



MAUT – APBM Newsletter

www.mcgill.ca/maut/

McGILL ASSOCIATION OF UNIVERSITY TEACHERS
ASSOCIATION DES PROFESSEUR(E)S ET BIBLIOTHECAIRES DE MCGILL

Vol 27 No 3 February février 2001

In This Issue

Editor's remarks - John Galbraith

*Cyclical review of the Office of
Technology Transfer
– Myron Frankman*

*Retirement planning and pensions
– Mary MacKinnon*

Editor's Remarks

The keen-eyed reader will note that, being dated in February, this issue has been delayed. Nonetheless, we retain that date to distinguish this issue from another which will arrive very shortly, entirely devoted to salary policy. In the present issue, please take note of Myron Frankman's announcement concerning the cyclical review of the Office of Technology Transfer: experience suggests that this will be of keen interest.

Of course, such concerns do detract from time spent in quiet contemplation. No doubt many of you have pondered Seneca's advice to dutiful Paulinus:

... retire, at last, to a more tranquil haven. Think how many waves have buffeted you, how many gales you have had to weather, some in your private life, and some which your public career brought upon you. Long enough has your virtue been displayed in toilsome and vexatious proofs: try how it will behave in leisure.

[Seneca, *On the Shortness of Life*: tr. Moses Hadas.]

If so, you will likely be interested in the centerpiece of this issue, Mary MacKinnon's review of procedures and information available for retirement planning. Mary's article directs us to a number of internet sources for further information; the attentive reader may recall as well the link <http://www.rrq.gouv.qc.ca/an/english.htm> through which it is possible to check one's 'account' with the Quebec Pension Plan.

Speaking of displaying virtue in toilsome proofs, Mary is of course one of our representatives on the Pension Administration Committee.

'But believe me,' adds Seneca, in a rebuke to then-unborn economists, 'it is still better to know the balance sheet of one's life than of the public grain supply.'

— John Galbraith ■

■ Reminder

Spring Annual General Meeting

Wednesday, 11 April
11:30am
Leacock 232





Office of Technology Transfer
<http://www.mcgill.ca/ott/>

Cyclical Review of the Office of Technology Transfer

A committee has been established to conduct a cyclical review of the Office of Technology Transfer (OTT) with the following members:

Claire Benard (Biology)
Allistair Duff (Management)
Myron Frankman (Economics)
Frank Galiana, Chair (Electrical and Computer Engineering)
Elias Georges (Parasitology)
Philippe Gros (Biochemistry),
Monty Newborn (Computer Science)

The committee, reporting to the VP Research and to APPC, has a mandate to examine and evaluate the operation of the OTT and to make appropriate recommendations aimed at improving OTT's performance. The cyclical review committee is seeking comments and advice from the university community to help it fulfill this mandate. Responses can be directed by e-mail to galiana@ece.mcgill.ca or by contacting individual committee members. Although the Committee has been at work since early January, it may still be available to schedule additional briefs in person. Please make an appointment through galiana@ece.mcgill.ca

—Myron Frankman

Retirement and Income

If you are thinking about retiring, you need to look into a number of questions sooner rather than later. Over the last several years, the number of choices that you have to make has increased considerably. These options give you more flexibility in handling your money, but the decisions are complicated, and they can have a substantial impact on your financial well-being for the rest of your life. This report is designed to help you find out where to turn for further information, and to remind you about some of the issues you will need to consider. About the only advice on retirement planning which holds for everyone is: ask early, ask often. Some decisions may need to be taken well before retirement, and preliminary answers to the question "how high will my pension be?" may have an impact on your decision about when you want to retire. You should try to get a broad idea of what your options are likely to be several years before you plan to retire. Rules change – tax and pension regulations established by the federal and provincial governments have undergone substantial alteration over the last several years. If you have not looked into retirement options for five years, it is time to take another look. This article is intended to give the relatively uninformed some general understanding of the issues, not the precise details, so you should treat it as a starting-point, rather than the last word.

If you don't retire, remember that you must still decide what to do about your pension account by the end of the year when you turn 69, and you and the university will stop contributing to your pension account at that time. This article uses "retire" and "start pension" interchangeably, but this is a simplification. There are circumstances where people start to draw a pension before retiring from McGill, and there are people who retire, but do not collect a pension immediately.

1) McGill procedures for retirement

The university has several programmes designed to make it easier to retire. If you are at least age 52, you can arrange a gradual reduction in salary and workload (spread over a period of up to 3 years). The university continues to contribute to your benefits and pension account as if you were still being paid full salary. At the end of the period, you retire. If you wish to retire between the ages of 55 and 64, you may be eligible for a retirement allowance, which could be worth more than a year's salary. (The size of the retirement allowance mainly depends on how long you have worked at McGill, and how much below age 65 you will be at retirement.) To check the university's "Early and Phased Retirement Policies and Procedures", go to the *Guide to the Hiring and Employment of Academic Staff and Students* available on the web at http://www2.mcgill.ca/academic/5_1.htm. Early and phased retirement options are subject to negotiation with the university administration. You may initiate preliminary discussions about entering into a retirement agreement with the Chair of your department, the Dean of your faculty, or the Vice-Principal Academic's office.

2) The McGill Pension Plan

Refer to your new booklet *Your McGill Pension Plan*, which was sent out at the end of February. This booklet describes how the McGill Pension Plan operates, and sets out the main choices you have if you opt for an internal McGill pension. It also provides some basic information about government pension schemes. If you have lost your copy, call the Department of Pension Management (x 6252) to ask for a replacement.

The pension plan web site — <http://www.is.mcgill.ca/pensions/> — allows you to check how much your investments are currently worth (click on "individual account access"). You need to enter your McGill ID number and PIN to get access to this information. If you have forgotten your PIN (these were sent to all plan members earlier this academic year), call the pension office and ask for a new one. The web site shows how much money you now have in the plan. How much will you have in the plan several years down the road? This will depend on how much (and how soon) your salary rises (which affects your and the university's contributions), and on investment returns. If you ask, the pension office will prepare a detailed personalized pension statement for you, based on a conservative set of estimates about salary profile and investment returns. Some combination of your own forecasts and the pension office statement will give you a ballpark estimate of the amount of money that will likely be in your account when you retire. (You can also work out the minimum pension the university will pay you if investment returns are extremely low. See page 7 of the *Your McGill Pension Plan* booklet.)

You may want to transfer some of your holdings into the money market pool, away from the more volatile options, as you approach retirement. While you will lose out if substantial market gains occur just before you retire, such a strategy offers protection if markets do poorly at the end of your working career after a long period of high returns.

The web site shows you how much you would receive per month if you purchased an annuity through McGill, depending on your age at retirement, your spouse's age, and the type of annuity you select, for each \$10,000 of holdings you have in the plan. The web site

*"About the only
advice on
retirement planning
which holds for
everyone is:
Ask early,
ask often"*

MAUT APBM Newsletter

The *MAUTAPBM Newsletter* is published monthly during the academic year, by the McGill Association of University Teachers, to keep all members informed of concerns and activities.

Editor John Galbraith (Economics)
Administrative Officer Honore Kerwin-Borrelli
Secretary-Treasurer Cheryl McWatters (Management)
Design and Layout Marilyn Fransiszyn (Libraries)

Postal Address:
McGill Association of University Teachers
3495 Peel Street, Room 202
McGill University
Montréal, Québec, Canada H3A 1W7
Tel (514) 398-3942
Fax (514) 398-6937

“If you or your spouse live to a very advanced age, you could end up getting out much more in monthly payments from an annuity than you put in”

shows the *current* annuity rates for different interest rates. One unavoidable element of uncertainty is that the interest rate prevailing when you purchase an annuity may not be the same as the current interest rate. (If you have other sources of income, you can put off purchasing a McGill, or any other, annuity for some time after you retire in the hope that interest rates will rise.) Interest rates sometimes change substantially in the space of a few months. Another source of uncertainty is that if mortality of plan members changes substantially, annuity rates may be revised. The current annuity rates came into effect last year, in response to marked increases in the life-expectancy of pensioners over the last several years. If life-expectancies continue to rise, at some point there will have to be further changes to the annuity rates. The closer you are to your planned date of retirement, the less you need to worry about the possibility of changes in annuity rates caused by mortality changes.

Annuity payments are higher, the shorter the period of expected payout. Thus if you are over 65 when you purchase your annuity, your spouse is your age or older, and you do not select a guarantee, the monthly pension amount will be greater than if you start your pension at a younger age, have a spouse several years younger than you are, and purchase an annuity with a guarantee. A guarantee means that the pension continues to be paid for a stated period (e.g. 10 years), even if both you and your spouse die within 10 years of starting to receive the pension.

If you enter the total amount you expect to have in the plan when you retire, and your intended date of retirement, the site will calculate your estimated monthly income at the time you buy the annuity. If you plan to retire at age 65, and expect to put \$500,000 into the purchase of an annuity (for your life alone, but with a 5-year guarantee), your monthly income at the time of annuity purchase would range from \$3,377 to \$3,709, depending on the interest rate. If you hope to have \$600,000 to invest, for the same option and retirement age, your monthly pension would be in the range \$4,052 to \$4,451. If you want to retire at age 63, \$500,000 would buy you \$3,253 to \$3,582 per month.

If you or your spouse live to a very advanced age, you could end up getting out much more in monthly payments from an annuity than you put in. On the other hand, if you and your spouse die soon after you start to receive pension payments, you will have put in a lot, and taken out little. The capital that does not come back to you in the form of pension payments is used to help pay the pensions of your longer-lived colleagues. An annuity is not designed to pass capital on to your heirs (although the options which guarantee payment for a fixed number of years permit some transfer of assets if you and your spouse die relatively early).

3) External Options

If you do not want to leave your money invested at McGill after you retire, you do not have to. You may transfer some or all of your assets to an external plan. Over the last few years, about half the pension plan assets of retirees have been used to purchase McGill annuities. A few people purchase an external annuity immediately. Others prefer to invest in a Life Income Fund (LIF) or a Locked-in Retirement Account (LIRA). The *Your McGill Pension Plan* booklet contains a brief introduction to the meaning of these mysterious acronyms. LIFs are sold by financial institutions such as banks and insurance companies. A LIF gives you control over how your money is invested (proportion in stocks versus bonds, for example), and there is some flexibility in how much money you must withdraw each year. If you find that managing your money becomes too much of a burden, you may

purchase an annuity. When you die (if your money has not been put into an annuity), the capital remaining in your LIF passes to your estate.

If you want to find out a bit more about LIFs and LIRAs, the web sites of many financial institutions have some information (and of course encouragement to invest your money with their institution.) I had a look at several of these web sites while I was writing this article. The Canada Life site provided a relatively clear and up-to-date overview, so you might want to start surfing at <http://www.canadalife.ca/en/invest/grp/contente.nsf/employee>.

If you are interested in exploring the option of withdrawing some or all of your money from the McGill pension plan, you should definitely meet with representatives of several firms. If you have money in an RRSP, you will have to start spending it by the end of the year when you turn 69. Thus even if you are not thinking about an external settlement for your pension money, you will need to consult with financial institutions about spending your RRSP. (A very brief introduction to RRSPs is contained in the *Your McGill Pension Plan* booklet, and quite a lot is on the web sites of most financial institutions.)

4) McGill benefit plans

Some of the benefits you currently receive may continue after retirement. For an overview of the benefits you will still be eligible for, check the *Your McGill Benefit Program at a glance ...* brochure which was part of the package sent out last fall by the Department of Human Resources. Call the Benefits office at x 4900 for more information.

—Mary MacKinnon ■

2001–2002 Elections

Executive Officers 2001-2002 – Positions Filled

President Roger Prichard (Parasitology)

Past President Bruce Shore (Education)

President-Elect Kohur N. GowriSankaran (Mathematics & Statistics) By acclamation

Vice-President (External) Daniel Guitton (Neurology/Neurosurgery) By acclamation

Vice-President (Communications) Ralph Harris (Mining & Metallurgical Engineering)
By acclamation

Secretary-Treasurer Celeste Johnston (Nursing) By acclamation

The results of elections for other positions currently under way will be announced at the Annual General Meeting on Tuesday April 11, 2001.

Continuing Members of Council

(All term ending 2002)

Nick Acheson (Microbiology & Immunology)

Steven Huebner (Music)

Joseph Rasmussen (Biology)

Maria Zannis-Hadjopoulos (McGill Cancer Centre)

Chair, MAUT Librarians' Section

Luisa Piatti (Humanities & Social Sciences Library)

until May 31, 2001

Christine Oliver (Humanities & Social Sciences Library)

June 1, 2001–May 31, 2002

■
**McGill
Pension Plan Website**
www.is.mcgill.ca/pensions/

■
**Early and Phased
Retirement Policies and
Procedures**

[http://www2.mcgill.ca/
academic/5_1.htm](http://www2.mcgill.ca/academic/5_1.htm)

■
**Québec Pension Plan
Account**

[http://www.rrq.gouv.qc.ca/
an/english.htm](http://www.rrq.gouv.qc.ca/an/english.htm)

MAUT Executive 2000/2001

	Phone	Fax
President		
Bruce Shore (Education) shore@education.lan.mcgill.ca	4242	6968
President-Elect		
Roger Prichard (Parasitology) rprichar@parasit.lan.mcgill.ca	7729	7857
Past President		
Myron Frankman (Economics) inmf@musica.mcgill.ca	4829	4938
V.P. Internal		
Michael Smith (Sociology) smith@leacock.lan.mcgill.ca	6849	3403
V.P. External		
Daniel Guitton (Neurology and Neurosurgery) dguitt@mni.mcgill.ca	1954	7371
V.P. Communications		
John Galbraith (Economics) jwg@leacock.lan.mcgill.ca	8964	7336
Secretary-Treasurer		
Celeste Johnston (Nursing) celeste@leacock.lan.mcgill.ca	4157	8455

MAUT – *APBM* Newsletter
3495 Peel Street, Room 202
McGill University
Montréal, Québec, Canada H3A 1W7