**COMMITTEE REPORT
ACTION REQUIRED**

Salary Administration Policy

Date:	March 8, 2017
To:	Human Resources & Labour Relations Committee
From:	Chief Executive Officer

Summary

This report is to update the Human Resources & Labour Relations Committee on the development and implementation of a Pay-for-Performance based salary administration program for non-union employees at the TTC. While the organization plans to use the City's payout versus performance matrix as a starting point, there will be a great deal of training and communication required in order to set corporate and individual goals under the new program by the end of 2018.

This program is being supported by the TTC's new SAP management information system, which has a module dedicated to Performance Management. The organization is working through an aggressive timeline to implement the SAP system, and this specific module is not scheduled for delivery until early 2018. Staff will update the Committee on the progress of this new program again in Q1 of 2018.

Recommendations

It is recommended that the Human Resources & Labour Relations Committee:

1. Receive this report for information.

Financial Impact

The proposed Pay-For-Performance program defines awards ranging from 0% for Unsatisfactory Performance, to 4.5% for performance that Exceeds Expectations, while the current Salary Administration program offers an average annual Step-Rate-Increase of 4.6% for performance that meets expectations. One key difference between the two programs is that under the current policy, staff employees do not receive any additional increase or payout once they have reached the maximum of their salary range, while the proposed program allows for re-earnable annual lump-sum bonuses for those at range maximum.

With almost 60% of current staff at the maximum of their range, the proposed program will have a significant impact for those employees. Preliminary estimates indicate that the cost of moving to a pay for performance approach will be in the order of $2 million or more. A more in-depth analysis will be undertaken and provide in subsequent updates on this initiative.

Accessibility/Equity Matters
There are no accessibility or equity issues associated with this report.

Decision History
At its meeting on June 20, 2016, the Human Resources & Labour Relations Committee received a report for action, regarding the TTC Salary Administration policy, with specific reference to the salary step rate increase process, including options available for exemplary performers, within a cost-neutral framework.

The Committee received the report for action and requested Staff to report back to the Human Resources & Labour Relations Committee by Q1 2017 with a proposal to include various options to replace the current Salary Administration Policy for implementation in 2018.

Comments
The TTC is currently transitioning from dated mainframe information systems, to a modern SAP information management system. Part of this system is an embedded Pay-for Performance module that will support the tracking and management of individual goals, deliverable timelines, and annual payout calculations.

Given the current project schedule for the SAP implementation, the TTC is targeting 2020 as the first year of individual payouts under the new program. This will require that goals for each non-union employee be set by the end of 2018, for assessment at the end of 2019.

This system will allow executive level management to set goals at the highest levels of the organization, and cascade them downward through layers of management, and subsequently track their progress electronically as each level updates the status of each goal, including the status of related subordinate projects. Management will need to be trained on how to use this new system, and will also need to be refreshed on how to effectively set, and manage, goals.

The specific levels of achievement, and the associated reward payouts for each, will need to be determined by the organization based on any budget / cost restrictions that are in place closer to the implementation date. One model that could be considered is the one that is used by The City, outlined below:

Employee Compensation Table

Performance Review Levels	Performance Target Allocations	Performance Rewards
Unsatisfactory	Up to 3% of staff complement	0%
Meet most but not all expectations and/or developmental	Up to 10% of staff complement	1%
Meets expectations	75% of staff complement	2.5%
Exceeds expectations	Up to 15% of staff complement	4.5%

The City's Pay-for-Performance program will continue to be monitored to ensure that the TTC's program is in adherence when the program launches.   While 2020 is targeted as the first year for award payouts under this new program, the SAP project has many other deliverables that are competing for the time of TTC resources. As a result, the scheduled timelines for the rollout of this program are subject to change.

Staff propose that a follow-up report be delivered to the Committee at a future date to update on the development of the SAP Performance Management module. In the meantime, TTC will continue, status-quo, with its current Step-Rate increase salary program for non-union employees as it does not have the time, or resources, to develop and implement an interim Pay-for Performance program to cover the one remaining year (i.e. 2018) before the implementation of SAP.

Contact

Brent Morrison
Director, Compensation Services
Human Resources Department
Brent.Morrison@ttc.ca
T: (416) 393-4377
C: (416) 389-0680