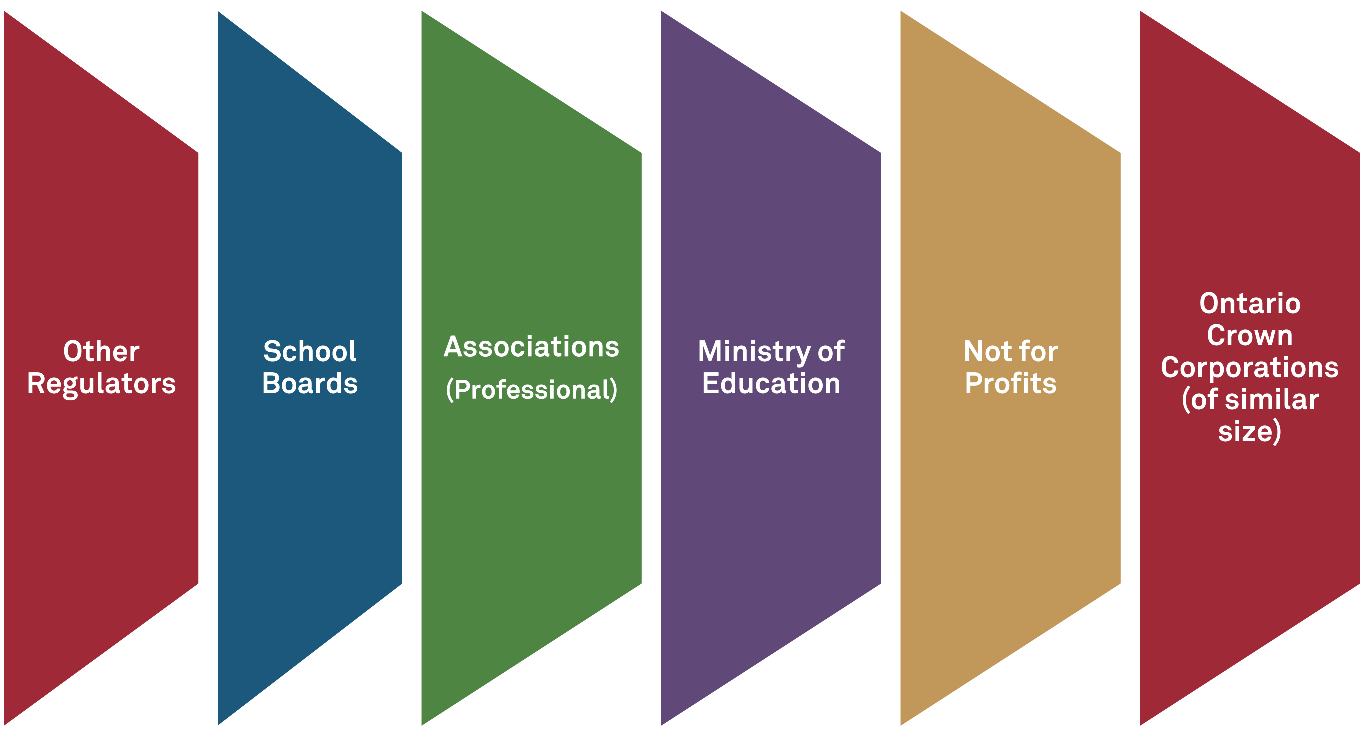
Ontario College of Teachers
Compensation Philosophy

The objective of the Ontario College of Teachers' compensation policy is to outline our guiding principles in establishing fair and equitable practices of attracting and retaining high-performance employees. We do this within the context of financial sustainability. The authority to change/approve the policy lies with Council.

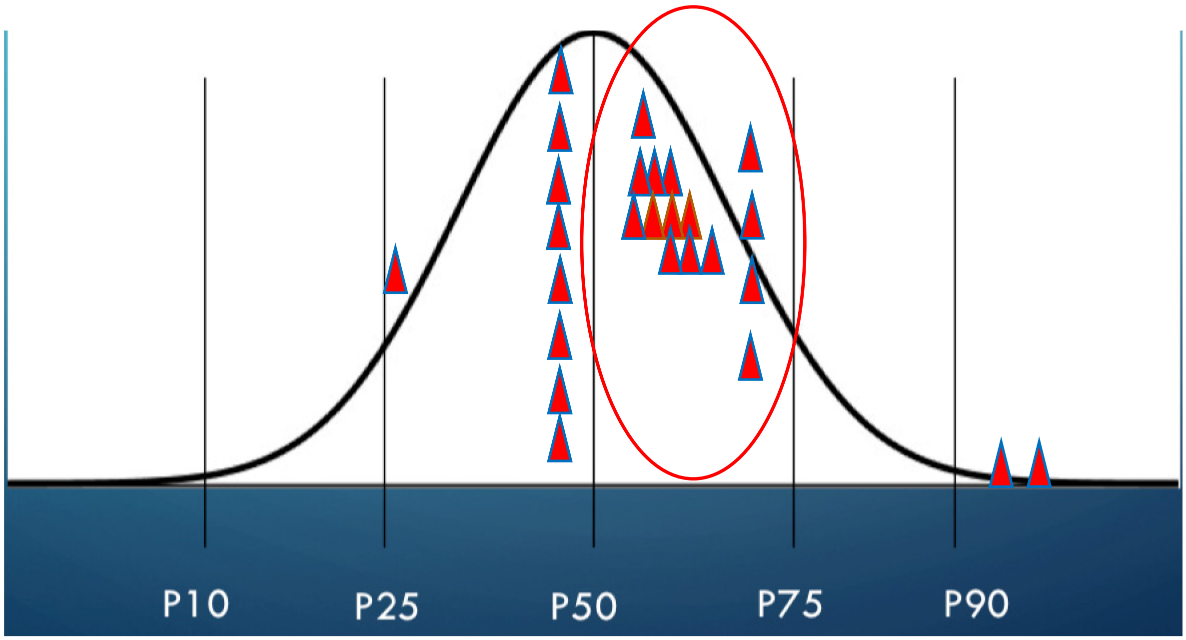
The following guiding principles assist us in establishing the compensation policy that take into consideration:

- Attracting, retaining and motivating employees;
- Transparency;
- Fiscally responsible and sustainable programs; and
- Delivering the highest level of service.

Additionally, the total rewards philosophy lies between the 50th and 75th percentile of our peer organizations:



The College has determined that as an employer, within the context of being fiscally responsible, the base salary increases (Cost of Living Adjustment or COLA) and bonuses are positioned between the 50th and 75th percentiles of the market practice. This is not an average, but a means to minimize market volatility, which can be skewed by organizations who pay higher or lower market rates.



The Compensation Philosophy was drafted by the HRC on March 10, 2020 following an exercise with Council Members whereby they were asked (via the Dot Democracy methodology) to select and prioritize the guiding principles that should be used to establish the College's Compensation Philosophy.

The Bell curve illustrates the collective opinion of "compensation" given the below definition of "total rewards strategy"[1]

HRC encourages that this Compensation Philosophy be reviewed on the 3 years cycle. HRC recommends that Council review/update the Philosophy for currency, affordability, fairness, accountability, alignment and transparency every second review cycle.

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[1] Total Rewards Strategy: the totality of the compensation paid to an employee including benefits such as medical, dental, vision, pension, insurance, EAP, memberships, discounts, etc.

Compensation Procedure

The objective of this procedure is to outline the path and methodology used to recommend to Council the base salary increase (COLA), range movement and the funding for the annual Bonus Program.

The Human Resources Committee (HRC) and the College's Human Resources want to be open and transparent about the process by which employees are remunerated. We must also be fiscally accountable in order to reward employees in sustaining our ability to pay.

Cost of Living Adjustment (COLA)

The annual cost of living adjustment (COLA), which is applied to the base salary of every College employee, provides a broad measure of the cost of living increase in Canada. Statistics Canada produces the Consumer Price Index (CPI) by tracking the prices of over 600 most commonly bought goods and services. The Bank of Canada then looks at volatile components (fruits, vegetables, gasoline, fuel oil, natural gas, mortgage interest, intercity transportation, tobacco products) and the effect of changes in indirect taxes to determine the inflation rate. The inflation rate is determined by the CPI at the consumer level and the Producer Price Index (PPI) at the wholesale level.

In determining the recommended COLA increase, the HR team must analyse the projected COLA increases of our peer groups (identified above) and other sectors from which the College recruits talent.

The analysis must take into consideration the industry and market, the size of the peer group (in comparison to the College), the location (Province, City, GTA, etc.) and the presence in the market.

Once the HR team has completed the above analysis, a recommendation for COLA increases is presented to the HRC for approval.

The HRC analyzes the recommendation and once they have approved it, present it to the Finance Committee for inclusion into the existing budget development cycle, aiming for the spring (April/May) meeting.

Note that COLA increases pre-determined in April that are for the next year are estimated projections, not actual increases. The budget development cycle includes a fall session, at which time an adjustment to the projected COLA increase could be made.

Bonus Funding

The funding for annual bonuses is based on several factors, including the organization's financial situation, revenues, market analysis (industry, location, size, etc.), organizational performance, team performance, individual performance and specific contribution to an organizational goal. Bonuses are viewed as "payment for success".

In 1998, the College established an annual bonus program whereby employees are eligible for a bonus based on their annual performance, which is assessed (performance evaluation) by their manager and director. The employee is eligible, based on their performance, for a bonus ranging from 0% (poor performance) up to a maximum of the maximum set and approved by Council for the year, for example, 3%. Using 3%, employees are eligible to receive a maximum bonus of 3% (example) of their current salary, minus the percentage received in the progress through the range (base salary) adjustment, multiplied by the performance factor.

Bonuses are an effective way of rewarding employees for achieving milestone business goals (outlined in the College's Strategic Plan). They encourage and reward top performers, and are a strategy used for recruitment and retention. They must, however be financially sustainable, which is why the maximum attainable bonus may vary from year to year. Bonuses must be affordable and be properly budgeted.

Each year, based on the factors noted above, a total budget allocation must be established before the bonuses are distributed. The HR team, after analysis and costing, will recommend the total sum increase (using 3% maximum as an example) for the year's bonuses to HRC for approval. For clarity, the recommendation from the HR team should include the associated costs with the recommended increase based on the employee's placement on the salary scale. Using the above 3% maximum example, and depending on the employee's placement on the salary scale and their "performance,", not all employees would receive the maximum; some employees could receive 0.5%, 1%, some 1.5%, some 2%, some 2.5%, some 3%. This total sum can vary from year to year depending on the College's economic and fiscal plans.

The HRC analyzes the recommendation, and once agreed to, presents it to the Finance Committee for inclusion into the existing budget development cycle aiming for the spring meeting.

Once the budget is finalized and approved during the December Council meeting, the Registrar and Deputy Registrar along with the directors, determine how this total sum (using 3% as an example) is distributed based on annual performances (could include other factors). This method is meant to ensure that not all employees receive the same amount of bonus, and that their bonus is very much based on their performance. The HR team holds a procedure for the implementation of the bonus.

Since the current bonus system was established in 1998, the HR team is encouraged to present an updated methodology to “performance based bonuses” and/or “the process of the annual bonuses” to the HRC for review and approval. The HRC will note any areas of difficulty or unusual patterns using the current methodology and will review this process, making any recommendations for changes/improvements on a cycle of every three years.

Approval Timeline