Queen’s University Executive Compensation Program

To be compliant with
Ontario Regulation 400/17, effective November 1, 2017
made under the
Broader Public Sector Executive Compensation Act, 2014

Proposed Program
November 13, 2017
Background

In 2014 the Province of Ontario introduced the Broader Public Sector Executive Compensation Act, 2014 (BPSECA). This legislation authorized the government to establish frameworks and set out principles that all designated Broader Public Sector (BPS) employers must follow regarding executive compensation. These included ensuring that there is a consistent and evidence-based approach to setting compensation, ensuring that there is a balance between managing compensation costs while allowing employers to attract and retain the talent they seek, and ensuring that there is transparency in how executive compensation decisions are made.

Following consultation with multiple stakeholders in the BPS, in 2017 the Province introduced Ontario Regulation 400/17 (the Regulation) under BPSECA, effective November 1, 2017. The Regulation sets out the details for executive compensation programs for all employers within the BPS.

The Regulation states that, before implementing an executive compensation program, all BPS employers must obtain specific government approvals, and must seek public feedback by posting the Program on a public-facing website for a minimum thirty-day period.

The Board of Trustees has considered the requirements of the BPSECA and the Regulation and the Program set out below has been developed to ensure that Queen’s University is compliant with those requirements.

Designated Executives

This Program applies to the following positions at Queen’s, which have been determined to be designated executive positions in accordance with the Regulation:

- Principal and Vice- Chancellor
- Provost and Vice-Principal (Academic)
- Vice-Principal (Finance and Administration)
- Vice-Principal (Research)
- Vice-Principal (Advancement)
- Vice-Principal (University Relations)

Queen’s University

Established in 1841, Queen’s is one of Canada’s oldest degree-granting institutions. Queen’s today is a mid-sized university that provides a transformative student learning experience within a research-intensive environment.

With $150-250M in annual research funding, Queen’s is one of Canada’s leading research-intensive universities. As a founding member of the prestigious U15 group of research-intensive Canadian universities, Queen’s is unique in its vision of providing Canada’s
definitive university experience with equal focus on teaching/learning and research. It is this balance that has built our reputation as one of Canada’s leading universities.

As a member of the U15, Queen’s works collaboratively to show the research we support is making a difference to practice and policy, the economy, society and culture. This is achieved by contributing to public policy debates, advocating for new or enhanced research programs and building partnerships with the public and private sectors.

As an institution, Queen’s mission is to advance research excellence, leadership and innovation, as well as enhance Queen’s impact at a national and international level.

Queen’s is also a member of the Matariki Network, an international group of research-intensive universities with a strong shared commitment to the undergraduate and graduate student learning experience.

Queen’s ranks highly in terms of research income and research intensity amongst universities nationally and its commitment to research excellence is evident in the many exceptional national and international accolades awarded to our researchers, including a Nobel Prize in physics, and a Breakthrough Prize.

Queen’s is consistently ranked as a top university alongside its larger counterparts including McGill University, the University of British Columbia, and the University of Toronto.

**Queen’s Executive Compensation Philosophy**

Queen’s is committed to maintaining a competitive, effective and responsible approach to managing executive compensation, with the core principles as described below:

*Competitive with Talent Market*

Queen’s will attract, retain, develop and recognize the best executive leadership it reasonably can by remaining competitive with the compensation that is offered within its talent market.

Queen’s maintains a dual emphasis of excelling in the areas of research quality and intensity, and in undergraduate and graduate education. While this duality establishes Queen’s as a unique academy, it places high demands on its executive leadership that include a versatile skill set and advanced leadership competencies. This is relevant to both determining our executive talent market and to our ability to compete within that market, and therefore to the development of this Program.

In developing this Program Queen’s relied on a number of criteria as described below in the section “Comparators”.
Support the Vision and Strategic Framework of the University

The Executive Compensation Philosophy will support the university’s vision as Canada’s research-intensive university that delivers a transformative student learning experience. The university’s strategic framework, developed to support achievement of that vision outlines four strategic drivers. The first strategic driver is the focus on the student learning experience that includes two distinct components: student engagement and skill development. The second strategic driver is that of strengthening research prominence. This is reflected in activities such as the aggressive pursuit of research funding through identifiable metrics that include a growth in research income, and increasing the research dollar to faculty ratio. The final two strategic drivers include a commitment to financial sustainability and the strengthening of the university’s international focus. In order to preserve the university’s success, well-rounded and expert leadership is required that have the capacity and flexibility to respond to changes in organizational priorities and strategies.

Accountability

In matters of executive compensation Queen’s will demonstrate sound decision-making that balances affordability with the ability to remain competitive in the most effective way possible over the long-term. As part of its commitment to accountability and balancing various stakeholder perspectives, Queen’s will strive for transparency both with respect to the establishment of its Executive Compensation Program, and with respect to outcomes, namely the compensation provided to its designated executives.

Reflective of underlying academic compensation model

Particularly for those designated executives who have academic appointments and careers, compensation will reflect the underlying academic compensation model and will enable Queen’s to attract executive talent from among academic leaders.

Comparators

The compensation of designated executives at Queen’s is determined through an analysis of appropriate comparable positions at comparator organizations using the criteria set out below:

Comparable Executive Roles and Responsibilities

In order to efficiently obtain data regarding comparable positions at comparator organizations, Queen’s participated in the commission and use of a salary survey spearheaded by the Council of Ontario Universities. For each Queen’s designated executive position, the best possible matching or comparable positions from comparator organizations was obtained from the data available through this survey. Positions at comparator organizations were deemed to be a match to the identified Queen’s designated executive
position when there was a high degree of overlap in knowledge, skills, relative complexity and level of accountability between the positions.

*Type of Operations and Sectors in which Queen’s competes for Executive Talent*

The comparator organizations identified are from the Canadian university sector with which Queen’s competes for talent.

*Location*

Queen’s talent market for executive positions is across Canada at comparator organizations in the university sector.

*Size and Complexity*

With regard to complexity, important considerations are the presence of a medical school at Queen’s, the importance of maintaining Queen’s reputation and ranking as one of Canada’s top ranked medical/doctoral and research intensive universities, and the operation of an international campus (the Bader International Study Centre in the UK).

The resulting comparator group is Canada’s U15 group of research intensive universities which reflects a cross-section of the Canadian University talent market in which Queen’s competes for executive talent.

**Canadian University Comparators**

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<tr>
<th>University of Alberta</th>
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The only U15 institutions not included in the Queen’s comparator group are those two primarily francophone institutions in Quebec which typically are not part of the market in which Queen’s competes for executive talent.

The specific comparator organizations used to benchmark each executive position were selected from this list and vary by designated executive position based on the comparability of the role within each comparator organization. For further details see Appendix A.

**Authority for Executive Compensation**

The Board of Trustees has approved this Executive Compensation Program and has delegated authority for the development and administration of the Program to the Human Resources
Committee of the Board (“The Human Resources Committee”). The Board of Trustees will govern the Executive Compensation Program through its Human Resources Committee. Accordingly, the Human Resources Committee will have the authority to set the compensation for Queen’s designated executives, within the parameters of the Program.

Elements of Compensation for Designated Executives

As a general rule, a designated executive shall not receive an element of compensation, other than salary and performance-related pay, unless the element is also generally provided, in the same manner and relative amount, to non-executive managers. However, a unique element of compensation may be provided to a designated executive where it is a critical business requirement for the effective performance of a designated executive’s job.

The elements of compensation provided to the designated executives of Queen’s, all of which are compliant with the Regulation, include:

Salary

As per both the stated compensation philosophy and the Regulation, salary is to be determined by reference to market comparators. Further, as per the Regulation, any annual increase to salary for Queen’s designated executives shall not exceed the maximum rate of increase (approved by the Minister of Advanced Education and Skills Development) in the salary and performance-related pay envelope, as described in the Regulation.

In any event, salary and performance-related pay shall not exceed the salary and performance-related pay cap as described in the Regulation.

Retirement Income and Benefits

This element of compensation includes the Queen’s Pension Plan and any supplementary retirement benefits plans. Due to contribution limits established under the Queen’s Pension Plan and the Income Tax Act, higher income earners are sometimes unable to contribute a comparable portion of their annual income. The Human Resources Committee will have the authority to establish a supplementary retirement benefits plan for designated executives where it is necessary to enable a higher income earner to allocate a comparable portion of their income to retirement benefits. Such arrangements will be provided where it is necessary to be competitive within the University’s executive talent market. In any event, retirement income and benefits will be provided to high income earners in a similar manner and relative amount, and in accordance with the Broader Public Sector Accountability Act.

Due to the contribution limits established in the Queen’s Pension Plan, it was determined that there is a need to provide additional supplementary retirement benefits for attraction and retention purposes (as per the paragraph above regarding “Retirement Income and Benefits”). The current supplementary retirement benefits arrangement for the Principal and Vice-Chancellor is set at 10% of salary.
Subject to eligibility, supplementary Health and Dental Benefits, Long Term Disability and Life Insurance are to be provided in accordance with the Queen’s employee benefits program as is generally available for other eligible Queen’s employees.

Administrative Leave

Consistent with faculty members who also hold administrative appointments, designated executives who are a part of, or will return to, the faculty of the university will accrue administrative leave at a rate not to exceed 10.4 paid weeks for each year of service. The purpose of such administrative leave is to enable a designated executive who is a part of, or will return to the faculty of the university, to re-engage or prepare to re-engage in the designated executive’s academic activities, including teaching and research, following an administrative appointment.

Revising the Executive Compensation Program

BPSECA and the Regulation permit pre-approved, annual increases to the salary and performance-related pay cap and envelope. However, this Program must be revised in the following circumstances:

- Changing comparators or otherwise recalculating salary and performance-related pay caps (beyond simply implementing pre-approved annual increases)
- Adding a new element of compensation to be provided to designated executives
- Significant organizational restructuring
- Significant changes in responsibilities for a designated executive
- Adding a new designated executive position

Each time this Program is amended, the University will engage in public consultation. The amended Program will be published on the University website for a minimum of 30 days to allow a reasonable opportunity for members of the public to comment. The website will outline a process for members of the public to provide feedback. This feedback will be preserved and duly considered prior to finalizing Program changes. Furthermore, each time this Program is amended, approval will be obtained, prior to implementation, from the Treasury Board Secretariat and/or Ministry of Advanced Education and Skills Development, in accordance with approval requirements in effect at the time of the Program amendment.

Remaining Compliant with the BPSECA and the Regulation

Recognizing that Queen’s University must continue in the long term to maintain a competitive, effective and responsible approach to managing executive compensation for designated executives, as well as remain compliant with the Regulation, the Chair of the Board of Trustees will review the Program and attest to its continued compliance annually.
Comparative Analysis Details

Major elements of the analysis include the identification of appropriate market comparators and the calculation of the 50th percentile of the comparator group. As noted above, in order to efficiently obtain data regarding comparable positions at comparator organizations, Queen’s participated in the commission and use of a salary survey spearheaded by the Council of Ontario Universities.

Salary and Performance - Related Pay Envelope

The salary and performance-related pay envelope for 2017-2018 is made up of all salaries and performance-related pay paid to designated executives in the previous pay year, multiplied by the maximum rate of increase which is 5%. Queen’s University’s pay year is July 1st to June 30th. In the pay year of July 1, 2016 to June 30, 2017, the total salary and performance-related pay paid to designated executives was $1,687,810.¹

For most designated executive positions, calculating the total salary and performance-related pay was simply a matter of including their annual salary because designated executives have not received performance-related pay. However, with respect to the positions of Vice-Principal (Facilities, Properties, and Sustainability) and Vice-Principal (Finance and Administration), the calculation was somewhat more complicated because the designated executive in the position of Vice-Principal (Facilities, Properties, and Sustainability) retired during the pay year of July 1, 2016 to June 30, 2017. After careful review, most of the essential duties of the Vice-Principal (Facilities, Properties, and Sustainability) were allocated to the Vice-Principal (Finance and Administration), and acting pay was granted to the Vice-Principal (Finance and Administration) for accepting new duties. Because the position of Vice-Principal (Facilities, Properties, and Sustainability) was eliminated, the corresponding salary has not been included in the calculation of the salary and performance-related pay envelope. However, the amounts earned by the Vice-Principal (Finance and Administration) following the restructuring have been annualized in accordance with the Regulation.

Maximum Rate of Increase to the Salary and Performance-Related Pay Envelope

The maximum annual rate of increase to the salary and performance-related pay envelope is 5%. As per the Regulation, annual increases may be distributed differentially among the Queen’s designated executives such that the overall maximum rate of annual increase to the pay envelope shall not exceed 5%. The rationale for this proposed maximum rate of increase was determined with consideration to the following factors as described in the Regulation:

Recent executive compensation trends in the part of the Canadian public sector and broader

¹This is the value of "P" used in the initial calculation of the salary and performance-related pay envelope under subsection 3.2 (1), before any adjustments under subsection 3.2 (3).
public sector that is in the industry within which the designated employer competes for executives.

Queen’s competes at a national level for executive leadership talent and this emphasizes the need to keep pace within the Canadian higher education sector in terms of maintaining competitive levels of compensation. With the demands placed on the university’s designated executives, it is necessary to have the ability to increase salaries to as close as possible to the 50th percentile of the market rate. The salaries of the university’s designated executives are currently approximately at the 25th percentile of comparators and will continue to be so even with the application of the maximum rate of annual increase to the pay envelope of 5%. This placement would typically not be considered competitive market compensation. Operating at lower levels of compensation rates than the market in which the university competes, both impedes the organization’s ability to attract talent, and also creates a greater risk of losing established executive leadership.

A comparison between the percentage of the designated employers’ operating budget that is used for executive salary and performance-related pay and the percentages of the operating budgets of the designated employer’s comparator organizations

A comparison between the percentage of the university’s operating budget that is used for executive salary and performance-related pay and the percentages of the operating budgets of the comparator organizations that are used for executive salary and performance-related pay was performed. A comparison of those proportions indicates that the Queen’s percentage of operating budget (0.19%) is less when compared to the operating budget percentage of the comparator group (0.22%). This further supports the importance and need of a competitive maximum rate of annual increase to the pay envelope to ensure the gap with comparator organizations does not widen.

The effect on attracting talent to the employer’s executive positions, and retaining talent in the employer’s executive positions, of the difference between the salary and performance-related pay range for those positions and the salary and performance-related pay ranges for the employees or office holders who directly report to the holders of those positions.

A factor considered in setting the maximum rate of increase in the annual pay envelope is managing the degree of compression with direct reports. There are currently non-executive manager position incumbents and other Queen’s employees with higher salary levels than those in the designated executive group. To avoid further compression, and avoid having the number of non-executive manager position incumbents and other Queen’s employees with higher salaries than designated executives increase, a reasonable annual maximum rate of increase to the pay envelope is important.
Salary for Principal and Vice-Chancellor

The salary for the Principal and Vice-Chancellor will not exceed the salary and performance-related pay cap or envelope as described in the Regulation.

For the Principal and Vice-Chancellor, there are comparable positions from the Canadian University comparators as set out at Appendix A. For the first pay year under the Queen’s Executive Compensation Program as per the Regulation, the cap is set at the 50th percentile of the maximum salary and performance-related pay of the comparable roles at the university comparators.

The table below shows the 50th percentile of the comparators for the position of Principal and Vice-Chancellor identified in the section above “Comparators”, as well as the Principal and Vice-Chancellor’s current salary.

<table>
<thead>
<tr>
<th>50th Percentile of Comparators</th>
<th>Current Salary</th>
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<tbody>
<tr>
<td>Principal and Vice-Chancellor</td>
<td>$442,100</td>
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<td></td>
<td>$360,000</td>
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</tbody>
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Salary for Vice-Principals

For three of the Vice-Principal positions, namely Provost and Vice-Principal (Academic), Vice-Principal (Finance and Administration), and Vice-Principal (Research), there are comparable positions from the Canadian University comparators as set out at Appendix A. The salary for these Vice-Principals will not exceed the salary and performance-related pay cap and envelope as described in the Regulation. For the first pay year under the Queen’s Executive Compensation Program as per the Regulation, the cap is set at the 50th percentile of the maximum salary and performance-related pay of the comparable roles at the university comparators.

Two of the Vice-Principal positions, Vice-Principal (Advancement) and Vice-Principal (University Relations) shall be grouped to form a job class for the purposes of determining the salary and performance-related pay cap under the Queen’s Executive Compensation Program. This job class reflects the fact that amongst the Canadian university comparator group, there is a high degree of overlap in accountability and competencies for the Advancement and University Relations portfolios. One outcome of that high degree of overlap is that some universities combine these two roles into one portfolio, the result being that in order to obtain a sufficient number of matches from our comparators for the position of Vice-Principal (University Relations) it was necessary to form this job class.

For this job class, there are comparable positions from the Canadian University comparators as set out at Appendix A. The salary for these Vice-Principals will not exceed the salary and performance-related pay cap and envelope as described in the Regulation. For the first pay year under the Queen’s Executive Compensation Program as per the Regulation, the cap is set
at the 50th percentile of the maximum salary and performance-related pay of the comparable roles at the university comparators.

The table below shows the 50th percentile of the comparators identified in the section above “Comparators”, for each of the Vice-Principal position as well as the current salary for each Vice-Principal.

The 50th percentile is calculated using universities with a comparable role. Not all universities have a comparable role for each designated executive position, in which case only comparators with comparable positions have been used.

<table>
<thead>
<tr>
<th>50th Percentile of Comparators</th>
<th>Current Salary</th>
</tr>
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<tbody>
<tr>
<td>Provost and Vice-Principal (Academic)</td>
<td>$341,600</td>
</tr>
<tr>
<td>Vice-Principal (Finance and Administration)</td>
<td>$313,700</td>
</tr>
<tr>
<td>Vice-Principal (Research)</td>
<td>$324,800</td>
</tr>
<tr>
<td>Vice-Principal (Advancement)</td>
<td>$332,200</td>
</tr>
<tr>
<td>Vice-Principal (University Relations)</td>
<td>$332,200</td>
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</tbody>
</table>

Annual Salary Increases for Designated Executives

Any annual salary increases for designated executives must be approved by the Human Resources Committee of the Board of Trustees and must be consistent with the Regulation.

Any increases to the salaries of designated executives for the 2017-2018 pay year will not exceed the salary and performance-related pay cap as described in the Regulation and will be limited to an amount within the 5% maximum rate of increase to the salary and performance-related pay envelope for Queen’s designated executives, which as per the Regulation, may be distributed differentially among Queen’s designated executives.
APPENDIX A

**Position Title:** Principal and Vice-Chancellor

**Position Summary:** Serves as the Head of the University to provide institutional leadership and oversight. Develops and drives mission and strategy, and acts as the principal ambassador of the University.

The Principal and Vice-Chancellor position was matched to the Executive Head (Principal and Vice-Chancellor) positions at comparator organizations.

From the list of twelve Canadian university comparators, the following institutions were identified as having appropriate comparator positions:

- University of Alberta
- University of Manitoba
- University of Saskatchewan
- University of British Columbia
- McGill University
- University of Toronto
- University of Calgary
- McMaster University
- University of Waterloo
- Dalhousie University
- University of Ottawa
- University of Western Ontario

**Position Title:** Provost and Vice-Principal (Academic)

**Position Summary:** Leads development, implementation, supervision and direction of educational and research policies and activities of the University. Makes strategic recommendations to Principal on changes in curricula, new programs and courses to meet educational objectives of University.

The Provost and Vice-Principal (Academic) position was matched to the comparable Vice-Principal (Academic) positions at comparator organizations.

From the list of twelve Canadian university comparators, the following institutions were identified as having appropriate comparator positions:

- University of Alberta
- McGill University
- University of Toronto
- University of Calgary
- McMaster University
- University of Waterloo
- Dalhousie University
- University of Ottawa
- University of Western Ontario
- University of Manitoba
- University of Saskatchewan
APPENDIX A

Position Title: Vice-Principal (Finance and Administration)

Position Summary: Leads, directs and develops strategic/operational activities of the University. Scope of responsibility includes financial services, audit/risk management, physical infrastructure, computing facilities and business operations.

The Vice-Principal (Finance and Administration) position was matched to the comparable Vice-Principal (Finance and Administration) positions at comparator organizations.

From the list of twelve Canadian university comparators, the following institutions were identified as having appropriate comparator positions:

University of Alberta  University of Manitoba  University of Saskatchewan
University of British Columbia  McGill University  University of Toronto
University of Calgary  McMaster University  University of Waterloo
Dalhousie University  University of Ottawa  University of Western Ontario

Position Title: Vice-Principal (Research)

Position Summary: Oversees the University's research enterprise, including faculty, staff, students from biological and physical sciences, arts, social sciences, humanities, and agricultural and veterinary medicine. Oversees research conducted with partners in public/private sectors, domestically and internationally. Ensures a wide range of services are provided, including business development, research communications, financial services and research support services.

The Vice-Principal (Research) position was matched to the comparable Vice-Principal (Research) positions at comparator organizations.

From the list of twelve Canadian university comparators, the following institutions were identified as having appropriate comparator positions:

University of Calgary  McMaster University  University of Toronto
Dalhousie University  University of Ottawa  University of Waterloo
University of Manitoba  University of Saskatchewan  University of Western Ontario
McGill University
APPENDIX A

Job Class: Vice-Principal (Advancement) and Vice-Principal (University Relations)

Position Title: Vice-Principal (Advancement)

Position Summary: Responsible for increasing the financial resources of University by planning, leading and directing an integrated program of communications, fundraising and service including alumni relations and new business development. Develops and directs strategic fundraising programs and initiatives.

Position Title: Vice-Principal (University Relations)

Position Summary: Designs and directs University public relations, marketing and government and institutional relations initiatives. Oversees the dissemination of external and internal information. Responsible for increasing internal/external understanding and awareness of University objectives and achievements. Develops and enhances reputation of the University.

From the list of twelve Canadian university comparators, the following institutions were identified as having appropriate comparator positions for the job class grouping of Vice-Principal Advancement and Vice-Principal University Relations:

University of Alberta  University of Manitoba  University of Saskatchewan
University of British Columbia  McGill University  University of Toronto
University of Calgary  McMaster University  University of Waterloo
Dalhousie University  University of Ottawa  University of Western Ontario