

## Guidelines for Cash Compensation Administration for Employees in TMG

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Approved by: <b>President and Vice-Presidents</b>	Date of Most Recent Approval: <b>October 24, 2019</b>
Date of Original Approval: <b>July 1, 2002</b>	Supersedes/Amends: Protocols and Guidelines for Salary Administration for The Management Group (TMG) - Establishing Salaries – November 2007
Responsible Executive: <b>Assistant Vice-President and CHRO</b>	Enquiries: <b>Human Resources Services</b>
Related Guidelines and Policies: <ul style="list-style-type: none"> <li>• <b>Total Rewards Philosophy for TMG</b></li> <li>• <b>Total Rewards Policy for Employees in TMG</b></li> <li>• <b>Job Evaluation Guide for TMG</b></li> <li>• <b>Annual Performance Review for TMG</b></li> <li>• <b>Annual Salary Review Guides and Instructions</b></li> <li>• <b>Parental and Pregnancy Leave Policy</b></li> <li>• <b>Performance Excellence Program for TMG in Bands F through M</b></li> <li>• <b>Variable Pay Plan for TMG in Bands N through Q</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>Tuition Assistance and Tuition Bursary Policies</b></li> </ul>	

### Purpose

The purpose of these guidelines is to assist leaders to determine reasonable and appropriate compensation adjustments for TMG. These guidelines are to be read in conjunction with the Total Rewards Policy for Employees in TMG (“the Policy”).

Managers are responsible to monitor, review and make recommendations regarding salary of reporting employees. Decisions regarding salary adjustments are the responsibility of the Department Head and, where necessary, are to be made in consultation with Human Resources Services. Managers are responsible to ensure they obtain all necessary approvals in accordance with the Total Rewards Policy for Employees in TMG.

### Definitions

Definitions of key terms can be found in Appendix A.

### Scope

These Guidelines address:

1. Establishing salaries in relation to:
  - a. Initial hire to TMG
  - b. Internal transfer within TMG

- c. Re-evaluation
  - d. Anomaly salary adjustment
  - e. Underfill arrangement
2. Temporary salary adjustments
    - a. Additional duties for a temporary time-limited period
    - b. Temporary growth and development appointments within TMG
    - c. Individual development appointments
  3. Supervisor differential
  4. Annual review of salaries
  5. Performance Excellence Program
  6. Variable Pay Program

### 1. Establishing Salaries

The base salary of individuals appointed to a position covered by the Total Rewards Policy for Employees in TMG will be determined at the time of hiring as a matter of consultation between the hiring manager and Human Resources Services.

Considerations in the determination of individual base salary include:

- qualifications and experience of the candidate relative to the job requirements;
- internal equity;
- type of change (i.e., promotion, lateral or demotion (if internal transfer));
- change in Band (if re-evaluation);
- current salary (if internal transfer or re-evaluation); and
- performance (if internal candidate).

#### a) Establishing Salaries for New Hires, Including Internal Transfers from Other Employee Groups

For external hires or internal hires from other employee groups (excluding those already in TMG), the Normal Range for Hiring 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 relative to the job requirements and in consideration of internal equity within the hiring department and area. It is expected that the majority of employees will be hired within the Normal Range for Hiring.

Establishing a salary for an initial hire to TMG above the Normal Range for Hiring is not common and requires approvals in accordance with the Total Rewards Policy for Employees in TMG.

#### b) Establishing Salaries for Job Transfer within TMG

Existing employees in TMG who transfer to another position in TMG result in one of the following:

- i) Promotional Change: Defined as an increase of one or more Bands. A promotional increase of 5% is normally indicated (not 5% per band). The revised salary must not be lower than the Minimum of the salary range. It is expected that the majority of promotional increases will be 5%.
- ii) Lateral Change: Defined as no change in Band. A salary increase is not normally indicated. In some circumstances and, subject to consultation with Human Resources Services and appropriate approvals, an increase of between 3% and 5% may be considered for lateral changes that are job transfers which represent a developmental move which will provide an area of growth and expanded experience for the incumbent.
- iii) Demotional Change: Defined as a decrease of one or more Bands. In the case of a voluntary job change made at the employee's request, a decrease in salary of up to 5% may be indicated. In no circumstance may the resulting salary exceed the Maximum of the new salary range.

Salary adjustments for internal transfer will be effective the date the incumbent moves to the new role and will not be retroactive.

**c) Establishing Salaries for Re-evaluation of a TMG Job**

Existing employees in TMG who have their current position re-evaluated, result in one of the following:

- i) Increase of 1 or more Bands:

An increase of 5% is indicated (not 5% per band). The revised salary must not be lower than the Minimum of the salary range. It is expected that the majority of increases will be 5%. In some circumstances (particularly if the increase is more than 1 Band) and, subject to consultation with Human Resources Services, a larger increase may be considered.
- ii) No change in Band: A salary increase is not indicated. No increase is to be applied in the case of re-evaluations that result in no change in band.
- iii) Decrease of 1 or more Bands:

In situations where a re-evaluation results in a decrease of 1 or more Bands, salary protection, which may include red-circling for a defined period, is appropriate. Base salary increases are permitted if the employee's salary is below the Maximum of the salary range. In cases of red-circling where the employee's salary is above the Maximum of the salary range, following the defined period of red-circling, the employee's salary will be decreased by up to 5% or to the Maximum of the salary range (if greater than 5%). Upon completion of the

defined period of red-circling, in no circumstance may the resulting salary exceed the Maximum of the new salary range.

Salary adjustments resulting from the re-evaluation of an existing job will be effective the date the job description is received in Human Resources. In accordance with the Job Evaluation Guidelines for TMG, if there are extenuating circumstances which caused a delay in the submission of the job description, back-dating of the results may be applied to a maximum of three (3) months.

**d) Anomaly Salary Adjustments**

Salaries for existing employees in TMG are normally adjusted at job change or through the annual salary review process. In exceptional circumstances, anomaly salary adjustments are permitted off-cycle of the annual salary review process. Situations where anomaly salary adjustments may be appropriate include:

- to adjust for measured exceptional performance;
- to allow for a staged transition to a higher salary within a stated time period, subject to the achievement of measured performance indicators;
- to adjust for proven market conditions and within approved Bands; and
- to remedy internal equity issues within the department.

Managers of TMG considering an off-cycle increase for an employee in TMG are to consult with Human Resources Services. The amount of the anomaly salary adjustment is to be determined in consultation with Human Resources Services and appropriate approvals as outlined in the Total Rewards Policy for Employees in TMG must be obtained prior to implementation.

Anomaly salary adjustments are not to be considered concurrently with the Annual Salary Review and are not to be applied retroactively.

**e) Underfill Appointment**

In certain circumstances, it may be possible to offer a position to an employee who does not meet the minimum requirements of the job. Underfilling is an option that may be used in a situation where there are no successful candidates for a vacancy or where the progression is part of a defined training program to develop internal candidates. Underfilling is used when the candidate was assessed as not meeting all of the requirements of the job accountabilities to be performed at the full level of the job, but who was assessed as having the potential to meet all of the requirements of the full level of the job if provided with training and development. In an underfill situation, the candidate may be hired below the Minimum of the salary range and a training program established to assist the candidate in acquiring all the necessary skills and experience. Periodic assessments of skills attained along with periodic increases to salary to move towards the Minimum of the salary range are required. These may occur quarterly or semi-annually against documented progress. Underfill appointments do not normally extend beyond one year. Managers of TMG considering an underfill appointment should first consult with Human Resources Services.

## 2. Temporary Salary Adjustments

There are a number of situations where it may be appropriate to provide a temporary salary adjustment. These include: additional duties for a temporary, time-limited period; temporary growth and development appointments within TMG; individual development appointments. In all cases, temporary salary adjustments will be considered when the work to be performed is of a higher level and different nature than that of the incumbent's regular position. Temporary salary adjustments will not normally exceed 12 months' duration.

### a) Additional Duties for a Temporary, Time-Limited Period

Additional payment may be given when additional duties are assigned for a temporary period. An additional duties payment is appropriate when the nature of the added work is at a higher level from a job evaluation perspective than the incumbent's current role. Human Resources should be consulted in advance of the assignment of the temporary duties to determine whether the work is of a higher level and an additional payment is warranted. Depending on the nature of the duties, a payment, in addition to the existing base salary, may be provided to the employee. The additional duties payments will typically be 3 to 5% for the duration of the assignment. Note that for the duration of the assignment, all associated benefits, pension and/or Group RRSP provisions will be applied on the basis of the existing base salary related to the home position. Adjustments will not normally be provided for addition of temporary duties for less than one month's duration. Additional duties payments will not be applied retroactively.

### b) Temporary Growth and Development Appointments within TMG

Employees in TMG who transfer to another job in TMG on a temporary, time-limited basis may be eligible for a temporary increase in compensation. The temporary job may be in the same or other department in the University. Determination of whether a temporary increase in compensation is indicated will be based on whether the change in job reflects a promotional, lateral or demotional move. If a temporary increase is indicated, the employee will receive a temporary payment, in addition to their existing base salary, for the duration of the temporary growth and development appointment. Note that for the duration of the assignment, all associated benefits, pension and/or Group RRSP provisions will be applied on the basis of the existing base salary related to the home position. Managers of TMG will seek the advice of Human Resources Services before offering any payment related to a temporary growth and development appointment.

### c) Individual Development Appointments

In certain situations, an employee in TMG may be given a personalized developmental opportunity to take on a time-limited, higher level job. Individual Development Appointments are typically created specific to an employee and are intended for personal development in the context of succession planning. For the duration of the Individual Development Appointment, the employee will be provided with a temporary payment, in addition to their existing base salary. Note that for the duration of the assignment, all associated benefits, pension and/or Group RRSP provisions will be applied on the basis of the existing base salary related to the home position. In situations where an Individual Development Appointment is being considered,

Human Resources Services must be consulted in advance and the approval of the Budget Envelope Manager's Supervisor is required.

### 3. Supervisor Differential

In order to maintain an appropriate and equitable relationship between pay of the supervisor and reporting employees, it is expected that the base salary of supervisors will normally exceed the base pay of directly reporting employees by at least 5%. In situations where this differential in base salaries is not maintained, an increase to the supervisor's base salary may be indicated. In order to qualify as direct supervisor under the Supervisor Differential provision, it must be demonstrated in the job description and in practice that the supervision is both functional and administrative in nature and that the supervisor possesses the necessary qualifications, training and background to successfully and independently establish goals and expected outcomes, assess performance, supervise, determine, guide and assess the accuracy of the work of the reporting employee(s). The supervisor differential is not applicable in situations where the supervision is only administrative in nature. Department heads are to consult with Human Resources Services where they believe a supervisor differential may be required for a supervisor in their faculty, department, or area. The supervisor differential is considered and applied to continuing supervisory positions and is not applied in situations where the supervisor has been appointed on an acting, time-limited basis, or where supervisory responsibilities have been assigned on a temporary additional duties basis.

### 4. Annual Review of Salaries

Salaries of employees in TMG are reviewed and subject to adjustment during the Annual Salary Review for TMG. This Review normally occurs in June of each year with any increases taking effect the first day of the first full pay period in July. Timing of the review is subject to change. Provisions for the Annual Salary Review require approvals up to and including that of the Board of Governors.

In keeping with McMaster's Pay for Performance Philosophy for TMG, increases in the Annual Salary Review will be merit-based, unless regulated to the contrary, and will be allocated using a Merit Matrix that factors in performance and position in the salary range (compa-ratio). Instructions and guidelines for the Annual Salary Review are circulated to department heads in advance of each year's review. A precursor to the Annual Salary Review is the Annual Performance Review which is part of the TMG Achievement Program. The assessment of performance and resulting performance rating will be used in the Annual Salary Review.

Managers of TMG are expected to follow all applicable instructions, guidelines and practices in place for TMG including the TMG Achievement Program, the Annual Salary Review and associated Calibration processes.

### 5. Performance Excellence Program for TMG in Bands F Through M

The Performance Excellence Program for TMG in Bands F Through M 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 employees. TMG in Bands F through M with a performance rating of Outstanding are eligible. Refer to the Performance Excellence Program for TMG in Bands F Through M guide for more information.

## 6. Variable Pay Program for TMG in Bands N through Q

The Variable Pay Program for TMG in Bands N Through Q 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. Individuals awarded variable pay program payouts will be limited to those who led or co-led strategic institution-wide initiatives that are aimed at delivering revenue growth, administrative efficiency, exceptional improvements to service levels, or advancing leadership and equity, diversity and inclusion. TMG in bands N through Q are eligible. Refer to the Variable Pay Program for TMG in Bands N Through Q guide for more information.

## 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.