



Exhibition Place

Item No. 17

September 13, 2012

To: The Board of Governors of Exhibition Place

ACTION REQUIRED

From: Dianne Young
Chief Executive Officer

Subject: **Compensation Plan for Management & Excluded Staff**

Summary:

This report recommends an amendment to the Exhibition Place Pay Plan for management and excluded staff, which is in keeping with the recently approved Cost of Living Adjustments, Performance Review levels and Performance Financial Rewards approved by City Council in July 2012.

Recommendations:

It is recommended that the Board approve:

- 1. Direct that the confidential report contained in Attachment I to this report remain confidential in its entirety and not be released publicly in accordance with the *City of Toronto Act, 2006* as it pertains to personal matters about identifiable individuals, including municipal or local board employees;**
- 2. A general annual salary range increase (COLA) of 1.9% to be implemented effective January 1, 2013 to the Management and Excluded Staff Pay Plan;**
- 3. Effective January 1, 2013 for the year 2012 only, subject to recommendations 5 amend the Management and Excluded Staff Pay Plan to establish new individual merit Performance Review Levels and Performance Financial Rewards (both in-range merit increases and re-earnable lump sum rewards for employees at the maximum salary range) as set out in Chart III on page 6;**
- 4. Effective January 1, 2014 for the year 2013 only, subject to recommendation 5 below, amend the Management and Excluded Staff Pay Plan to establish new individual merit Performance Review Levels and Performance Financial Rewards (both in-range merit increases and re-earnable lump sum rewards for employees at the maximum salary range) as set out in Chart III on page 6;**
- 5. Maintain in place the incentive pay plan approved by the Board with regards to specific Exhibition Place staff in the Sales & Marketing Division and do not apply the re-earnable lump sum rewards to any of these staff who are at his/her maximum salary range; and**

- 6. Exempt from recommendations 2, 3 and 4, those 22 employees who work directly for the CNEA Program on the basis that each of these employees have now entered into contractual employment terms with the CNEA effective January 1, 2013.**

Financial Implications:

There are no 2012 budgetary impacts for the implementation of the report recommendations. The 2013 Board budget was approved by the Board and submitted to the City with provision for cost of living increases and merit adjustments. To implement the new City policy will result in additional costs in 2013 of approximately \$35,000, which expenditures will need to be found through savings within each of the operational areas. Annual salary increases for the 2014 period will be included in future year operating budget submission to be approved by the Board in Spring/Summer of 2013.

Decision History:

The Exhibition Place 2009 – 2012 Strategic Plan had an Organization and Staffing goal to *sustain a high performing organization through alignment of people, process, systems and through the recognition of the dedication and excellence of our staff and as a Strategy to support this goal we will recruit, develop and retain a highly skilled and diverse workforce.*

At its meeting of July 11, 2012, City Council approved a report entitled “Non-union Employee Compensation” from the City Manager which recommended Cost of Living Adjustments for Management and Excluded employees as outlined in this report.

Issue Background:

The proposed changes to the compensation pay policy include the following compensation and performance review reward components:

- a) Salary Grades and annual salary increases (that is, cost-of-living economic adjustment);
- b) Performance based salary progression (that is, individual merit for employees to move through their salary grade range); and,
- c) Performance based re-earnable lump sum (that is, individual merit for employees at their maximum salary grade range to be paid in a lump sum but not included within his/her base salary).

Comments:

Historical Data on Pay Ranges at City and Exhibition Place:

With amalgamation in 1998, the newly formed City undertook a review of pay plans for the former 7 municipalities and engaged an external consultant to develop a unique pay plan for the new City that had as a principle the establishment of salaries to be the 75th percentile of the GTA public sector market which plan was approved by Council in 1999. Following adoption by City Council of the new pay plan, Exhibition Place engaged the same consultant to establish a new pay plan for Exhibition Place based on the same salary grid adopted by the City which pay plan was approved by the Board on September 8, 2000. The 75th percentile Job Rate means that the City pays more than 75% of other comparable public sector employers and pays less than 25% of other comparable public sector employers.

Another component of the City pay plan adopted in 1999 was a “merit performance based re-earnable lump sum” for those employees who had reached their position’s salary grade range maximum. Again, Exhibition Place also adopted this direction. However, in many years since 1999, City Council cancelled the “re-earnable lump sums” and because of budget constraints, Exhibition Place never awarded any “re-earnable lump sums” in any year since the pay plan was introduced.

In 2012, the City again engaged an external consultant, Hay Group to do an intensive and substantial review of its compensation practices since amalgamation and this study “clearly demonstrated that managers’ salaries and most pronouncedly senior managers’ salaries are significantly below the approved 75th percentile of the comparative market, and are more closely aligned with the 50th percentile of this market. Further the report identifies that the non-union/management employees salary increase have not been comparable to unionized employees over the past 5-year period (2007 – 2011).

Certainly, as noted in the Table below, this same conclusion could be reached with respect to Exhibition Place. The Table below summarizes salary increases with the City unions, Exhibition Place unions and Exhibition Place management and excluded staff. In the last six years (2007 to 2012), Exhibition Place unionized trades average an increase of 14.60% compared to staff average of 7.72% or 6.88% lower than the average unionized worker and 4.47% lower than the City non-union employees. For senior managers’ this average to unionized wage is also 6.88% lower and 6.23% lower than the City.

THE BOARD OF GOVERNORS OF EXHIBITION PLACE											
ANNUAL GENERAL SALARY INCREASE BY EMPLOYEE GROUP VS. CITY OF TORONTO											
FROM 2007 TO 2012											
Employee Group	Entity	2007	2008	2009	2010	2011	2012	2007-2012 Average	2007-2012 Cumulative	Non-union/ Sr Mgmt vs. Union difference	Senior Mgmt vs Non-union difference
CUPE Local 79 (Not applicable to Exhibition Place)	City of Toronto	3.25%	4.00%	1.75%	2.00%	2.25%	0.00%	2.21%	13.95%		
	Exhibition Place										
TCEU Local 416 (Not applicable to Exhibition Place)	City of Toronto	3.25%	4.00%	1.75%	2.00%	2.25%	0.00%	2.21%	13.95%		
	Exhibition Place										
Unionized Trades Labour (Exhibition Place only) - Note 1	City of Toronto										
	Exhibition Place	2.41%	2.88%	2.34%	2.41%	2.54%	1.22%	2.30%	14.60%		
Non-unionized Employees	City of Toronto	3.25%	3.25%	0.00%	1.00%	2.25%	1.90%	1.94%	12.19%	-1.77%	
	Exhibition Place	1.00%	1.00%	0.00%	1.00%	2.25%	2.25%	1.25%	7.72%	-6.88%	
	Difference	2.25%	2.25%	0.00%	0.00%	0.00%	-0.35%	0.69%	4.47%		
Senior Management	City of Toronto	1.60%	1.90%	0.00%	1.00%	2.25%	1.90%	1.44%	8.95%	-5.00%	-3.24%
	Exhibition Place	1.00%	1.00%	0.00%	1.00%	2.25%	2.25%	1.25%	7.72%	-6.88%	0.00%
	Difference	0.60%	0.90%	0.00%	0.00%	0.00%	-0.35%	0.19%	1.23%		

Note 1: Wage increase rates is the average of the following trades:

- UBCJA - Local 27 Carpenters
- IBEW Local 353 Electrical Maintenance
- IATSE Local 58 - Stage Technicians
- LIUNA Local 506 - Labourers & Cleaners
- CUPE Local 2840 Parkers
- IUPAT Council 46 Painters
- UA Local 46 Plumbing & HVAC

As indicated by the Hay Group, public and private sector best practice organizations that seek to recruit, retain and have high-performing employees, have comprehensive compensation and

performance reward programs in place and help ensure that an organization can retain and attract highly skilled talent. Organizations that do not provide competitive salaries and performance-based rewards for its high performing employees are not successful. Successful organizations are aligned to the organization's business goals and objectives.

Historical Performance Levels at City and Exhibition Place:

In its 2011 review for the City, The Hay Group observed that almost all (85 – 90%) of management and excluded City staff received the same performance rating, that is, “met objectives/satisfactory” as opposed to the two other City ratings which are “Did not meet Objectives – Unsatisfactory” and “Developmental”. Hay noted that the City did not have any performance level that reflected superior performers.

In comparison, Exhibition Place does have a variable performance scale which does recognize superior performers. However, while Exhibition Place may recognize an “extraordinary” standard, none of the employees receive any additional compensation or reward because of this superior achievement. On the other hand, if an employee is not at the top of the salary range and if his/her performance is not satisfactory, Exhibition Place does limit any increase that would be provided to the employee.

For the information of the Board, in 2011, Exhibition Place assessed its excluded employees as noted in Chart I below:

Chart I		
2011 Performance Appraisal Levels		
Performance Review Levels	Actual Allocation to Staff	Performance Financial Awards
1 Employee not meeting expectations & Performance Improvement Plan required)	0%	0.0%
2B Developing	0%	0.0%
2A Satisfactory	8%	Up to 3% but not exceeding maximum range
3 Successfully Achieves Expectations / Objectives	88%	Up to 3% but not exceeding maximum range
3*(star) Exceeds Expectations	4%	Up to 3% but not exceeding maximum range

Finally, as noted above, neither the City nor the Board provide performance rewards to any employee who is at the top of his/her salary range since the City has cancelled re-earnable lump sum provisions many years and the Board has not allowed at all because of budget constraints. In other words, if a person at the top of the salary range is determined to have provided superior service, they would not receive any compensation award for this performance.

After completing its detail review, the Hay Group made the following comments:

“...a variable performance pay program is used by leading organizations who want to optimize their corporate performance and to achieve their desired results. In order for a successful organization to truly achieve high performing status, modern best practices organizations encourage the successful achievement of corporate goals and objectives by utilizing a variable pay program.

This type of program provides a *common reward* to a group of employees based on their combined achievement to meet a set of *corporate performance expectations and objectives* that are based upon a variety of key factors (for example, financial, operational, environmental, social, economic) and these factors are *measurable* over a set period of time.

This type of variable performance reward is highly common in high performing organizations to drive corporate performance. Generally, the reward is provided as a lump sum bonus and is not added to the base salary of any of the participating employees. A variable pay program is *separate and distinct* from an individual’s specific annual merit pay-for-performance review as it is based upon corporate-wide goals and objectives being set and achieved by the corporation.”

As a result of the analysis by The Hay Group, City Council adopted new performance levels for the City with compensation rewards attached to each level as noted in the Chart II below and further provided an estimate to the Board on the percentage of employees who would typically fall within each level:

Chart II		
City New Performance Levels		
Review Level	Target / Typical Performance Allocations	Performance Financial Rewards
Unsatisfactory	3% of staff complement	0%
Meets Most Not All Expectations or Developmental	10% of staff complement	1%
Meets Expectations	70% of staff complement	2%
Exceeds Expectations	Up to 20% of staff complement	3%

Conclusions and Directions for Exhibition Place:

As Exhibition Place, since amalgamation, has approved pay plans in keeping and in line with the City’s plan (rather than comparators to the private sector), this report is recommending that the Board follow the new directions proposed by The Hay Group and approved by City Council. These recommendations include the following:

- i. Adoption of a revised Performance Levels as set out in the Chart below;
- ii. Adoption of a re-earnable lump sum payment for those employees at the top of his/her salary range,
- iii. Adoption of a variable reward program to support the variable performance levels; and,
- iv. Maintenance of the incentive program for specific employees within the Sales & Marketing Division as set out in the Confidential Attachment.

Based on historic trends provided by The Hay Group and through review of Exhibition Place history, the total financial impact is estimated to be \$343,433 in 2013 of which \$308,303 is already provided for in the 2013 budget submission, leaving as additional \$35,000 pressure, all

of which will be found within each of the Exhibition Place Departments and will not negatively impact the 2013 Operating Budget.

Chart III	
Performance Review Levels	Performance Financial Rewards
Unsatisfactory – Does not meet most Expectations/ Objectives	0%
Meets most but not all Expectations/Objectives and/or Developmental	1%
Meets all Expectations/Objectives	2%
Exceeds all Expectations/Objectives	3%

Finally, Exhibition Place staff are recommending that the incentive plan approved by the Board for the Sales & Marketing Division remain unchanged as it has been a term of employment for these staff since the opening of the DEC in 1997.

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Submitted by:

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