005.** Likewise, the **Hourly Pension Plan Members** will get no pension increase for similar reasons as the Salaried Group. Human Resources has mailed out an explanatory letter to both groups.

The following explanation by Dr. Les Robb, our *MURA* representative on the Pension Trust Committee, applies specifically to the **Salaried Plan Members**, but similar calculations (available on the McMaster website) apply to the **Hourly Plan Pensioners.**

Indexing in the Pension Plan for Salaried Employees of McMaster University

Why aren't I getting a pension increase this January?

By Les Robb,
MURA Representative to the Salaried Pension Trust Committee

Some of you are probably asking yourselves this question right now. Others may have noted how well the markets did last year and think it is obvious that there should be indexing (i.e. an increase) this year. Sorry to disappoint you. There will be no indexing this year in spite of the good returns on the investments last year.

This article attempts to explain how indexing works in the Salaried Pension Plan and why there will be no increase.

An Overview of the Formula

Let me start with an overview of the way our pension indexing works and then go on to the details. That way, you can stop reading when you have had enough.

Indexing in our plan depends on the 'excess returns' our investments earn, and on the annual increase in the Consumer Price Index (CPI). 'Excess returns' are returns above 4.5% per year. If, for example, our investments earn 8% then there is 3.5% 'excess' available for indexing (8 minus 4.5). Pensions are increased on January 1 of the next year by the lesser of a) the 3.5%, or b) the annual increase in the CPI. (See the Plan text section 5.08 if you want more detail). So, in our example, if the CPI increased by 2% there would be a 2% pension increase and hence full indexing. If the CPI increased, on the other hand, by 4% or more there would be only 3.5% indexing (partial indexing) as only 3.5% was available from the 'excess return' calculation.

Recent Returns in the McMaster Plan

In addition, because returns on our investments can vary so much from year to year, the indexing formula doesn't just use the 'excess return' from a single year but averages the returns over a 5 year period. The calculation involves finding the average 'excess return' over the past 5 years and using that average to decide if there are any 'excess returns' that can be used for indexing. So, even though our investments earned almost 15% over the year ending June 30, 2004, the earlier years' performance was not nearly as good. The 5 year average return in this year's calculation is just under 4.5%, which results in no 'excess' room for indexing. In particular, there were negative returns in 2002 and 2003 which brings the average down. This averaging provision seems like bad news at the moment but this year's 15% investment return will stay in the calculation for the next 5 years, giving us benefit in the averaging calculations for those years.

Below I provide the actual calculation as approved by our external auditors that was presented to the Pension Trust Committee in October 2004. There is one more little twist that needs an explanation before this table will make sense. Because of a requirement of the *Financial Services Commission of Ontario,* in 2002 we had to change our year end for calculating the rate of return (it was moved from Dec.31/01 to June 30/02). Thus, until 5 years have passed we have to take two six month periods into account along with 4 other full years rather than just 5 full years. With that in mind, look at the Table below. First the return for each of the periods is shown, then the total of these returns and, below that, the 5 year average. (The 6 month periods show the change in the value of funds over the 6 months, not annual rates of return, so we can just add them with the others.) The Table goes on to show the 'excess return' (which is just slightly negative), the CPI increase, and the increase to our pensions (which is zero).

Calculation of Five Year Average		%
2004 Rate of Return (ending June 30, 2004)	14.84	
2003 Rate of Return (ending June 30, 2003)	*(2.57)	
2002 Rate of Return for 6 months (Jan 1/02 to June 30/02)		(2.81)
2001 Rate of Return (ending Dec. 31, 2001)		1.14
2000 Rate of Return (ending Dec. 31, 2000)		7.11
1999 Rate of Return for 6 months (July 1/99 to Dec. 31/99)		4.70
Total Return for Last Five Years		22.41
Five Year Annual Average Return (Total Return / 5)	=	4.48%
(a) Rate of Return in Excess of 4.5% (4.48% - 4.5%)	=	(0.02)%
(b) Average CPI to June 30, 2004	=	1.73%
Increase to Pensions (the lesser of a or b)	=	0.00%

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bracketed figures are negative

What about Next Year (January 2006)?

Some of you might want to know what rate of return on our investments will be needed this year to get any increase in January 2006. To do that calculation we first need to drop off the 4.7% return for the 6 months in 1999, and adjust the 7.11% for 2000 to reflect only the last 6 months of 2000. Unfortunately we cannot simply divide the 7.11% by 2 as the calculation actually values the fund's performance over the 6 months and, although all the information needed is known, the actual calculation will not be done until next fall when the auditors approve the calculation for the new 5 year average. However, to try to give a 'best guess' at the number, let's suppose that the 6 month rate of return is half of the 7.11% and so is 3.56% for the 6 months in question.

If the fund earns 8.35% for the year ending June 30, 2005 the 5 year average return calculation result would be 4.5%, giving no 'excess return'. In other words, using the 3.56% 'guess', any earnings greater than 8.35% would give room for some indexing. For example, if the fund earns 15.85% for the year ending June 30, 2005, the 5 year average return would be 6% and there would be room ('excess return') to allow for 1.5% indexing. Whether that would give full indexing would depend on whether the CPI increase exceeds 1.5%.

A Final Twist

Since someone might refer to this article a few years from now I will note one other aspect of the indexing formula that does not apply this year but could be relevant in the future. There is provision in our plan for a Supplementary Pension Increase (see section 5.09 of the Plan). This provision allows any unused "excess return' (the amount that 'excess return' exceeds the CPI increase) for any of the preceding 3 years to be used in the current year to make up for a rate of return that does not provide full indexing. Suppose, for example, that there was an 8.5% average rate of return last year, yielding an 'excess return' of 4% (8.5 - 4.5), making 4% available for indexing. Suppose further that the CPI increase was only 2.5%. The increase would have been 2.5%, leaving an unused capacity of 1.5% that could be applied this year. As stated earlier, this provision is not relevant this year since there has been no excess capacity for the past three years.

IMPORTANT INFORMATION FROM ANNE
REGARDING COACH TRIPS

All coach trips will now depart from **Fortino's** at **1579 Main Street West. Hamilton (the site of the former "No Frills").** Please park in the **EAST SIDE** of **FORTINO'S PARKING LOT.** That is where the coach will be. Cheques may be post-dated one month ahead of trip date, made payable to **McMaster University Retirees Association**, and mailed with the appropriate 'cut-off' strip on Money Matters page a the end of the newsletter, to **Anne Sinclair, 207 - 104 Osler Drive, Dundas, Ontario L9H 4B7.**