TAF The Atmospheric Fund

REPORT FOR ACTION

Amendments to TAF's Executive Compensation Policy

Date: January 29, 2024
To: Board of Directors of the Toronto Atmospheric Fund
From: Chief Executive Officer

SUMMARY

This report recommends updates to TAF's Executive Compensation Policy, responding to City Council's 2023 direction to City Agencies and Corporations to amend their organization's compensation policy to align with the updated Guiding Principles for the Development of Senior Executive Policies at City Agencies and Corporations.

RECOMMENDATIONS

The Chief Executive Officers recommends that the Board of Directors of the Toronto Atmospheric Fund approve the updated Executive Compensation Policy in Attachment 1.

FINANCIAL IMPACT

There is no financial impact resulting from the adoption of the recommendations in this report.

DECISION HISTORY

On January 24, 2024, TAF's Human Resources Committee reviewed updates to TAF's Executive Compensation Policy and directed staff to seek Board approval at the February 12, 2024 meeting.

On July 19, 2023, City Council approved updated Guiding Principles for the Development of Senior Executive Compensation Policies at City Agencies and Corporations, and requested the Boards of Directors of City agencies and corporations, including TAF, adopt or amend as appropriate their organization's executive compensation policy to align with the Guiding Principles.
(https://secure.toronto.ca/council/agenda-item.do?item=2023.EX6.1)

On September 27, 2017, the TAF Board of Directors adopted the current Executive Compensation Policy. (https://secure.toronto.ca/council/agenda-item.do?item=2017.TA17.8)

COMMENTS

TAF's Executive Compensation Policy is applicable to the Chief Executive Officer (CEO) and Vice Presidents (VP). The current policy, approved by the Board in 2017, requires updates in line with changes made to the City's Guiding Principles in 2023.

The Human Resources Committee reviewed and provided comments on updates proposed by staff and have approved the recommended updates to the policy which are identified in the tracked changes in Attachment 1. The recommended update includes amendments to comply with the City's Guiding Principles and for housekeeping purposes, which are summarized below.

Updates to reflect City's Guiding Principles

	Guiding Principles update	Proposed TAF policy amendment
Comparator Selection and Analysis	Set a minimum number of eight employer comparators to compare executive compensation. When an agency or corporation meets specific criteria, private sector comparators may comprise up to one-third of the comparator Group	4.2 Comparator Group - add 'minimum of eight - specify comparator groups and include private sector for up to one-third
Salary Bands	Base salary bands should be established using the median base salary of the comparator group as the midpoint, and up to +/1 20% of the midpoint representing the maximum and minimum of the salary band.	4.3 Compensation reviews - add base salary ranges will be established with a midpoint using the median of comparators 5.1 Base Salary - no change: maintain current standard of +/- 15%

	Guiding Principles update	Proposed TAF policy amendment
Merit and Incentive Pay Programs and Total Compensation Caps	Merit pay should be contingent on performance and align with market trends. Incentive pay may be considered if specific criteria are met. Merit pay and incentive pay amount should be based on individual and corporate performance measured by transparent and quantifiable indicators. Specific ratios and limits on merit and incentive pay may be replaced on by limits on total compensation. Going forward, executive compensation targets (i.e. base salaries plus merit and/or incentive pay) should be limited to the median of the comparator group total cash compensation target.	5.5 definition of and criteria for merit pay elaborated to align with new guideline. 5% limit removed (total compensation is addressed in section 3 “In general TAF positions total exec comp, including benefits, at the median of the market”)

Housekeeping updates:

- General updates: minor grammar, name of Committee, consistency with use of acronyms.

- Updates to clarify what is considered within TAF’s total rewards approach, and alignment with current TAF practices in sections 3 (compensation strategy), 4.5 pensions).

- Removal of content that is not required by the guiding principles, and is managed through staff contracts:
    - 4.4 benefits – 20% limit removed. This is captured under total compensation targets.
    - 5.x “external equity considerations” – section removed as it is not aligned with TAF’s compensation philosophy and is in conflict with the updated section 4.
    - 6 Termination Updates – Updated to included information on severance and termination payments apply to all TAF executives, and remove provisions on resignation or termination as it is not required by the guiding principles and is managed through employee contracts.

To ensure adherence to the policy, staff will develop procedure documentation, for Committee approval, on the following:

- Performance Review and Goal Setting for Executives
    - Outlines the annual process followed for the Committee-led CEO review, and CEO reporting on VP performance to the Committee.
    - Guides the annual process to set individual and organizational objectives and targets that are linked to TAF's Strategic Directions and Annual Business Plans and incorporate the objectives of TransformTO, as directed by City Council.
- Comparator Group and Compensation Reviews
    - Articulates the process for selecting relevant comparator organizations and survey data.
    - Defines the roles of staff, Committee and Board in conducting regular compensation reviews and implementing emerging recommendations.

CONTACT

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SIGNATURE

Julia Langer
Chief Executive Officer

ATTACHMENTS

1. Draft TAF Executive Compensation Policy – clean copy
2. Draft TAF Executive Compensation Policy – redline copy