



The City of Calgary Total Compensation Philosophy

INTRODUCTION

The City of Calgary reflects its citizens, history, and physical geography – it is inclusive, resilient, and expansive. As the third largest municipality in Canada, and the largest in the Province of Alberta, The City is transforming the way government, business and citizens work together to plan, build and maintain community infrastructure and services that meet and exceed diverse but collective needs and interests.

We expect a lot from our employees every day and this will continue as we progress on our *Rethink to Thrive* business strategy journey. Our Total Compensation Philosophy underpins our ability to deliver on this business strategy. It sets the framework for the employee value proposition in the form of cash rewards, like base salary and variable pay, as well as non-cash rewards including benefits, pensions, employee wellbeing and career development. Public service offers a challenging but exceptionally rewarding career and we believe it is important to recognize the employees who make The City of Calgary “a great place to make a *living*, and a great place to make a *life*.”

Our Total Compensation Philosophy applies to all City employees. Our philosophy is designed to be competitive and flexible to ensure we can attract a wide array of diverse and highly skilled talent, as well as keep all employees motivated to excel. The City has a strong culture where employees demonstrate Character, Competence, Commitment and Collaboration (the 4 Cs) every day; this culture is reflected in the Total Compensation Philosophy and respective compensation program designs.

The City's total compensation philosophy reflects an appropriate balance of internal equity, as established through a formal job evaluation and salary structure design, as well as external equity based on regular benchmarking against a target comparator market. As part of total compensation, our benefits and retirement programs support the health and long-term income security of our employees by offering a comprehensive health and dental plan and shared retirement contributions. Our benefit and pension programs recognize that employees need some flexibility to meet their individual circumstances. All City total compensation programs are designed to attract and retain employees in a fiscally responsible and respectful manner.

The Total Compensation Philosophy is a living document and should be updated as the organization grows and evolves. It is grounded in sound compensation and human resource program design principles and practices and represents a foundational piece of our organization's identity and culture. It should continue to support the evolving business and people strategies at The City of Calgary.

COMPENSATION PHILOSOPHY STATEMENT

Our Compensation Philosophy represents The City's respect for all our employees and the work they do, while being mindful of our public position and fiscal accountability. The City is committed to treating all employees with respect and dignity regardless of their position, gender identity or expression, race, religion, age, ability or background.

The City's approach to compensation is to provide a competitive package that is both internally equitable and externally competitive with the appropriate comparator(s) that are balanced and tailored to all employee groups. Internal equity is focused on an understanding of each role and its contribution to the organization, typically measured by factors such as skill, effort, and responsibility.

Key considerations include:

- A core compensation structure that considers the pay of each job relative to that of their peers with similar scope of responsibility, education, and or experience, as well as the market value of jobs within a defined comparator group.
- Targeting base pay to a market position that is competitive, recognizing and allowing for adjustments based on economic circumstances, and the composition of jobs in each employee group.
- An appropriate balance between cash and non-cash compensation including benefits, paid time off, work-life balance and career development opportunities.
- Ensuring a line of sight between pay and performance for all exempt employees.
- Incenting innovation, collaboration, and performance excellence through a combination of pay, flexible non-cash and career opportunities.
- A sound governance policy and administrative practices to maintain internal and external equity.
- A fiscally responsible and sustainable package.

Our programs are designed to encourage employees to excel, live our values and 4 Cs and show respect for each other and City customers. We support and encourage them through career and performance review programs.

The Total Compensation Philosophy provides the framework for policies, procedures, and administrative practices. Good governance brings the philosophy to life through policies and procedures that reinforce transparency, consistency, and equity. The City reviews these tools to ensure they remain effective and are equitably applied across all departments and employee groups. Market reviews are undertaken to benchmark our pay and benefit programs which informs our competitive placement and keeps with best practices in the municipal and broader public sector.

The comparator market and external equity:

The City seeks to distinguish itself among leading municipalities in Canada. Its ambitious strategic business plan requires dedicated employees with a wide range of skills, qualifications, and occupations. To be the best, we need the best.

The City regularly benchmarks its compensation for each employee group against market rates. Market is defined as a combination of large Canadian municipalities, broader public sector organizations primarily within the Province of Alberta and a select representation of private sector organizations. The selection of private sector organizations is reviewed on a regular basis to ensure economic fluctuations are managed responsibly.

Competitive alignment is defined as a range of $\pm 10\%$ of the overall market median, or the middle of the market.

Job rate is the target pay rate that the City manages its compensation program to, and is aligned to the market for external competitiveness. The job rate is typically the top pay opportunity for satisfactory performance.

Internal equity:

The City uses a structured pay system that is based on the value of positions relative to one another within an employee group. For Exempt and Senior Management positions, internal equity is determined through an objective assessment of skills, effort, responsibility and working conditions. Jobs of similar value are grouped into pay bands which ensures they are paid the same.

Unionized positions also recognize increasing levels of skills, qualifications and or experience with a hierarchy of job classifications or bands.

Senior management compensation program

This group includes the City Manager, General Managers and Directors. The compensation philosophy for senior management is to pay for performance through a combination of base and variable components:

- The Base Pay salary structure represents a range of income opportunity from minimum to maximum and allows for annual progression within the range based on skills, performance, and contribution.
- Base Pay has direct line of sight to operational performance, competencies, and corporate values.
- Variable Pay is a re-earnable opportunity with direct linkages to the achievement or advancement of Council and City strategic goals and corporate-wide performance.
- Performance goals include corporate, departmental, and individual outcomes as well as effective leadership to drive employee behaviors (4 Cs).

Exempt compensation program

This group includes all exempt employees and excludes positions identified in the senior management group.

The City's philosophy is to pay for performance wherein:

- Individual performance is recognized through the achievement of individual goals and demonstrated core competencies and behaviors.

- Performance that has advanced The City's business strategy through, for example, innovation, collaboration and or customer service excellence deserves recognition. In consultation with senior management, and in consideration of internal equity, recognition would be tailored to the individual that may include cash or non-cash opportunities.
- Individual contributing positions that may be influenced by unique market conditions may require exceptional consideration within the structure, supported by evidence-based data.

Unionized employee's compensation program

This group is comprised of all employees represented by a bargaining agent. The City has numerous bargaining partners, and respects the collective bargaining process to establish competitive, affordable, and internally equitable compensation. Notwithstanding negotiations, The City's overarching philosophy is to pay competitively

GOVERNANCE

A governance process is critical to the successful implementation and management of all compensation programs and includes clearly articulated policies, procedures, and administrative practices. The City reviews these 'rules' to ensure they remain effective and are equitably applied across all departments and employee groups. Administrative policies and procedures will clearly outline decision-making authority and accountability for all compensation matters, including exceptions, as well as standards for and frequency of program reviews and audits. These conditions, decision accountabilities and processes for determining employee compensation will be transparent to all employees.

Our governance policies also ensure market reviews are undertaken regularly to benchmark our pay and benefit programs, so we are aware of our competitive placement and employ best practices in the municipal and broader public sector.

Sound governance practices will be aligned with City culture, compensation professional practice, City delegation of authority, Governance Service Line and any relevant regulations, legislation, and by-laws.