

Attachment 1

SUMMARY OF GUIDING PRINCIPLES FOR THE DEVELOPMENT OF SENIOR EXECUTIVE COMPENSATION POLICIES

Adopted by City Council (August 25, 2014)

Full details of the Guiding Principles can be found in Item EX44.8 -

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2014.EX44.8>

1. Develop a detailed job description for each senior executive position.
2. Adopt a Total Rewards Approach in developing a senior executive compensation policy. The review must be comprehensive and consider all aspects of compensation including base salary, variable/incentive pay, merit pay, and benefits including pension benefits.
3. Complete a comparator analysis for each senior executive position to establish the median (midpoint) base salary using industry comparators in the public sector (excluding private sector comparators). The comparators must be "like" public sector agencies and corporations of similar size, organizational structure, business risk, and management complexity.
4. Establish a base salary range for each senior executive position. The midpoint of the base salary range should be the median (50th percentile) for the industry comparators, which include public sector comparators only. The minimum base salary should be no less than 15% less than the median (50th percentile) and with the maximum base salary no more than 15% of the median (50th percentile).
5. Document a clear and detailed rationale for the use of each comparator as part of the comparator analysis for each senior executive position to indicate why the use of the comparator is appropriate.
6. Consider the feasibility of a merit pay system based on meeting individual and/or organizational unit goals which are measureable to enable senior executives to progress through the base salary range as an incentive to achieve exceptional individual performance. Merit pay must not exceed 5% of the annual base salary.
7. Investigate the feasibility of utilizing variable/incentive pay as a means for motivating superior performance. Variable/incentive pay shall not exceed 25 percent of base salary, inclusive of merit pay.
8. If a variable/incentive pay program is implemented, payments to senior executives must only occur where they demonstrate superior performance exceeding expected performance as indicated by transparent, quantifiable performance measures. The stated performance measures, among other things, should relate to:

- (i) Strategic objectives articulated in the organization's Strategic Plan;
 - (ii) The demonstrated growth in public value of the organization;
 - (iii) The creation of a positive, dynamic, professional, ethical, service oriented workplace culture that attracts, motivates and retains employees; and
 - (iv) Timely and thorough implementation of applicable City Council directives including Shareholder Directions, Relationship Frameworks, applicable City of Toronto corporate policy, and recommendations of City accountability Officers and internal ethics executives.
9. A review must be conducted of employee benefits to create an employee benefits package that helps attract and retain senior executives while ensuring that the benefit package is competitive, appropriate for the demographics of the senior executive talent pool, and provides the public value for money.
10. The employer pension benefit contribution (registered plan or supplemental private agreement) for senior executives should be reviewed. The ratio of the employer contribution must not exceed 1.0 times the employee's contribution based on their base salary, except as allowed under pension plan policy or applicable law.
11. Senior executive compensation policies must contain a policy on executive termination payments including development of a standard process for the determination of the amount of the payout.
12. Develop and implement a program for annual performance assessment of senior executives.