



Memorandum to: Members of the Business Board

From: Rose M. Patten
Chair of the Governing Council

Date: January 10, 2005

Re: **Report of the Senior Salary Committee for 2003-2004**

A. Background

Policy Context

The following report covers activities of the Senior Salary Committee during the academic year 2003-2004. Under the *Policy on Appointments and Remuneration*, the Committee reviews the remuneration of University employees whose salaries are at or above a specified amount. The senior salary threshold for faculty and librarians is set from time to time through the salary and benefit discussions with the University of Toronto Faculty Association (UTFA). For 2003-2004, the threshold was \$128,600. Following past practice, for the 2003-2004 annual adjustments, the Committee used the same threshold salary level for administrative staff. In June, 2004, after revisions to the *Policies for Professional and Managers* were approved by the Business Board in April, the threshold for 2004-05 was set at \$120,000.

Committee Membership

In 2003-2004, the Committee comprised the following:

Chair, Governing Council	Thomas H. Simpson
Vice-Chair, Governing Council	Rose M. Patten
Chair, Business Board	Jacqueline Orange
Member, Business Board	John F. (Jack) Petch
Alumni Member, Governing Council	Amir Shalaby
President	Robert J. Birgeneau

The Secretary of the Governing Council serves as secretary of the Committee and maintains its files. When compensation of the President is discussed Committee members meet without the President.

Senior Salary Process

For persons in the senior salary category there is no entitlement to the across-the-board economic increase applicable to other members of the academic and administrative staffs. The invariable practice of the Senior Salary Committee is to award salary increases on the basis of merit alone.

To assist in this process the overall performance of senior salary staff is graded into various categories. Attached as Appendix 1 is the memorandum from the Provost to division heads regarding the processes followed. It describes the basic categories used and request recommendations and evaluative notes on each person in the senior salary group. The recommendations for academic staff are reviewed by the Provost, then by the Provost with the President and finally presented to the Committee, along with recommended salary increases for each category of performance. The increases recommended for each category are stated as fixed dollar amounts, which results in the percentage increases being greater for those lower in the senior salary range.

For administrative staff in the senior salary category, the process and the evaluative categories are similar (see Appendix 2), except that the Provost and Vice-President, Human Resources, have responsibility for the material that is assembled and presented to the Committee.

Under the *Policy on Appointments and Remuneration*, the President assumes responsibility for recommendations for the Vice-Presidents. The Chair and the President evaluate the performance of the Secretary of the Governing Council and make a joint recommendation to the Committee. With respect to the President himself, the Chair initiates discussion with Senior Salary Committee colleagues to evaluate the President's performance once all other decisions are made.

Comparative Compensation Data

For several years, the Senior Salary Committee has periodically retained the services of external consultants on compensation. As a matter of good corporate governance, the Committee wishes to have external advice on whether compensation for the approximately 20 most senior academic and non-academic positions at the University of Toronto is appropriate and competitive. In 2003-2004, Ms Rose M. Patten, then Vice-Chair of the Governing Council, conducted a review of the Senior Salary Committee and its activities. One area of attention was the data and analyses available to the Committee on an ongoing basis. Beginning with the clarification of a set of well-defined compensation principles, the Committee will be developing a mandate for an external consultant to be engaged at an appropriate time. Section D below summarizes other steps that the Committee is taking as a result of the review.

B. Faculty

(1) Annual Reports from the President

As required by the *Policy*, the President reported on number and distribution of academic staff in the senior salary category, providing the Committee with a detailed list of the individuals, their performance assessments and their compensation. These data are summarized in Table 1 below and include reports for individuals who would be in the senior salary category as of July 1, 2003 and as of July 1, 2004.

The pool of funds made available for senior salary increases for members of the professorial staff is created by applying the across-the-board economic increase, if any, to their actual salaries, and then adding one above-the-breakpoint PTR unit (\$1,425 for 2003-2004, \$1,465 for 2004-2005) for each FTE member of the category.

Table 1:

<i>Academic Year 2003-2004</i>	<i>Total Academic Senior Salaries.</i>	<i>Health Sciences</i>	<i>Other Professional Faculties</i>	<i>Arts and Science</i>	<i>Graduate Studies</i>	<i>Principals and Deans*</i>	<i>Special Salaries*</i>
Report: July 2003	339	64	126	116	5	25	8
Report: June 2004	313	56	115	113	5	23	6

* Includes Vice-Provosts.

** These individuals are division heads or University officers whose salaries are below the senior salary threshold. They are reviewed on the same basis as senior salary staff but are not included in the total academic senior salaries.

As noted previously, all awards from the pool are made on the basis of merit. Because of the level of salary involved, the total awards represent a lower percentage of salary than for staff below the senior salary threshold.

Under the *Policy*, the Committee is to receive annual reports on market and anomaly adjustments. The Provost has submitted comprehensive reports as required, providing the Committee with the rationale for the adjustments and the impact they would have. The Committee received a report on group anomaly adjustments for the Department of Chemical Engineering and Applied Chemistry and the Department of Mechanical and Industrial Engineering, as well as in the Faculty of Law. In addition, the Committee was informed for seven individual adjustments arising as a result of retention offers or in response to individual requests for salary review.

(2) Compensation Exceeding 160% of the Established Senior Salary Threshold

Under the *Policy*, the President refers to the Committee for its consideration proposals which would result in annual cash compensation exceeding 160% of the established senior salary threshold. During the period of this report, the Committee was asked to approve compensation proposals as summarized in Table 2 below.

Table 2:

Year 2003-04	160% of Threshold	Number of Faculty	Number of Faculty by Division
Salaries effective July 1, 2003	\$205,760	14	Applied Science and Engineering – 1 Arts and Science – 2 Law – 1 Management – 4 Medicine – 5 Office of the Vice-President and Provost – 1
Salaries effective July 1, 2004	\$216,060	17	Applied Science and Engineering – 1 Arts and Science – 1 Information Studies – 1 Law – 2 Management – 4 Medicine – 6 Office of the Vice-President and Provost – 1 OISE/UT – 1

The table includes the Deans of Applied Science and Engineering, Arts and Science, Information Studies, Law, Management, Medicine and OISE/UT were included in the total.

(3) Executive Compensation

The President is required by the *Policy* to bring to the Committee for consideration his recommendations on appointments for Vice-Presidents, Assistant Vice-Presidents, Vice-Provosts, and the Chief Financial Officer. Data on initial appointments, renewals and bonuses are summarized in Table 3. The President's recommendations for annual adjustments are also considered by the Committee and are based on the Vice-Presidents' reports to the President on achievement of their priorities for the year. Decisions on compensation, both at the time of initial appointment and subsequently, reflect market information on base salary, academic stipends, taxable benefits and considerations with respect to internal equity.

A recommendation for the President's annual adjustment is also considered by the Committee. Their decision takes into account a number of factors including both formal assessments of the President's performance as defined by his contract, consultation with members of the Governing Council and the University's academic and administrative leadership, and the performance of the executive team as a whole.

(4) Other Compensation Decisions

The *Policy* requires that the Committee consider the President's recommendations in several areas and, during the academic year 2003-2004, the Senior Salary Committee reviewed and approved various decisions for faculty and administrative staff in the senior salary category. These included: initial compensation for senior University and divisional officers, revisions to compensation of administrators, in-year market or anomaly and performance-based bonuses. Data on the number of decisions is given in Table 3 below.

Table 3:

	<i>Senior University and Divisional Officers – Initial Appointment</i>	<i>Senior University and Divisional Officers – Renewed Appointment</i>	<i>Market/ Anomaly Adjustment.</i>	<i>Performance Bonuses</i>
2003-2004				
Academic	4	1		
Non-academic	2			

The Committee also approved a group anomaly adjustment for members of the Joseph L. Rotman School of Management that regularized salaries across the School.

C. Administrative Staff

(1) Approval of Annual Compensation Adjustments

Members of the administrative staff – the Professionals / Managers Group – in the senior salary category are assessed annually for merit-only increases. Table 4 below summarizes the increases awarded. As in the case of academic senior salaries, the Committee receives a report on those individuals with the senior salary category, but below the 160% threshold. For the July 1, 2003 salaries, however, in the interest of greater clarity with the change from the former Senior Management Group and new groupings within the Professionals / Managers group, the Committee considered and approved the compensation for 15 individuals. All exceeded the threshold of \$128,600. Of these, though, only one exceeded the 160% threshold.

It should be noted that, with the introduction of the revisions to the *Policies for Professionals and Managers*, the size of the relevant senior administrative group is now approximately 40 because the threshold is now lower – \$120,000.

Table 4:

Year: 2003-2004	Number of Staff	Size of Group	Average Increase
Effective July 1, 2003	15	15	5.50%
Effective July 1, 2004	1	38	5.50%

(2) Other Compensation Decisions

Decisions relating to initial appointments and annual bonus arrangements are included in Table 3 above.

Annual compensation adjustments for the Secretary of the Governing Council were considered by the Committee on a joint recommendation of the Chair and the President, and for the University Ombudsperson on a recommendation from the President.

D. Plans for 2004-2005

As a result of the review noted above, the Committee is undertaking a number of initiatives. The review identified the need for a compensation framework – based on a clearly understood set of guiding principles and informed by regularly updated external survey data and internal comparative data. A first step toward establishing this framework was to articulate principles and processes underlying senior compensation and hiring decisions. The President provided an initial draft of these to the Committee earlier this year; the Committee will be considering a further iteration shortly. One element of the compensation framework is that of executive contracts and the various components that should be included in such contracts.

It was also agreed that an external consultant be engaged to provide an analysis of market comparators and related data. Further consideration of the principles noted above will be necessary before moving ahead on this step.

The Committee expects to complete its deliberations on these matters before the end of the academic year.