



Memorandum to: Business Board
Executive Committee

For: Business Board Meeting of May 7, 2007
Executive Committee Meeting of May 17, 2007

Agenda Item: **Executive Committee Item 7**

Item Identification: Policy on Appointments and Remuneration

Business Board Revisions to the terms of reference for the Senior Salary Committee.

Executive Committee Revisions to the *Policy on Appointments and Remuneration*, including the recommended revisions regarding the Senior Salary Committee.

Revisions to the terms of reference of the Executive Committee of the Governing Council.

Sponsor:

Rose M. Patten, Chair of the Governing Council, on behalf of the Senior Salary Committee which comprises the Chair and Vice-Chair of the Governing Council, the Chair of the Business Board, one additional alumni member of the Governing Council (currently Mr. Stephen Smith), one additional member of the Business Board (currently Dr. Alice Dong) and the President.

Jurisdictional Information:

Business Board – The Board is responsible to the Governing Council for personnel policy and, under the *Policy on Appointments and Remuneration*, receives periodic reports from the Senior Salary Committee on its activities. In this context, it is asked to consider proposed changes to the terms of reference of the Senior Salary Committee.

Executive Committee – The Committee considers policy proposals relating to delegation of the Governing Council's authority to appoint employees.

Previous Action Taken:

In the *Policy on Appointments and Remuneration*, the Governing Council has provided for delegation of its powers to appoint employees and to set compensation. Included in these arrangements are the establishment and the terms of reference of the Senior Salary Committee. The Policy was last revised in 2006 to reflect changes in the Council's delegated authority for approval of academic administrative appointments. These appointments are now considered for approval by the Agenda Committee of the Academic Board and reported to the Board for information. At that time, routine updates were also made, reflecting titles and other policy changes, and to include a provision for the appointment of senior legal counsel.

Major revisions occurred in 1999 when the terms of reference were altered to enable the Senior Salary Committee to concentrate more on compensation programs rather than on individual compensation decisions. Those revisions required that the Committee continue to deal individually with the most senior positions, in terms of administrative responsibility and/or compensation value, but allowed it to delegate to the President or other officers individual decisions made within a policy framework and with appropriate reporting arrangements.

Highlights:

In 2004, then Vice-Chair Rose Patten completed a review of the Senior Salary Committee that considered the *Policy*, the Committee's terms of reference and practices with respect to senior compensation decisions and reporting. The review led the Committee to introduce refinements in its processes and to provide greater transparency with respect to its activities through better communication. It also signaled the need for a more clearly articulated senior compensation framework informed by external survey data and internal comparative data. Since then, the establishment of that essential framework and the articulation of its underlying principles have also helped to strengthen compensation processes and decisions on which the Committee receives regular reports.

The Senior Salary Committee, considering these continuous advances in the context of current best practices in governance, asked the President and the Secretary to re-draft the *Policy on Appointments and Remuneration*. They were asked to recommend revisions, if appropriate, that would:

- reserve to the Governing Council itself the most senior appointments;
- delegate responsibilities for other appointments in a manner consistent with the intent of Council's delegation to the Agenda Committee for academic administrative appointments;
- facilitate responsive decision-making with respect to appointments, taking into account the dual sensitivities of confidentiality and time pressure;
- strengthen the Committee's contribution by allowing it to focus on matters of compensation policy and strategy, specific key individual compensation decisions and oversight of compensation decisions made within approved policies and programs; and
- maintain accountability and transparency, both for appointments and for compensation.

At its meeting of March 5, 2007, following consultation on earlier drafts, the Senior Salary Committee considered and recommended for approval a revised *Policy*. Key changes include:

- re-naming the Senior Salary Committee to be the Senior Appointments and Compensation Committee (SACC).
- delegating to the Executive Committee approval of appointments to the position of Deputy Provost, Associate and Vice-Provost, Chief Financial Officer, Senior Legal Counsel and Deputy Secretary of the Governing Council.
- delegating to the Senior Appointments and Compensation Committee approval of appointments to the position of Assistant Vice-Presidents and Assistant Secretaries of the Governing Council.
- clarifying the language of Section 10(b), Suspension and Removal, to specify the role of the Executive Committee.

- formalizing the roles of the Vice-President, Human Resources and Equity and the Vice-President and Provost as assessors to the Committee.
- clarifying the role of the SACC with respect to compensation programs for staff whose compensation is not determined through collective negotiations.
- specifying the responsibilities of the SACC with respect to compensation policies and practices for corporations established by the University of Toronto.

The distribution of appointing responsibilities is summarized in Appendix A attached to the proposed revised *Policy*. In parallel with its consideration of the proposed *Policy* changes, the Senior Salary Committee also reviewed and updated its *Regulation #1*, which addresses decision-making and reporting on compensation. The revised *Regulation* is included here for reference and to provide full context, as are the current *Policy* and *Regulation*.

Approval of the recommended revisions to the *Policy on Appointments and Remuneration* will necessitate one revision to the terms of reference of the Executive Committee to incorporate the responsibility for approving particular appointments.

Financial Implications:

None.

Action Sought:

Business Board

THAT the proposed revised terms of reference for the Senior Salary Committee, as set out in the revised *Policy on Appointments and Remuneration*, dated March 7, 2007, be recommended to the Governing Council for approval.

Executive Committee

Be It Recommended to the Governing Council

THAT the proposed revised *Policy on Appointments and Remuneration*, dated March 7, 2007, be approved.

THAT the terms of reference of the Executive Committee be revised to include the following: “The Executive Committee approves appointments to various senior University positions as determined from time to time by Governing Council policy.”



March 7, 2007

Revisions for Business Board and Executive Committee Consideration

POLICY ON APPOINTMENTS AND REMUNERATION

Appointments, Suspensions and Removals

1. The Governing Council reserves to itself the appointment, suspension or removal of the President.
2. The Governing Council reserves to itself the appointment of the following University Officers on the recommendation of the President:

Vice-Presidents (including the Vice-President and Provost)
Secretary
of the Governing Council
University Ombudsperson

3. Appointment of the following University Officers shall be recommended by the President to the Executive Committee of the Governing Council for approval and reported for information to the Governing Council:

Deputy Provost, Associate and Vice-Provosts
Chief Financial Officer
Senior Legal Counsel
Deputy Secretary of the Governing Council

4. Appointment of the following University Officers shall be recommended by the President to the Senior Appointments and Compensation Committee of the Governing Council (defined in Section x below) for approval and reported for information to the Governing Council:

Assistant Vice-Presidents
Assistant Secretaries of the Governing Council
Associate Vice-Provosts

5. Appointment of the heads of the following units shall be recommended by the President to the appropriate Board of the Governing Council for approval and reported for information to the Governing Council:

Internal Audit (Business Board)

Hart House (University Affairs Board)

The appointment of all other administrative officials at the level of Assistant Vice-President or in the highest Professionals/Managers category shall be reported by the President to the appropriate Board for information.

6. Appointment of academic administrators, as defined by the Policy on the Appointment of Academic Administrators, as amended from time to time, and the heads of the University Library and the School of Continuing Studies shall be recommended by the President to the Agenda Committee of the Academic Board for approval, confirmed by a committee consisting of the Chairman of the Governing Council, the President of the University and the Chair of the Academic Board, and reported to the Governing Council for information.

Appendix A attached hereto summarizes the authorities for appointments described in the clauses 1 through 6 above.

7. Academic appointments with tenure, at any rank, shall be made by the President and reported to the Academic Board for information.
8. All other academic appointments, to any rank and for any term, shall be made by the President, or by the Vice-President and Provost, or by the Principals, Deans and Directors, as may be designated by the President, in accordance with established policies and procedures.
9. All other appointments shall be made by the President or for him or her by the appropriate administrative official, and in accordance with establishment policies and procedures.

10. Suspension and Removal

- a. The Ombudsman and the Secretary, Deputy Secretary and Assistant Secretaries of the Governing Council may not be suspended without the approval of the President and the concurrence of the Chairman of the Governing Council, who shall report the reasons therefor to the Governing Council, nor removed without the approval of the Governing Council on the joint recommendation of the President and the Chairman of the Governing Council.
- b. Otherwise, the suspension or removal of a person appointed under clauses 2, 3, 4, 5 or 6 shall be authorized by the President, who shall report the reasons therefor to the Governing Council through the Executive

Committee, in the case of persons appointed under clause 2, 3 or 4 or to the appropriate Board, in the case of persons appointed under clauses 5 or 6.

- c. The suspension or removal of other appointees shall be authorized by the President or, if so designated by the President, the appropriate Vice-President or other appropriate administrative official, except in the case of members of the teaching staff for which approval of the President shall be required.

11. Policies and Procedures for Specific Classes of Appointments

The Governing Council may establish detailed policies and procedures with respect to specific classes of appointments (e.g., the Policy and Procedures on Academic Appointments, the Policies for Librarians, the Policy on Appointment of Academic Administrators, Policies for Confidentials, Policies for Professionals/Managers). The Business Board may also establish such policies on behalf of Governing Council within its terms of reference. Where not provided for in a specific manner by the Governing Council or the Business Board, or herein, procedures with respect to appointments, suspension and removals shall be established by the President or by the Vice-President designated by the President, consistent with existing policy and/or contractual obligations.

12. Determination of Duties

The President, or any other officer or employee of the University designated by the President, shall determine the duties of appointees.

13. Remuneration

- a. There shall be a Senior Appointments and Compensation Committee, consisting of: the Chairman and the Vice-Chairman of the Governing Council; the Chair of the Business Board; the President¹; plus an alumni member of the Governing Council and a member of the Business Board selected by the Chairman of the Governing Council after consultation with the alumni governors and the Chair of the Business Board. If the Vice-Chairman of the Governing Council or the Chair of the Business Board is not available to serve during a particular year, a replacement(s) shall be appointed by the Chairman of the Governing Council from among the members of Governing Council in the Lieutenant Governor-in-Council or alumni constituencies.

The Vice-President and Provost and the Vice-President, Human Resources and Equity serve as non-voting assessors and are excluded from the Committee's deliberations as appropriate.

¹ The President is a voting member of the Committee. As appropriate, the President is not present for deliberations related to his/her own compensation or appointment.

13. Remuneration (cont'd)

- b. The Senior Appointments and Compensation Committee is responsible for approving, on the recommendation of the President, the appointment of

Assistant Vice-Presidents
Assistant Secretaries of the Governing Council

- c. The Senior Appointments and Compensation Committee is responsible for attesting to the Governing Council, through the Business Board, that compensation policies and programs for employees appointed under clauses 1 through 6 above are appropriate, and that decisions about the compensation of individuals have been made in accordance with established policy and practice.
- d. The Committee fulfills its responsibility for compensation matters in two principal ways, through review and, where required, approval of the principles of compensation programs/procedures and through the approval of individual compensation packages and adjustments, as needed.

Programs

- i. The Committee will give the President its advice on the implications of compensation programs which are negotiated in a collective fashion with employee groups. The President will take such advice into consideration as he exercises his responsibilities for the conduct of negotiations.
- ii. The Committee will review and make recommendations to the Business Board on the structure of compensation programs and compensation increase procedures for - staff whose compensation is not determined through collective negotiations.

Individuals

- iii. The Committee may approve regulations under which it delegates responsibility for individual senior compensation decisions to the President and, through the President, to others. The approval of all such regulations shall be reported to the Business Board as part of the Committee's Annual Report. All regulations shall include a requirement for regular reporting of individual decisions to the Senior Appointments and Compensation Committee. The Committee may revise previously approved regulations following consultation with the President.

Individuals (cont'd)

- iv. The Committee may not delegate compensation decisions concerning the President, Vice-Presidents, Deputy and Vice-Provosts, nor any senior salary individuals directly accountable to the Governing Council.
- v. The Committee may also issue regulations or require individual approval of compensation arrangements for individuals where such individuals occupy academic administrative positions at the level of division head or above or administrative positions that have a special reporting relationship to the President or to the Governing Council.
- e. Where the University of Toronto has established corporations and where a majority of the members of the boards of such corporations are appointed by the Governing Council and/or the President, such corporations shall seek, through the President, guidance from the Senior Appointments and Compensation Committee on establishment of and changes to their senior executive compensation policies and practices prior to approval by the corporation's board.
- f. The Senior Appointments and Compensation Committee shall make an annual report on its activities to the Business Board.
- g. Except as provided in sections (a) through (d) above, the compensation of all other appointees shall be determined by the President or any other appropriate administrative official of the University designated by the President, within policies on remuneration established from time to time by the Governing Council.

Section 11 amended by Governing Council on February 27, 1995

Sections 11(b, c) revised and sections 11 (d-f) added by Governing Council, May 13, 1999

January 23, 2006, revisions to take into account the revised process for approval of academic administrative appointments.

February 9, 2006, addition of reference to Senior Legal Counsel

Policy on Appointments and Remuneration: Appendix A

	Governing Council	Executive Committee	Academic Board	Committee: Chair, Governing Council; President; Chair, Academic Board	Agenda Committee	Business Board	University Affairs Board	Senior Appointments and Compensation Committee
President	Appointment: Approval	Appointment: Endorse and forward to GC						Terms and Conditions of Appointment: Approval
Vice-Presidents	Appointment: Approval	Appointment: Endorse and forward to GC						Terms and Conditions of Appointment: Approval
Secretary	Appointment: Approval	Appointment: Endorse and forward to GC						Terms and Conditions of Appointment: Approval
Ombudsperson	Appointment: Approval	Appointment: Endorse and forward to GC						Terms and Conditions of Appointment: Approval
Deputy, Associate and Vice-Provosts	Appointment: For Information	Appointment: Approval						Terms and Conditions of Appointment: Approve compensation program and exceptions.
Chief Financial Officer	Appointment: For Information	Appointment: Approval						Terms and Conditions of Appointment: Approve compensation program and exceptions.
Senior Legal Counsel	Appointment: For Information	Appointment: Approval						Terms and Conditions of Appointment: Approve compensation program and exceptions.
Deputy Secretary of the Governing Council	Appointment: For Information	Appointment: Approval						Terms and Conditions of Appointment: Approve compensation program and exceptions.
Principals and Deans	Appointment: For Information (through Academic Board Report)	Appointment: For Information (through Academic Board Report)	Appointment: For Information	Appointment: Confirmation	Appointment: Approval			Terms and Conditions of Appointment: Approve compensation program /framework and exceptions.
Chairs	Appointment: For Information (through Academic Board Report)	Appointment: For Information (through Academic Board Report)	Appointment: For Information	Appointment: Confirmation	Appointment: Approval			Terms and Conditions of Appointment: Approve compensation program / framework and exceptions.
Assistant Secretaries of the Governing Council	Appointment: For Information	Appointment: For Information						Appointment: Approval Terms and Conditions of Appointment: Approve compensation program and exceptions.
Assistant Vice-Presidents	Appointment: For Information	Appointment: For Information						Appointment: Approval Terms and Conditions of Appointment: Approve compensation program and exceptions.
Associate Vice-Provost	Appointment: For Information	Appointment: For Information						Appointment: Approval Terms and Conditions of Appointment: Approve compensation program and exceptions.

	Governing Council	Executive Committee	Academic Board	Committee: Chair, Governing Council; President; Chair, Academic Board	Agenda Committee	Business Board	University Affairs Board	Senior Appointments and Compensation Committee
Head, Internal Audit	Appointment: For Information (through Business Board Report)	Appointment: For Information (through Business Board Report)				Appointment: Approval		Terms and Conditions of Appointment: Approve compensation program and exceptions.
Head, Hart House	Appointment: For Information (through University Affairs Board Report)	Appointment: For Information (through University Affairs Board Report)					Appointment: Approval	Terms and Conditions of Appointment: Approve compensation program and exceptions

Revised – to take effect subject to approval by the Governing Council of revised *Policy on Appointments and Remuneration*

March 7, 2007

Senior Appointments and Compensation Committee of the Governing Council **Regulation #1**

(Formerly Regulation #1 of the Senior Salary Committee, approved by the Committee pursuant to its authority under the Policy on Appointments and Remuneration.)

Preamble

This revised regulation reflects ongoing refinements in governance oversight of senior compensation decisions, updates practices that arise from negotiated agreements and current policies, and clarifies the Committee's continued decision-making authority for specific classes of positions or individuals.

Delegation to the President

The President is delegated the authority to approve individual initial compensation and subsequent changes as outlined below. The President may also sub-delegate his authority to Vice-presidents and the Chief Financial Officer, individually or in combinations, provided such sub-delegations are in writing and reported to the Committee.

The President shall make an annual report to the Committee of all individual decisions made under this authority.

1. Teaching Staff

The compensation framework for members of the teaching staff is negotiated with the University of Toronto Faculty Association (UTFA) by the administration on behalf of the Governing Council. The administration may seek advice on proposed salary and benefit terms from the Business Board and the Committee. The agreement is approved by the Business Board on behalf of the Governing Council, subject to the specific provisions of the University's Memorandum of Agreement with the Faculty Association with respect to arbitration.

From time to time, the Committee will approve principles for compensation for particular groups of teaching staff that are affected by discipline-specific market factors. In such cases, the Committee will be provided with current, comprehensive market and comparator data.

For members of the teaching staff the President makes an annual report to the Committee on compensation decisions within the approved frameworks. The report, in form to be

determined by the Committee from time to time, will include summary data and analyses such as:

- salary distribution by age, academic rank and discipline;
- distribution of PTR awards; and
- distribution of starting salaries.

The Committee will review and approve, at least every five years, a schedule of stipends for the holders of academic administrative appointments (department head and above). Once approved the President or delegate may implement the schedule, bringing only exceptions to the Committee for approval. Administrative leave provisions beyond those provided by established policy shall require the approval of the Committee.

2. Vice-Presidents, Deputy and Vice-Provosts and Other Administrative Positions above the level of Principal/Dean

Compensation for these positions remains subject to Committee approval, on recommendation of the President relative to a set of principles or framework approved by the Committee from time to time. This framework will include, but is not limited to, the following components:

- base salary;
- administrative stipends;
- professional supplements;
- pension arrangements;
- supplementary arrangements; and
- merit provisions.

It is understood that the framework will be developed in reference to and the Committee provided with current, comprehensive market and comparator data.

Across-the-board aspects of negotiated academic compensation and stipends that have been approved by the Committee as part of a general list may be implemented by the President.

3. Principals, Deans, University Librarian, Director, School of Continuing Studies, Director, Transitional Year Program

Compensation arrangements for administrative positions under this clause are approved by the President. They take into account experience, academic rank, discipline and profession and are made relative to a set of principles or framework approved by the Committee from time to time. This framework will include, but is not limited to, the following components:

- base salary;
- administrative stipends;
- professional supplements;
- pension arrangements;
- supplementary arrangements; and
- merit provisions.

It is understood that the framework will be developed in reference to current, comprehensive market and comparator data.

The President will make an annual report to the Committee on decisions made under this clause.

4. Administrative Staff

For administrative staff in classified positions the President is delegated authority to:

- (a) approve compensation, upon initial appointment, within the range established by policy.
- (b) approve annual adjustments arising out of performance evaluation processes as established from time to time within policy.
- (c) approve one-time only bonus or stipend arrangements for the assumption of extra duties on a time-limited basis. On-going incentive arrangements that are exceptions to approved policy are approved by the Committee on the recommendation of the President. Once on-going arrangements are approved by the Committee, the President may approve annual changes, with a report to the Committee.
- (d) The President will make an annual report to the Committee on decisions made under clauses 4(a), (b) and (c) above.

4. Administrative Staff (cont'd)

The Committee retains the authority to:

- (a) approve, both on initial appointment and for subsequent changes, compensation for members of the administrative staff that is outside the range established under policy approved by the Governing Council (e.g. Policy for Professionals / Managers).
- (b) approve, on initial appointment and for subsequent changes compensation for members of the administrative staff with a direct reporting relationship to the Governing Council.

5. Other Compensation Matters

The Committee retains its approval authority over compensation for senior salary staff with respect to items other than those outlined above.

Where Committee approval is required for the compensation arrangements of individuals, the Committee will be consulted in advance of offers being made in writing to individuals (in the case of new appointments) or in advance of individuals being notified of decisions. Exceptions may be approved by the Chairman at the request of the President.