REMUNERATION POLICY 2009-2011

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</table>
Table of Contents

<table>
<thead>
<tr>
<th></th>
<th>Preamble</th>
<th>1</th>
</tr>
</thead>
<tbody>
<tr>
<td>2</td>
<td>Definition of key terms</td>
<td>2</td>
</tr>
<tr>
<td>3</td>
<td>Policy Statement</td>
<td>3</td>
</tr>
<tr>
<td>4</td>
<td>Guiding Principles</td>
<td>4</td>
</tr>
<tr>
<td>5</td>
<td>Policy Provisions</td>
<td>4</td>
</tr>
<tr>
<td></td>
<td>5.1 Approaches to Remuneration</td>
<td>4</td>
</tr>
<tr>
<td></td>
<td>5.1.1 Total Remuneration Package (TRP) Approach</td>
<td>5</td>
</tr>
<tr>
<td></td>
<td>5.1.2 Basic Remuneration plus Add-on Benefit Approach</td>
<td>5</td>
</tr>
<tr>
<td></td>
<td>5.2 Job Evaluation</td>
<td>5</td>
</tr>
<tr>
<td></td>
<td>5.3 Remuneration Ranges</td>
<td>6</td>
</tr>
<tr>
<td></td>
<td>5.3.1 Market Positioning</td>
<td>6</td>
</tr>
<tr>
<td></td>
<td>5.3.2 Determination and Review of Remuneration Ranges</td>
<td>6</td>
</tr>
<tr>
<td></td>
<td>5.4 Remuneration Differentials</td>
<td>7</td>
</tr>
<tr>
<td></td>
<td>5.5 Guaranteed Remuneration</td>
<td>7</td>
</tr>
<tr>
<td></td>
<td>5.5.1 Service Bonus</td>
<td>7</td>
</tr>
<tr>
<td></td>
<td>5.6 Variable Remuneration</td>
<td>7</td>
</tr>
<tr>
<td></td>
<td>5.6.1 Non-Pensionable Market Allowances</td>
<td>7</td>
</tr>
<tr>
<td></td>
<td>5.6.1.1 Scarcity Allowances</td>
<td>7</td>
</tr>
<tr>
<td></td>
<td>5.6.2 Performance Incentive Award</td>
<td>8</td>
</tr>
<tr>
<td></td>
<td>5.6.3 Travel Allowances</td>
<td>8</td>
</tr>
<tr>
<td></td>
<td>5.6.4 Acting Allowances</td>
<td>8</td>
</tr>
<tr>
<td></td>
<td>5.6.5 Attraction and Retention of Exceptional Staff</td>
<td>9</td>
</tr>
<tr>
<td></td>
<td>5.6.6 Other Variable Remuneration</td>
<td>9</td>
</tr>
<tr>
<td></td>
<td>5.7 Remuneration Adjustments and Reviews</td>
<td>9</td>
</tr>
<tr>
<td></td>
<td>5.7.1 Annual Cost of Living Remuneration Adjustments</td>
<td>9</td>
</tr>
<tr>
<td></td>
<td>5.7.2 Post Re-grading</td>
<td>10</td>
</tr>
<tr>
<td></td>
<td>5.7.3 Academic Promotion</td>
<td>10</td>
</tr>
<tr>
<td></td>
<td>5.8 Determination of Offers of Employment</td>
<td>10</td>
</tr>
<tr>
<td></td>
<td>5.9 Calculation of Leave Gratuities</td>
<td>10</td>
</tr>
<tr>
<td></td>
<td>5.10 Disclosure of Remuneration Information</td>
<td>10</td>
</tr>
<tr>
<td></td>
<td>5.11 Scope</td>
<td>11</td>
</tr>
<tr>
<td></td>
<td>5.12 Review</td>
<td>11</td>
</tr>
</tbody>
</table>
1. **PREAMBLE**

The Mission of the University of KwaZulu-Natal is to be academically excellent, innovative in research, critically engaged with society and demographically representative. The University recognises that the achievement of this mission depends on the quality and commitment of its staff. It has accordingly set one of its strategic goals to become an employer of choice.

To achieve its mission and strategic objectives the University shall adopt a suitable remuneration policy which shall ensure that all staff are remunerated fairly and are treated consistently throughout the University. At the same time the University shall adopt proactive remuneration strategies aimed specifically at the academic sector, who are core to its Mission, to attract, retain and motivate academic staff.

The Objectives of the Remuneration Policy shall be to ensure that the remuneration system:

1.1 Rewards individuals for the achievement of the University’s objectives and motivates high levels of performance;

1.2 Rewards exceptional performance by individuals through the performance management system;

1.3 Allows the University to compete effectively in the labour market and to recruit and retain high calibre staff;

1.4 Achieves fairness and equity in remuneration and reward.

The Remuneration Policy is a document that forms the basis of remuneration within the University of KwaZulu-Natal. The Remuneration Committee of Council shall ensure good governance and oversight of the remuneration policy. This policy has been benchmarked with the remuneration policies of several other South African Higher Education Institutions and takes into account the Guidelines for the Governance, Management and Disclosure of Institutional Remuneration in the Higher Education Sector circulated by Higher Education South Africa (HESA)\(^1\).

2. **DEFINITION OF KEY TERMS**

In this policy, the following words shall have the following meanings, unless the context clearly indicates otherwise:

**Acting Appointment** refers to a temporary appointment of an existing employee to a higher level position vacated by an incumbent who is expected to return to the position at which time the acting appointee will return to his/her former position.

**All Industries Market/National Circle** refers to the total database, or all participants to the relevant South African market survey, irrespective of industry or business focus.

**Basic remuneration or salary** is the difference between the total cost of employment and the costs of both compulsory, statutory contributions and benefits (e.g. medical aid, group life, Unemployment Insurance Fund (UIF) and retirement or pension fund contributions) and the individual’s choice of benefits.

**Basic remuneration plus add-on benefit approach** refers to a traditional approach to remuneration where the emphasis is on a basic salary which is calculated up front and to which all benefits are added.

**COIDA** refers to Compensation for Occupational Injuries and Diseases Act.
Compulsory Contributions and Deductions are all contributions or deductions that are compulsory in a total remuneration package and include pension/provident fund contributions, medical aid, group life, COIDA and UIF contributions.

Council is the governing body of the University constituted in terms of the Higher Education Act.

Effective date is the date of the Policy coming into operation.

Fund Salary refers to that part of the ‘basic salary plus add on’ package which is used to calculate the pension or retirement fund contribution for an individual.

Mean shall refer to the average remuneration for a particular category of staff.

Median (50th Percentile) means the middle value of remuneration within a particular sample: 50% of the sample receives a higher value of remuneration and 50% receive a lower value.

Peromnes refers to a job evaluation system, prevalent in the tertiary education sector, which scores jobs on a number of factors such as problem solving, pressure of work, job impact, consequence of judgement, educational qualifications, training and experience required. The aggregate score is applied to a sliding scale to determine job grade.

Policy shall mean this Remuneration Policy for the University of KwaZulu-Natal.

Remuneration refers to salary or pay which an employee receives in return for work or services rendered to the University.

SARS is the South African Revenue Service.

The Tertiary Circle refers to the participants of the relevant market survey that form part of the tertiary education sector in South Africa.

Total guaranteed Remuneration Package (TRP) approach refers to an approach to remuneration in which all benefits, both compulsory and voluntary are converted to their cash value equivalent. The employee may structure the total package within prevailing tax and other legal provisions. In this regard the package must include compulsory minimum core benefits relating to inter alia, medical aid and retirement/pension fund. The TRP represents the total cost attached to a particular position in the University and includes basic remuneration, statutory deductions, service bonus, retirement or provident fund contribution, medical scheme contribution, group life insurance and applicable allowances such as medical, housing, entertainment, telephone or cell phone and travel allowances. It does not include tuition remission and bursaries for staff members, their spouses or domestic partners and dependent children.

UIF refers to Unemployment Insurance Fund.

University is the University of KwaZulu-Natal.

Upper Quartile (75th Percentile) means the upper quartile value of remuneration within a particular sample: 25% of the sample receives a higher value of remuneration and 75% receive a lower value.

Variable remuneration is any ad-hoc remuneration not included in the total guaranteed remuneration package which relates to overtime, shift allowance, standby allowance/call-out allowance and other forms of remuneration that are not guaranteed, including any incentive or performance bonuses or scarcity allowance.

In this policy, unless inconsistent with the context, words referring to any one gender shall include a reference to the other gender; the singular shall include the
plural and *vice versa*; and natural persons shall include artificial persons and *vice versa*.

3. **POLICY STATEMENT**

The University seeks to remunerate staff members in a manner that supports the achievement of the University mission, vision and strategic objectives whilst attracting and retaining scarce skills and rewarding high levels of performance.

4. **GUIDING PRINCIPLES**

**Support for Strategic Objectives**: Remuneration and reward frameworks and decisions shall be developed in a manner that is consistent with, supports and reinforces the achievement of the University vision and strategy.

**Transparency**: The process of remuneration management shall be transparent, conducted in good faith and in accordance with appropriate levels of confidentiality.

**Internal equity**: The University shall remunerate all staff fairly in terms of their roles within the organisation. Positions in the support sector shall be formally evaluated to determine their relative weight in relation to other support positions within the University and consequently their Performance© grade on which the remuneration shall be based.

**Market-Related Remuneration**: The University shall measure its remuneration practices against both the local and national market through the use of remuneration surveys and through benchmarking with other similar institutions.

**Flexibility**: Remuneration and reward offerings shall be sufficiently flexible to meet both the needs of individuals and those of the institution whilst complying with relevant tax and other legislation.

**Performance-Driven Remuneration**: The University shall entrench a culture of performance driven remuneration through the implementation of the Performance Management System.

**Affordability and Sustainability**: One of the rationales for mergers was to create financially sustainable Universities. The Department of Education Guidelines recommend that the cost of salaries and benefits should not exceed sixty three per cent of the University’s recurrent, unrestricted income.

5. **POLICY PROVISIONS**

5.1 **APPROACHES TO REMUNERATION**

Two approaches to remuneration currently prevail. The “Basic salary plus Add on” Approach, which currently applies to the majority of University staff, starts with a basic or fund salary determined by the University to which a number of benefits are added to achieve the total cost of employment. The alternative approach is a total remuneration package approach where the total cost of employment is determined upfront by the University. The basic remuneration is the difference between the total cost of employment and the costs of both compulsory contributions and benefits (e.g. medical aid, group life, Unemployment Insurance Fund & retirement or pension fund contributions) and the individual’s choice of benefits.

The Total Remuneration Package (TRP) approach has advantages for both the University and individual staff members and the University shall phase in a total remuneration package approach to remuneration for all staff, over a three year period from the effective date.
The following advantages of Total Remuneration Packages have been identified;

- Easier to structure packages in a tax efficient manner.
- Flexibility for employees in structuring packages according to personal needs, within prevailing legislation.
- Minimises the University’s exposure to open-ended benefit liabilities.
- More equitable and defensible approach to remuneration.
- Supports modern organisational designs and structures.
- Facilitates fair and accurate market comparisons.
- Employment costs are known upfront allowing for more accurate budgeting.
- Supports performance related remuneration.
- Positions the University to attract and retain high quality staff.

5.1.1 Total Remuneration Package (TRP) Approach

All staff on Peromnes levels 4-1 and all new appointees shall be placed on total remuneration packages during 2009. The balance of staff, excluding the Executive, Deans and Deputy Deans who are already on total remuneration packages, shall be placed on total remuneration packages on a phased basis over three years from the effective date of this policy.

For the purposes of this Policy, all allowances, awards, adjustments and gratuities shall be calculated and expressed as a percentage of the total remuneration package, once all staff are on this system of remuneration. In the interim, whilst the TRP approach is being implemented, to ensure equitable treatment of staff, all allowances or gratuities shall continue to be calculated on fund/basic remuneration or total remuneration package less compulsory contributions/benefits.

Staff members shall be permitted to revise their total remuneration package once every year in terms of guidelines approved by the Remuneration Committee.

5.1.2 Basic Remuneration plus Add-on Benefit Approach

All existing permanent staff of the University as at 1 January 2009, except as provided above, shall continue to be remunerated on an ‘basic remuneration plus add-on benefit’ basis in the short-term. However all staff shall be migrated to the Total Remuneration Package approach on a phased basis, as determined by the Remuneration Committee.

5.2 JOB EVALUATION

In order to establish the relative worth of each position and ensure equity in remuneration, a job evaluation system shall be implemented and consistently applied across all jobs.

The University shall use the Peromnes© evaluation system for support staff.

Academic staff shall be remunerated based on their academic level.

All support staff posts shall be assessed every five years or sooner if the job content has changed significantly. Posts will only be re-evaluated where necessary.

5.3 REMUNERATION RANGES

5.3.1 Market Positioning
Skills are a limited resource in a finite labour market and thus the University must make remuneration decisions in the context of the market from which it draws its skills. It is therefore imperative to know and understand both the current market practices and the future trends.

The University shall select a credible market survey to which the majority of higher education institutions subscribe, that measures both the higher education sector and the general market.

5.3.1.1 Academic Staff
For academic staff the benchmark shall be the National Tertiary Education Market.

5.3.1.2 Support Staff
For support staff the benchmark shall be the National All Industries Market.

5.3.2 Determination and Review of Remuneration Ranges
The current notching practice shall be replaced by remuneration scales that are affordable but flexible and aligned to the relevant market.

The remuneration ranges are to be revised at minimum once every three years or more frequently as determined by the Remuneration Committee of Council in order to ensure that the remuneration objectives are being achieved. During this review recommendations shall be made for the positioning of the scales relative to the market.

All remuneration adjustments to align existing salaries with chosen benchmarks shall be based on the performance of the affected individuals.

Academic Staff
The midpoint of the Academic remuneration range shall be equal to the 75th percentile of the South African tertiary education market survey.

The University shall remunerate permanent academics, performing at or above the norm as assessed by the relevant line manager or through the performance management system, who have successfully completed their probation and have been employed for a continuous period of three years or more, at or above the median for the tertiary market.

Support Staff
The midpoint of the support sector remuneration range shall be equal to the median or 50th percentile of the South African National All Industries Market survey.

5.4 REMUNERATION DIFFERENTIALS
To ensure that there is equitable remuneration for equivalent work, the differential between the midpoint of each grade and the top and bottom of the grade scale shall not be in excess of 20% on either side of the midpoint.

5.5 GUARANTEED REMUNERATION
5.5.1 **Service Bonus**

A service bonus shall be paid annually in the staff member's birthday month, based on the staff member's basic remuneration or total remuneration package less compulsory benefits/contributions. The service bonus shall be pro-rated in the first year of service.

5.6 **VARIABLE REMUNERATION**

5.6.1 **Non-Pensionable Market Allowances**

Market allowances provide the University with a mechanism to remunerate staff above the prescribed level in certain circumstances. This enables the University to respond to and compete with the market for key staff.

5.6.1.1 **Scarcity Allowances**

Every three years the Division of Human Resources and Equity shall recommend to the Remuneration Committee a closed list of recognised scarce skill disciplines based on:

- submissions from Deans and Divisional Heads;
- data collected from external surveys including the Department of Labour scarce skill report;
- record of recruitment and retention within the University in the particular discipline;
- comparative rates of pay between the University and the relevant market.

Once approved by the Remuneration Committee and subject to budget funding being available, staff in recognised scarce skill disciplines shall receive a non-pensionable allowance calculated as follows:

- Add-On Packages: up to 10% of basic remuneration
- Total Remuneration Packages: up to 10% of total remuneration package less compulsory contributions/benefits.

Ongoing payment of Scarcity Allowances or the quantum thereof, once granted, is not guaranteed. Ongoing payment is also subject to the recipient maintaining an acceptable performance level as determined in the annual performance assessments by his/her line manager or in terms of the prevailing performance management system. If the performance rating of a recipient of a scarcity allowance drops below the rate for an employee who ‘meets expectations’ (See Performance Management Rating Scales) for any annual cycle, then the scarcity allowance shall be suspended for the next twelve month cycle or subsequent twelve month cycles until the performance rating is at the required level.

A scarcity allowance is not part of the individual’s guaranteed total remuneration package. There is therefore no expectation of continuity of a scarcity allowance and it may be withdrawn at any stage, if a discipline no longer qualifies as a scarce skill.

5.6.2 **Performance Incentive Award Scheme**

An incentive scheme shall be implemented that is linked directly to the University performance management system. The incentive award shall be paid annually based on the results of the performance review. The Performance Incentive award scheme shall be implemented during 2010 and shall replace all existing merit awards, performance notches and merit notches.
The incentive value calculation shall be based on University performance i.e. meeting its overall targets in the form of achieving budget, as well as meeting such other targets as may be determined by Council. Once an incentive value has been calculated then it shall be applied to individual performance through progress in achieving the individual performance targets as set out in the performance management system and aligned to organisational key performance areas.

Annual assessments of performance shall be based on the result of the preceding calendar year ending 31 December each year. To be eligible for an award an employee shall have successfully completed his or her probation and shall have completed twelve months of continuous service by 31 December of the year of assessment. All assessments for the period 1 January to 31 December are to be completed by 31 January of the following year. Payment of the performance award shall be not later than 31 March of that year. There shall be no pro rata awards for periods of service of less than twelve months as at 31 December of each successive year.

In the event of termination of service for whatever reason, taking effect before 31 December of any year, no performance award is payable and an employee shall not have any claim to a performance award or part thereof. An employee whose termination takes effect after 31 December and who is eligible for an award shall receive the award.

### 5.6.3 Travel Allowances

The University recognises that due to the widely dispersed geographical layout of its five campuses, staff may, from time to time, be required to use their private vehicles to travel between campuses and elsewhere on University business. The frequency and extent of travel varies considerably from employee to employee. For the majority of staff, traveling costs incurred on such travel can be recovered at the prevailing fixed rate per kilometer, through the University’s reimbursive travel expenses claims process. There are, however, certain members of staff whose official University travel is sufficiently high to justify an alternative arrangement and for whom a travel allowance may represent a more convenient and fairer mechanism of reimbursement.

A threshold shall be set for a minimum level of business travel (determined per annum or annualised, as appropriate, where less than one year) that warrants a travel allowance.

All recipients of a travel allowance shall be expected to maintain a travel logbook which may be required to be submitted to SARS or, on request, made available to the relevant line manager for the purpose of monitoring the extent of official University travel undertaken during any assessment period. A travel allowance, once granted, may be increased if the allowance recipient is able to demonstrate, and substantiate, that the extent of official University travel has, on a sustained basis, increased; the application for such increase shall be based on the evidence contained in the log book.

A travel allowance is not guaranteed for the duration of existence of any post. If the nature of a particular post changes, where there is a reduced expectation of travel, the travel allowance granted to the post incumbent may be suspended or varied, as appropriate, pending a further review to determine if the extent of actual travel is at the required threshold level. Any staff member whose travel allowance is suspended will, however, be eligible to claim for official University travel using the reimbursive claims process during the period of review.

All total remuneration packages shall be calculated taking into account the anticipated travel attached to the related posts. This shall be deemed to include remuneration for travel at the threshold. Any official travel in excess of this
threshold may be claimed, subject to documentary proof thereof being provided by the claimant.

The value of the requisite travel allowance shall be determined and reviewed periodically by the Remuneration Committee.

All prevailing travel allowances as at the effective date shall be reviewed and may be withdrawn or amended as appropriate.

5.6.4 Acting Allowances

Situations that require appointing an individual in an acting capacity at a higher level represent an ideal opportunity to utilise employees from the designated employment equity groups, as well as other existing staff in positions of increased responsibilities for both evaluative and professional developmental purposes. An acting appointment is therefore seen as beneficial to the incumbent.

An acting allowances is payable when a staff member is required to undertake the full duties and responsibilities of a higher level post for a minimum of one month (twenty two working days) and a maximum of six months. A staff member may not be appointed in an acting capacity to a position which is higher than two levels above their substantive post level and should meet most, if not all, of the minimum requirements for the higher level post.

An acting allowance is calculated at 5% of basic remuneration or 5% of Total Remuneration Package less compulsory contributions/ benefits, of the staff member's ordinary remuneration, whichever is applicable. Acting allowances are not payable to Executive members.

5.6.5. Attraction and Retention of Exceptional Staff

In exceptional cases a sub-committee of the Remuneration Committee comprising the Chair, Vice-Chancellor and Executive Director of Human Resources and Equity may consider requests to make remuneration adjustments or increased offers of employment to:

5.6.5.1 Retain key employees where the loss of these employees would impact negatively on the achievements of a particular operational unit and the University's strategic aims or objectives and where uncompetitive remuneration is the primary motivation for leaving. These requests are considered exceptionally on receipt of a signed letter of resignation, after assessing viability of retention, the employee’s past performance and other options for retention. The Division of Human Resources and Equity shall conduct an investigation to establish the veracity of the alternative remuneration offer made to the employee.

5.6.5.2 Attract exceptional candidates to the University where uncompetitive remuneration is the primary factor influencing the decision not to accept an offer of employment.

The Executive member with portfolio responsibility for the operational unit shall be invited to be part of the sub-committee.

5.6.6. Other Variable Remuneration

In addition to the above forms of variable remuneration, shift allowances, standby allowances or call out allowances and any other non-recurring payments are deemed to be variable remuneration.
5.7 REMUNERATION ADJUSTMENTS AND REVIEWS

5.7.1 Annual Cost of Living Remuneration Adjustments
All annual remuneration increases shall be subject to negotiation in the Joint Bargaining Forum. These increases shall be awarded based on prevailing rates of inflation at the commencement of negotiation, market movements and affordability considerations. All increases shall be to basic remuneration or to the total remuneration package as applicable.

5.7.2 Post Re-grading
Where a support sector post has been re-graded to a higher level, the current incumbent’s remuneration must be matched to the mean/average remuneration for the new grade in the particular Faculty or Division. If the current remuneration equals or exceeds the average of the higher level, no further adjustments shall be made.

5.7.3 Academic Promotion
Academics who are promoted must first be matched to the average remuneration of staff at the higher level in the relevant faculty. If promotion recipient’s current remuneration is lower than the average rate of remuneration at the higher level, s/he shall receive an increase up to the average rate or 5% in basic remuneration (or 5% of Total Remuneration package less compulsory contributions/benefits if applicable), whichever is the greater. If the recipient is earning above the average remuneration for the higher level, s/he shall be granted a 5% increase in basic remuneration or 5% increase in Total Remuneration Package less compulsory contributions as applicable.

5.8 DETERMINATION OF OFFERS OF EMPLOYMENT
In determining the offers of employment due consideration shall be given to the appointees current earnings and expected earnings whilst striving to ensure parity in remuneration with existing staff at the same grade or level.

Accordingly the calculation of the basic remuneration for new appointees shall be determined taking into account the average basic remuneration of other staff at the same level in the Faculty/Division. A similar principle applies to Total Remuneration Packages.

The Executive Director Human Resources and Equity and the relevant Executive member with portfolio responsibility for the particular operational unit, in question, must approve any remuneration offers outside of these parameters.

An applicant for a post at the University may not be offered a total remuneration package or fund salary, as applicable, at a level that is higher than the maximum total remuneration package or fund salary, as applicable, for the advertised grade or level without the prior approval of the Remuneration Committee in terms of 5.6.5.

5.9 CALCULATION OF LEAVE GRATUITIES
Leave gratuities shall be calculated in a manner as determined by the Remuneration Committee in accordance with prevailing legislation.
5.10 DISCLOSURE OF REMUNERATION INFORMATION

The Remuneration Committee shall develop and recommend to Council appropriate rules on the disclosure of remuneration levels to the Council, staff and general public inclusive of any statutory requirement for the reporting of remuneration levels and or categories.

The Private Remuneration Work policy shall determine the disclosure of private earnings by staff members to the relevant structures within the University.

5.11 SCOPE

This policy applies to all permanent academic and support staff.

5.12 EXCEPTIONS

Unless expressly provided in this policy, all exceptions to this policy must be approved by the Chair of the Remuneration Committee.

5.12 POLICY REVIEW

This policy shall be reviewed at intervals to be determined by the Remuneration Committee. The policy shall at minimum be reviewed every three years from the effective date.

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1 Higher Education South Africa, Guidelines for the governance, management and disclosure of institutional remuneration in the higher education sector South Africa, 2008

2 University of KwaZulu-Natal Strategic Plan 2000-2017

3 “Prudent Macro Budget Structure Guidelines for Technikons and Universities” Ministry of Education Guidelines for Mergers and Incorporations, Chapter 13, Appendix 3, Table 1
Annexure 1:
Remuneration Committee of Council
Composition and Terms of Reference

In order to ensure good governance and oversight of the Remuneration policy a Remuneration Committee shall be established. This committee reports directly to Council.

Membership
Membership of this committee should consist of:
- Up to five external members of Council nominated in the discretion of the Council, which shall include:
  - the Chairperson of the Finance Committee of Council
  - the Chair of the Staffing Committee.
- the Vice- Chancellor
- the Executive Director Human Resources and Equity
- One representative of University permanent staff who is not a member of the University Executive

The Chief Finance Officer shall be in attendance at all meetings of the Remuneration Committee.

A chairperson shall be elected from the external membership. Remuneration experts may be invited to attend committee meetings from either external or internal resources.

Meetings
This committee should meet no less than twice per annum.

Decision Making
Only the non-executive members of Council shall have voting rights at this committee, although consensus is advocated.

Terms of Reference of the Remuneration Committee
a. To develop and recommend to the Council an appropriate Remuneration Policy for the institution. This policy should contain all the elements required to empirically guide the work of the committee in terms of good remuneration governance and management and should serve to guide remuneration changes during the normal course of operations.

b. To approve mandates for overall annual institutional remuneration increments in consultation with the Chairperson of the Finance Committee in accordance with institutional affordability, appropriate market comparisons, and the principles of remuneration differentials between and within grades.

c. To make decisions on behalf of Council on all executive management remuneration levels, inclusive of the Vice-Chancellor’s remuneration package and annual reviews for incremental purposes.

d. In this regard, a performance management system (including incentives) shall be implemented for all Executive members. The outcomes should be monitored by the Remuneration Committee who should make recommendations to Council for any changes to the current system or the actual remuneration packages of executives as a result of a performance evaluation.

e. To annually review grading mechanisms and remuneration structures for the institution and make appropriate recommendations to Council.

f. To actively promote the development and implementation of credible and appropriate Performance Management systems within the institution and to ensure that the principles of this system are applied throughout the institution and are
within the context, meaning and intent of the University’s values, culture, vision and mission.
g. To make any other recommendations to Council as and when required that have a bearing on remuneration matters for the institution.