



**Memorandum to:** Business Board

**For:** Meeting of January February 4, 2008

**Agenda Item:** 3

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**Item Identification:** **Report of the Senior Appointments and Compensation Committee for 2006-2007**

**Sponsor:**

Mr. John F. (Jack) Petch, Chair of the Governing Council, on behalf of the Senior Appointments and Compensation Committee (SACC) which, for the reporting period, comprised the Chair and Vice-Chair of the Governing Council (Rose M. Patten and John F. "Jack" Petch, respectively), the Chair of the Business Board (Ms Jacqueline Orange), one additional alumni member of the Governing Council (Mr. Stephen Smith), one additional member of the Business Board (Dr. Alice Dong) and the President.

**Jurisdictional Information:**

Under the *Policy on Appointments and Remuneration*, the Senior Appointments and Compensation Committee (formerly the Senior Salary Committee) is responsible for attesting to the Governing Council, through the Business Board, that compensation policies and programs for particular categories of employees are appropriate, and that decisions about the compensation of individuals have been made in accordance with established policy and practice. The categories include members of the University's senior administration, academic division heads and administrative officers with special reporting arrangements with respect to the Governing Council, the President or the Provost.

In the *Policy on Appointments and Remuneration*, the Governing Council has also provided for delegation of its powers to appoint employees. Appointments under the authority delegated to the SACC are reported to the Governing Council through the Executive Committee.

**Previous Action Taken:**

The last report was presented to the Business Board in January, 2006.

**Action Sought:**

No action required. Report is for information.

**Highlights:**

The Report provides background on the Senior Appointments and Compensation Committee's mandate and method of operation. It also presents summary information on decisions made by the Committee in the period July 1, 2006 to June 30, 2007.

**Financial Implications:**

None.



**Memorandum to:** Members of the Business Board

**From:** John F. (Jack) Petch  
Chair of the Governing Council

**Date:** January 24, 2008

**Re:** **Report of the Senior Appointments and Compensation Committee for 2006-2007**

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## **A. Background**

### **Policy Context**

The following report covers activities of the Senior Appointments and Compensation Committee (SACC, formerly the Senior Salary Committee) during the academic year 2006-2007 as required by the *Policy on Appointments and Remuneration*.

In our last report, we stated our intention to propose some revisions to the *Policy* (and relevant updates to its accompanying *Regulation*) to be effective in the 2006-2007 academic year. The background for the proposed revisions included the Committee's ongoing enhancements to its practices, the development of executive and senior compensation frameworks by the President and his administration, and the requirements of the UTFA Arbitration Award. 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 included:

- 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-President and Assistant Secretary 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.

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. Both are attached hereto as Appendix A.

On the recommendation of the Business Board, the Governing Council approved a revised *Policy* in May, 2007, along with changes to the terms of reference of the Executive Committee to incorporate the responsibility for approving particular appointments. Effective immediately on approval of the changed *Policy*, the new Senior Appointments and Compensation Committee was established and began its work with a revised mandate in June, 2007.

### **Committee Membership**

In 2006-2007, the Committee comprised the following:

Chair, Governing Council	Ms Rose M. Patten
Vice-Chair, Governing Council	Mr. John F. (Jack) Petch
Chair, Business Board	Ms Jacqueline Orange
Member, Business Board	Dr. Alice Dong
Alumni Member, Governing Council	Mr. Stephen Smith
President	Professor David Naylor

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. (Note that under the revised *Policy*, the seats on the Senior Appointments and Compensation Committee are unchanged.)

## **B. Compensation Frameworks**

During the year, the Committee approved two compensation frameworks : one, *Principles for Organizing Senior Salaries*, is intended to guide decisions on compensation for members of the executive team; the second, *Principals' and Deans' Compensation Arrangements*, will guide recommendations for that group of academic administrators. Both are meant to promote a consistent approach to compensation decisions for academic and administrative staff who are outside of the University's normal salary scales.

Some key principles include an emphasis on current and comprehensive market data, consideration of the overall collegium as well as the relevant internal market, analyses of total compensation when considering issues of parity; and standardization of stipends and perquisites within groups of senior administrators.

The President has also identified issues with the implementation of standardized relative increases in compensation in the upper ranges leading to unacceptable widening of absolute differences. As a simple example, a 5% increase on \$100,000 leads to a new salary of \$105,000, whereas 5% on \$200,000 = \$210,000, thereby increasing the previous absolute difference by \$5,000, with compounding over time. Merit increases for Vice Presidents and Principals and Deans now use a sliding scale to mitigate these effects.

## **C. Faculty**

### **(1) Academic Salary Report**

Under the previous *Policy* and *Regulation*, the President was to report annually on the 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. With the Committee's agreement in 2005-2006 and in the context of the Arbitration Award, the President proposed creating a report that would outline the distribution of ratings for all faculty, and would present summary statistics regarding salary ranges and comparisons with peer institutions. The first such report was presented to the Committee at a meeting in May, 2007 and is consistent with the expectations of the revised *Policy*.

The purpose of the Academic Salary Report is to present summary data showing current salary ranges for University of Toronto faculty by academic rank. In order to allow comparisons with other institutions, two sets of comparative data were presented for the Committee's consideration. Data for Canadian universities was drawn from the University and College Academic Staff Survey (UCASS) that provides salary information for full-time teaching staff at 29 Canadian universities. For US public universities, data from the Association of American Universities Data Exchange (AAUDE) were used, allowing comparison of faculty salaries (for all professorial ranks) with AAU public peers.

### **(2) Principals, Deans, University Librarian, Director, School of Continuing Studies and Director, Transitional Year Program**

Under the *Policy*, the President is responsible for approving compensation relative to a set of principles or a framework approved by the Committee from time to time. The President is to

make an annual report on decisions made under this authority. The first such report will be presented to the Committee during the current academic year.

**(3) Executive Compensation**

Under the previous *Policy*, the President was required to bring to the Committee for consideration his recommendations on the terms and conditions of appointments for Vice-Presidents, Assistant Vice-Presidents, Vice-Provosts, and the Chief Financial Officer. With the revisions to the *Policy*, Assistant Vice-Presidents’ compensation is approved by the President; exceptions to approved policy would be considered by the Committee. Data on the number of initial appointments, renewals and bonuses are summarized in Table 1 below. These data include two Assistant Vice-Presidents’ compensation because their appointments were approved prior to the approval of the new *Policy*.

The President’s recommendations for annual adjustments for members of the vice-presidential group are also considered by the Committee. They are based on the Vice-Presidents’ reports to the President on the 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**

In addition to the decisions noted above, the Committee also considered and approved recommendations regarding the terms and conditions of appointment for three new faculty whose offers, while consistent with market and discipline considerations, warranted additional scrutiny.

*Table 1:*

	<i>Senior University and Divisional Officers – Initial Appointment</i>	<i>Senior University and Divisional Officers – Renewed Appointment</i>	<i>Market/ Anomaly Adjustment</i>	<i>Special Bonuses</i>
<b>2006-2007</b>				
Academic	2		2	
Non-academic	5	1		
<b>2005-2006</b>				
Academic	8		2	
Non-academic	7			

## **D. Administrative Staff**

### **(1) Appointments**

The Committee has the authority to appoint, on the recommendation of the President, Assistant Vice-Presidents, Assistant Secretaries of the Governing Council and Associate Vice-Provosts. One appointment was approved, Ms Mae-Yu Tan as Assistant Secretary to the Governing Council, effective July 1, 2007.

### **(2) Compensation Decisions**

For professional and managerial positions (normally in the PM 7, 8 and 9 categories) the President is delegated authority to approve compensation, upon initial appointment, within the range established by policy; approve annual adjustments arising out of performance evaluation processes as established from time to time within policy; and approve one-time-only bonus or stipend arrangements for the assumption of extra duties on a time-limited basis. The Committee is to receive an annual report on these decisions and expects the first such report in the current academic year.

In addition to approving compensation arrangements that are outside of established policy, the Committee retains authority approve, on initial appointment and for subsequent changes, compensation for members of the administrative staff with a direct reporting relationship to the Governing Council. In 2006-07, the Committee approved the terms and conditions of appointment for the University Ombudsperson. This decision is included in Table 1 above, along with the decisions relating to the initial appointment of two Assistant Vice-Presidents noted earlier.

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.

## **E. Future Reports**

At the end of the current academic year, the Committee will have operated for a full year under the revised *Policy on Appointments and Remuneration* and the consequently updated *Regulation #1*. We expect our next report and future ones to be modified based on more experience with the *Policy* and its application and continuing to be guided by our clearly articulated principles, consistency of practice and transparency in communication.



## **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 13 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 President<sup>1</sup>; 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.

- 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

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<sup>1</sup> 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.

- 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.
- 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

May 30, 2007, replacing the Policy approved on February 9, 2006

## **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. Ongoing incentive arrangements that are exceptions to approved policy are approved by the Committee on the recommendation of the President. Once ongoing 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.

*Revised March 7, 2007  
Effective May 30, 2007*