

## Total Rewards Policy for Employees in TMG

Complete Policy Title: <b>Total Rewards Policy for Employees in The Management Group</b>	Policy Number:
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Date of Original Approval: <b>October 24, 2019</b>	Supersedes/Amends Policy dated:
Responsible Executive: <b>Assistant Vice-President and CHRO</b>	Enquiries: <b>Human Resources Services</b>
<p>Related Guidelines and Policies:</p> <ul style="list-style-type: none"> <li>• <b>Annual Salary Review Guides and Instructions</b></li> <li>• <b>Contributory Pension Plan for Salaried Employees of McMaster University Including McMaster Divinity College 2000 (“Salaried Pension Plan”)</b></li> <li>• <b>Definition of Retirement for Determination of Eligibility for Other Benefits for Retirees of McMaster University</b></li> <li>• <b>Group Registered Retirement Savings Plan (RRSP)</b></li> <li>• <b>Guidelines for Cash Compensation Administration for Employees in TMG</b></li> <li>• <b>Job Evaluation Guide for TMG</b></li> <li>• <b>Management Professional Development Allowance (MPDA) for Members of TMG</b></li> <li>• <b>Parental and Pregnancy Leave for TMG</b></li> <li>• <b>Performance Excellence Program for TMG in Bands F through M</b></li> <li>• <b>TMG Achievement Program - Annual Performance Review for TMG</b></li> <li>• <b>TMG Management Days Policy</b></li> <li>• <b>TMG Time and Leave Provisions Guideline</b></li> <li>• <b>TMG Vacation Entitlement</b></li> <li>• <b>Total Rewards Philosophy for TMG</b></li> <li>• <b>Tuition Assistance and Tuition Bursary Policies</b></li> <li>• <b>Variable Pay Plan for TMG in Bands N through Q</b></li> </ul>	
<p><b>DISCLAIMER:</b> <i>If there is a discrepancy between this electronic policy and the written copy held by the policy owner, the written copy prevails.</i></p>	

### Introduction

McMaster University provides a comprehensive Total Rewards program for employees in The Management Group (TMG) that is designed to attract, develop, engage and retain high calibre leaders who are critical to the University’s continued success. The information in this Policy is intended to align with the Total Rewards Philosophy for TMG. An excerpt of the Total Rewards Philosophy Statement for TMG follows:

*The Total Rewards program for TMG is designed to be competitive and to recognize and reward individual performance. In keeping with this philosophy, the Total Rewards program for TMG provides salary ranges*

*targeted at the 60<sup>th</sup> percentile<sup>2</sup> of the defined market, pay relative to performance, competitive benefits, performance and recognition programs, promotes internal equity, supports the maintenance of pay equity, and operates in a financially responsible manner (now and in the future). The two key foundational elements that underpin the Total Rewards program design are:*

- *Pay for performance; and*
- *Salary ranges targeted at the 60<sup>th</sup> percentile of the defined market.*

McMaster University is committed to maintaining the Total Rewards program and ensuring that it operates in compliance with all applicable laws and regulations and that related practices promote internal equity and ease of administration. The University reserves the right to amend this Policy and related guidelines from time to time.

### Purpose

This Policy defines and outlines the Total Rewards program provisions for employees in TMG who are covered by this Policy.

### Definitions

Definitions of key terms can be found in Appendix A.

### Scope

This Policy governs the total rewards provisions for all employees who are entering, or are currently in, TMG.

### Total Rewards Program Approvals

The Total Rewards program for TMG is subject to regular review and update, which may require approvals up to and including that of the McMaster University Board of Governors.

### Policy

#### 1. Designation of a Position as TMG

Human Resources is responsible for determining whether a position is classified as TMG or included in another employee group. The job description is the primary basis of this determination.

#### 2. Job Descriptions for Positions in TMG

All positions in TMG must have a job description that clearly outlines the job purpose, accountabilities, qualifications, dimensions and working conditions.

#### 3. Job Evaluation and Determination of Band

All job descriptions for positions confirmed in TMG must be evaluated to determine the Band of the position. Each Band has an associated salary range within which compensation is administered.

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<sup>2</sup> Throughout this document, references to cash compensation target at the 60<sup>th</sup> percentile of the defined market reflect the current practice. The cash compensation target is subject to review and change at the sole discretion of the University.

#### 4. Market Competitiveness

Salary ranges are targeted to the 60<sup>th</sup> percentile of the defined market. The defined market for TMG is:

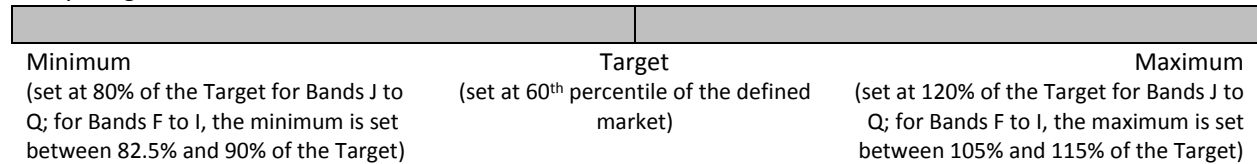
- Bands F – I: Local Market (Hamilton, Burlington and surrounding area)
- Bands J – M: Regional Market (Hamilton, Toronto, South Western Ontario)
- Bands N – Q: National Market (All Canada)

The market competitiveness target is subject to review and update, normally annually, at the sole discretion of the University.

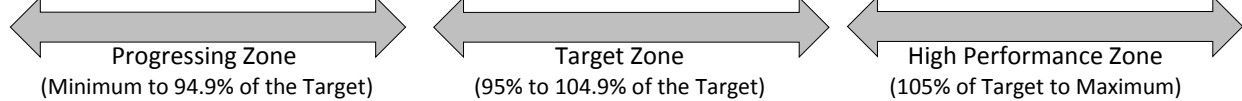
#### 5. Salary Ranges and Structure

Each Band has a salary range within which employees' salaries are administered. The salary range will consist of a Minimum, a Target, and a Maximum. The Target is currently set to the 60<sup>th</sup> percentile of the defined market. The salary range is further divided into zones which reflect the design of the salary range structure, as per the following illustration:

Salary Range:



Zones:



##### a. Progressing Zone

The Progressing Zone is between the Minimum of the salary range and 94.9% of the Target and is the Normal Range for Hiring. Employees progress towards the Target Zone through performance-based increases that are determined in the annual performance and salary review processes.

##### b. Target Zone

The Target Zone is the portion of the range that is between 95% and 104.9% of the Target.

Employees' salaries are administered within the salary range for the applicable band. Over time, dependent on individual performance and through application of the annual performance and salary review processes, the majority of employees can expect to be compensated in the Target Zone of the salary range for the position they hold.

##### c. High Performance Zone

The High Performance Zone is the portion of the range that is between 105% of the Target and the Maximum of the salary range.

The High Performance Zone is intended for employees who have achieved and demonstrated consistent and ongoing outstanding performance.

## 6. Annual Adjustment to Salary Ranges

Salary ranges are adjusted on an annual basis to maintain the University's desired relationship to the defined market.

The effective date of salary range changes is normally the first day of the first full pay period following July 1st. Adjustments to the salary ranges require approvals up to and including that of the Board of Governors.

## 7. Administration of Employee Salaries

Employees will be paid in accordance with the approved Band and the corresponding salary range for the position they hold. For those TMG who work less than full-time, the salary range for the position they hold will be pro-rated accordingly.

## 8. Responsibility of Management for Individual Salaries

Managers are responsible to manage staff salary levels in accordance with performance within this policy and other relevant policies and guidelines.

Managers are encouraged to periodically review the employee's compa-ratio in consideration of performance, time in the job, and internal equity to determine whether any adjustments are required. Anomaly increases are permitted for this purpose.

## 9. Establishing Salaries for New Hires, Job Transfer, Re-evaluation or Anomaly Adjustment

### a. New Hires, Including Internal Transfers from Other Employee Groups

Salaries for new hires, including internal transfers from other employee groups, will be established in consideration of the candidate's relevant skills and experience and internal equity. Managers are expected to follow the norms outlined in the Guidelines for Cash Compensation Administration for Employees in TMG.

### b. Job Transfer within TMG

A salary increase may be awarded in the following circumstances:

Type of Change	Description	Salary Increase Indicated
Promotion	Increase of 1 or more Bands	Yes
Lateral	No change in Band	Possible  Increases are not normally given in the case of a lateral job transfer.  An increase may be considered where the job transfer is a developmental move. In such situations, consultation with Human Resources Services and appropriate approvals are required.

Type of Change	Description	Salary Increase Indicated
Demotion	Decrease of 1 or more Bands	No  If the job change is at the employee's request, a decrease in salary may be appropriate. In no circumstance can the employee's salary be above the Maximum of the new position.  If the job change is due to a reorganization, time-limited salary protection, which may include red-circling, will apply.

Managers are expected to follow the norms outlined in the Guidelines for Cash Compensation Administration for Employees in TMG.

**c. Re-evaluation of a TMG Job**

A salary increase may be awarded in the following circumstances:

Type of Change	Salary Increase Indicated
Increase of 1 or more Bands	Yes
No change in Band	No
Decrease of 1 or more Bands	No  If the job has been redesigned due to a broader reorganization, time-limited salary protection, which may include red-circling, will apply.

Managers are expected to follow the norms outlined in the Guidelines for Cash Compensation Administration for Employees in TMG.

**d. Anomaly Adjustments**

Anomaly adjustments will be permitted where an employee's base salary no longer reflects performance or market. Managers are expected to follow the norms for anomaly adjustments outlined in the Guidelines for Cash Compensation Administration for Employees in TMG.

**10. Controls and Approvals Required for Establishing Salaries**

Appropriate controls and approval levels will be maintained to ensure equity prevails.

The establishment and ongoing administration of salaries for new hires, on job transfer or re-evaluation, or anomaly adjustments are subject to the controls and approvals that follow. Refer to the Guidelines for Cash Compensation Administration for Employees in TMG for the practices to be followed for the establishment of salaries at initial hire and the ongoing administration of salaries for employees in TMG.

Base Salary as a % of the Target	Approvals Required
	The approvals required apply to the following: <ul style="list-style-type: none"> <li>• <b>New Hires (Including Internal Transfers from Other Employee Groups)</b></li> <li>• <b>Job Transfer within TMG</b></li> <li>• <b>Re-evaluation</b></li> <li>• <b>Anomaly Adjustments</b></li> </ul>
Between Minimum and 94.9%	Approval of the Department Head is required.
Between 95.0% and 104.9%	Approval of the Dean or AVP is required.
Between 105% and Maximum	Approval of the Budget Envelope Manager is required in advance. Consultation with Human Resources Services is required.  Exception: Increases which adhere to the norms outlined in the Guidelines for Cash Compensation Administration for Employees in TMG: <ul style="list-style-type: none"> <li>• Job Transfer: In the case of a job transfer which is a promotional change and an increase in salary of 5% is to be applied, approval of the Dean or AVP is required.</li> <li>• Re-evaluations: In the case of a re-evaluation which results in an increase of 1 Band or more and a salary increase of 5% is to be applied, approval of the Dean or AVP is required.</li> </ul>
Over Maximum	Written request endorsed by the Vice-President.  Written approval from the President and Vice-Chancellor, in consultation with the Chief Human Resources Officer, is required in advance.

**11. Annual Salary Review**

In keeping with the University’s pay for performance philosophy, increases awarded in the annual salary review will be in the form of merit that is allocated based on a merit matrix which factors in assessment of employee performance and position in the salary range (compa-ratio). Completion of a performance review is required to be eligible for an annual merit increase.

**12. Variable Pay Programs**

TMG, subject to program eligibility, assessment criteria and application, may receive variable pay payments through either the Performance Excellence Program for TMG in Bands F through M or the Variable Pay Plan for TMG in Bands N through Q. Any payouts from these programs will be in the form of one-time, lump sum payments, subject to applicable deductions, and do not impact benefit or retirement income programs.

Refer to the respective policies for program details and eligibility criteria.

**13. Benefits While Actively Employed**

Competitive benefits programs will be maintained. The provisions may change from time to time at the sole discretion of the University.

Subject to eligibility requirements, persons hired into TMG positions will be eligible for participation in the University's health, emergency travel assistance, dental, life insurance, salary continuance, LTD and AD&D benefits plans, while actively employed.

#### 14. Benefits On Retirement

Employees in TMG who were hired by the University prior to June 16, 2006 into a position that was eligible for post-retirement benefits retain eligibility for post-retirement benefits upon retirement from a TMG position. (TMG retiree benefit plan terms and provisions apply.)

Employees in TMG who were newly hired by the University on or after June 16, 2006 are not eligible for post-retirement benefits. The University provides an exception for employees who were hired into a Unifor post-retirement benefit eligible position on or after June 16, 2006 and subsequently transfer to a TMG position after their date of hire and before May 1, 2022. These individuals have been grandparented and retain eligibility for post-retirement benefits upon retirement from a TMG position. (TMG retiree benefit plan terms and provisions apply to the those who have been grandparented.)

Post-retirement benefits are restricted to those TMG who meet plan eligibility definitions. Benefits on Retirement provisions may change from time to time at the sole discretion of the University.

#### 15. Retirement Income Programs

Competitive retirement income programs will be maintained. The provisions may change from time to time at the discretion of the University.

Persons hired into TMG positions will be eligible for participation in the University's Group RRSP or Salaried Pension Plan, as per plan eligibility definitions. For clarity, individuals newly hired to McMaster into a TMG position on or after June 16, 2009 will participate in the University Group RRSP. Employees in TMG who were hired prior to June 16, 2009 will continue to participate in the University's Defined Benefit Pension Plan.

#### 16. Programs that Support Work Life Blend and Development

As part of its Total Rewards program, McMaster provides a number of offerings that support work-life blend (e.g., Management Days and vacation) and development of employees in TMG (e.g., Management Professional Development Allowance, Tuition Assistance, Tuition Bursaries). Refer to the applicable policy and leave provisions guideline for details.

#### 17. Responsibility of Managers of TMG

Managers of TMG are required to:

- understand and adhere to this Policy and obtain appropriate approvals for salary adjustments, as defined in this Policy and any related Guidelines including the annual performance review and merit program;
- create and maintain job descriptions for TMG in accordance with Job Evaluation Guide for TMG;
- actively engage with TMG in setting and evaluating performance goals in accordance with the TMG Achievement Program which is the University's Annual Objectives and Development Goals program for TMG;
- provide feedback and coaching; engage in career development planning;

- actively manage the salaries of TMG employees in accordance with the applicable policies, guidelines and program provisions;
- as required, consult with Human Resources Services on matters related to compensation for TMG; and
- adhere to and operate within existing budget and approval processes.

#### 18. Responsibility of Human Resources Services

Human Resources Services is responsible for:

- policy maintenance;
- policy interpretation;
- administration of the Total Rewards program, including compensation, benefits and retirement income plans;
- providing guidance and advice to departments;
- periodic audit;
- maintaining a current perspective on compensation and reviewing of compensation trends and changes in relevant markets; and
- adherence to legislative requirements and reporting.

#### 19. Related Procedures and Documents

This Policy is to be read in conjunction with all applicable statutes and University policies and practices.

The following is not a comprehensive list:

- Annual Salary Review Guides and Instructions
- Contributory Pension Plan for Salaried Employees of McMaster University Including McMaster Divinity College 2000 (“Salaried Pension Plan”)
- Definition of Retirement for Determination of Eligibility for Other Benefits for Retirees of McMaster University
- Group Registered Retirement Savings Plan (Group RRSP)
- Guidelines for Cash Compensation Administration for Employees in TMG
- Job Evaluation Guide for TMG
- Management Professional Development Allowance Policy
- Performance Excellence Program for TMG in Bands F through M
- Total Rewards Philosophy for TMG
- Treatment of Employees on a Temporary Growth and Development Appointment
- TMG Achievement Program – Annual Performance Review for TMG
- TMG Management Days Policy
- TMG Vacation Entitlement
- Tuition Assistance and Tuition Bursary Policies
- Variable Pay Plan for TMG in Bands N through Q

Any question of the interpretation or application of this Policy or related policies and guidelines shall be determined by the Assistant Vice-President and CHRO.



## Appendix A: Definitions

### Band:

Jobs in TMG are administered in Bands. The Band of a job is determined through application of the University's job evaluation process which uses a gender neutral comparison system to evaluate jobs based on the skill, effort, responsibility and working conditions. Each Band has a corresponding salary range within which incumbents of jobs are administered.

### Base Salary:

The compensation paid to an employee for performing specific job responsibilities. Base salary is reflective of: a) the expected contribution of the job to the University based upon current job requirements; b) competitive base salary information for similar jobs at peer organizations; c) individual knowledge, skills and competencies that relate to success on the job; d) individual performance in the role.

### Cash compensation:

Cash provided by an employer to an employee for services rendered. Compensation comprises the elements of pay (e.g., base pay, one-time lump-sum payments, stipends, etc.) that are offered to an employee in return for their services.

### Calibration:

The calibration process is designed to encourage greater consistency across the University in the application of the TMG Achievement Program ratings in the annual performance review and related merit allocation in the annual salary review.

### Compa-ratio:

Compa-ratio is used to describe an employee's position in the salary range and is calculated by dividing the employee's salary by the Target of the salary range and multiplying the result by 100.

### High Performance Zone of the Salary Range:

The portion of the salary range between 105% of the Target and the Maximum. The High Performance Zone is intended for employees who have demonstrated consistent and ongoing outstanding performance.

### Job:

For purposes of this document, a job is the collection of duties and responsibilities assigned and as described in a job description.

### Merit:

A program in which salary increase decisions are made contingent upon performance and position in the salary range (compa-ratio). Commonly called pay-for-performance.

### Merit Matrix:

A merit matrix provides the maximum amount of merit that may be allocated during the annual salary review. The merit matrix considers performance and position in the salary range.

### Normal Range for Hiring:

The Normal Range for Hiring new employees is between the Minimum and 94.9% of the Target of the salary range. Placement within the Normal Range for Hiring is determined based on the individual skills and experience of the candidate and in consideration of internal equity within the hiring department and area.

### Performance Excellence Program:

The Performance Excellence Program rewards members of TMG deemed truly exceptional performers who are clearly leaders among their peers and have noticeably excelled in their performance over and above what would normally be expected in their role and have been identified as high potential and/or high performing employees. TMG in Bands F through M with a performance rating of Outstanding are eligible.

### Position:

For purposes of this document, a position refers to a job in a specific department.

### Progressing Zone of the Salary Range:

The portion of the salary range between the Minimum and 94.9% of the Target.

### Red-circling:

Protection provided to an employee whose salary is above the established salary range maximum assigned to the job they hold. The employee is not

eligible for further base salary increases until the range maximum surpasses the individual's salary.

**Salaried Pension Plan:**

Refers to the Contributory Pension Plan for Salaried Employees of McMaster University Including McMaster Divinity College 2000.

**Salary Range:**

The range of pay that is allowed for a job. The evaluation outcome of a job determines the Band which has a corresponding salary range. Salaries of incumbents of the job are administered within the salary range in accordance with applicable policies, guidelines and administrative practices.

**Target of the Salary Range:**

As at the date of approval of this Policy, the Target is set to the 60<sup>th</sup> percentile of the defined market.

**Target Zone of the Salary Range:**

The portion of the salary range between 95.0% of the Target and 104.9% of the Target. It is expected that salaries of employees in TMG will progress to the Target Zone over time. The time required to reach the Target Zone varies and is dependent on skills, experience, performance, salary increase provisions for TMG, and market conditions.

**TMG:**

TMG refers to The Management Group which is a heterogeneous group consisting of managers with responsibility for making effective recommendations that impact the terms and conditions of employment

of others and employees without managerial responsibility but who are exempt from unionized employee groups due to the scope of recognition clauses or the confidential labour relations nature of the work performed. TMG includes employees who are exempt from Unifor because they work outside of the province of Ontario.

**TMG Achievement Program:**

The TMG Achievement Program is the performance review and development planning program. The Program recognizes three levels of achievement: achieving, successful and outstanding. A rating reflective of overall achievement in consideration of work objectives, leadership capabilities and individual development is assigned.

**Total Rewards:**

The monetary and non-monetary returns provided to employees in exchange for their time, talents, efforts and results. Total rewards involve the deliberate integration of five key elements of compensation, benefits, work life, development and career opportunities, and performance and recognition, that effectively attract, develop, engage and retain the talent required to achieve desired business results.

**Variable Pay:**

The Variable Pay Plan program provides a framework that enables rewarding truly exceptional performers who, through their involvement in activities within or beyond the scope of their position, directly advance the University's strategic priorities. TMG in bands N through Q are eligible.