



**EXECUTIVE COMPENSATION PROGRAM FOR
TRILLIUM LAKELANDS DISTRICT SCHOOL BOARD**

JANUARY 2018

Executive Compensation Philosophy

Executive Talent Needs

The school boards require highly skilled and highly principled leaders to lead the organization in providing, promoting, and enhancing publicly funded education. Student achievement and success is a critical public service and requires innovative leadership to further advance the current public education system, taking into consideration technology advances that can assist with student learning. In their leadership capacity, executives are required to work and communicate with a variety of unique community groups, Government, and other stakeholders, understanding and taking into consideration the school board's population diversity when making decisions (i.e., spoken languages, socio economics, and differing abilities of students, parents, and other community members).

Directors of Education and Academic Supervisory Officers are typically recruited from the education sector (often within the school boards). Recently, there has been difficulty attracting and retaining executive talent at the school boards, due to the compensation compression resulting from executive compensation freezes and increasing Principal and Teacher salaries through collective bargaining. There have also been challenges attracting and retaining Business Supervisory Officers and other executives, who often have increased opportunity for alternative employment. These executive jobs are typically recruited from a variety of broader public sector organizations, as well as private sector organizations.

Compensation Elements

The school boards provide maximum compensation for executives up to the 50th percentile of the selected external comparator organizations, as per the Government Regulations. Compensation for school board executives consists of base salaries, pensions, and benefits. Each component of compensation plays an important role in the attraction, retention, reward, and recognition of the executives needed to carry out the school board's mission.

Base Salaries: Base salaries provide regular compensation to executives for their contributions to the organization. The Provincial Program outlines a base salary range for school board executives. Individual base salaries may vary across executives considering their tenure, experience, relative accountabilities, and relative scope within the organization and across school boards.

Pension and Benefits: Consistent with the Government Regulations, our school board provides similar pension and benefits arrangements to those provided to non-executive managers in our board. Additional coverage or elements are only provided to executives if there is a critical business need and / or it is needed for the effective performance of the executive's job.

Executive Accountability and Complexity Matrix

An Accountability and Complexity Matrix was developed to systematically group the school boards into seven levels. This Matrix uses a set of five Core and two Non-Core factors to rate, rank, and review each school board based on accountabilities, size, and other complexity criteria.

The table below presents the five Core factors:

Core Factor Dimensions	Levels						
	1	2	3	4	5	6	7
	P1 < P20	P20 < P40	P40 < P60	P60 < P80	P80 < P99	P99 +	P99 ++
Projected Operating Budget (\$Millions)	\$1 - \$60	\$61 - \$140	\$141 - \$230	\$231 - \$380	\$381 - \$1,500	\$1,501 - \$2,500	\$2,501 +
# Schools	1 - 20	21 - 35	36 - 50	51 - 85	86 - 200	201 - 400	401 +
Projected Enrolment	1 - 4,700	4,701 - 9,700	9,701 - 17,900	17,901 - 33,900	33,901 - 99,550	99,551 - 200,000	200,001+
# Full-Time Equivalent Teachers	1 - 290	291 - 660	661 - 1,180	1,181 - 2,220	2,221 - 7070	7,071 - 10,000	10,001 +
# Superintendents	1 - 2	3 - 4	5 - 6	7 - 9	10 - 20	21 - 25	26 +

The number of levels was determined using an initial quintile (five level) approach with additional levels 6 and 7 added to capture the further accountabilities and complexities of the largest school boards (that significantly differed from those in level 5). The number of levels was also tested using Mercer's proprietary job evaluation system, International Position Evaluation.

The table below presents the two Non-Core factors that have been used to modify the school board level.

Geographic Complexity	Takes into consideration the size of the board (i.e. square kilometres), but more so the complexities that typically arise from having to manage a broad set of differences/complications across a geography. This also relates to interacting with multiple municipalities, townships, or community groups, as well as the potential requirement to effectively interact with stakeholders in multiple languages or with significant cultural differences.
Community Partnerships	Takes into consideration the typical nature of the relationships and associations with First Nations complexities that can be associated with multiple First Nations' and/or community partnerships. bands or other community partners within a board's geography/mandate; and the added diversity and

Although Trillium Lakelands District School Board was identified as a Level 3 Board by the Accountability and Complexity Matrix, the board has been approved by the ministry as a Level 4 Board.

Trillium Lakelands District School Board covers 12,133 square kilometers (roughly the size of Prince Edward Island) which is greater than the geographic area of all but one of the other 14 school boards in Level 4. However, when compared to that single board, Trillium Lakelands District School Board actually operates more school sites. As a result of this massive geographic area, Trillium Lakelands District School Board deals with 11 different municipalities, an upper level District municipality, 2 different Health Units, 2 separate CMSM's and over 100 third party agreements and shared service contracts. In addition, the board has Tuition Agreements for First Nations and International students. The size of the board also results in a great range of cultural and socio-economic diversity which must be addressed. The student enrolment, staffing compliment, annual operating budget and net capital assets of the board are also more in line with those non-school board comparators identified in Level 4.

Comparator Organizations

The Government Regulations stipulate that a minimum of eight comparators must be used in the Comparative Analysis and development of the Executive Compensation Framework. In addition, all comparator organizations must be comparable with respect to three or more of the following factors:

- A. The scope of responsibilities of the organization's executives
- B. The type of operations the organization engages in
- C. The industries within which the organization competes for executives
- D. The size of the organization
- E. The location of the organization

Comparable positions generally include those that are similar with respect to essential competencies (knowledge, skills, and abilities), relative complexity, and the level of accountability associated with the position. The Director of Education executive class is compared to the head of an organization (e.g., President or Chief Executive Officer) and the Supervisory Officer executive class is compared to the Vice President level at comparator organizations.

A set of external comparator organizations were developed taking into consideration the factors outlined above, the markets that the school boards compete for executive talent, and the size and complexity of the school boards in each level. There are eight comparators for each school board level and a total of 35 comparators, with a 75% weighting on education-focused organizations. While of the factors outlined above are important, size is a key consideration when doing executive compensation comparisons and was used in the selection of all comparators. The table below outlines the external comparator organizations in our level. In addition to these comparators, the school boards conducted a series of internal analyses and the current compensation levels and practices at all 72 school boards were considered in the development of the Framework. Each school board was compared to every other school board through the Executive Accountability & Complexity Matrix.

MARKET SEGMENT	EXTERNAL COMPARATORS
Education	Niagara College
	St. Clair College
	University of Windsor
	Ontario Educational Communications Authority
	Ontario French Language Communications Authority
	Region of Halton
	Windsor-Essex Catholic District School Board
Broader Public Sector	Education Quality and Accountability Office
	Ontario Government Executive

Executive Compensation Framework

The Executive Compensation Framework sets the base salary ranges for each of the school board's designated executives and was developed using common compensation management principles as well as the external comparators identified in section 7, Potential Comparator Organizations.

The base salary range maximums are less than the 50th percentile compensation cap. As per the Government Regulations, the compensation cap was calculated using the maximum total cash compensation provided to comparable positions at the external comparator organizations. The base salary range minimums were developed using a relatively common percentage range spread from the minimum to the maximum of the range. The base salary ranges for the Directors of Education are slightly larger as it is considered a "career range", the top position within the school board where an executive may stay within the position for many years. The executive ranges increase across the seven levels as there is increasing job variability.

While the Act and Government Regulations do not specifically require the development of ranges, base salary ranges were developed, so executives can be differentiated and paid appropriately, considering internal equity and consistency, as well as other individual characteristics, such as tenure, experience, and their relative accountabilities. Therefore, executives may be paid at different levels within the range based on these criteria.

The base salary ranges were developed taking into consideration the Principal salary grids (up to the end of the 2017/2018 school year). In order to reduce the compression and attract school board employees to executive positions, we strive to maintain approximately a 5% differential between the executive minimum and the maximum Principal salaries. As a result, the Executive Compensation Framework may need to be revisited based on future collective bargaining or changes to collective agreements related to Teacher and Principal compensation.

The table below details the base salary range minimums and maximums for the Directors of Education, Associate Directors, and other executives (including Supervisory Officers).

Base salaries are presented in CAD \$000's

School Board Level	1	2	3	4	5	6	7
Directors	\$166 - \$198	\$176 - \$218	\$192 - \$237	\$208 - \$257	\$224 - \$277	\$239 - \$296	\$255 - \$316
Associate Directors	\$158 - \$166	\$167 - \$176	\$183 - \$192	\$198 - \$208	\$213 - \$224	\$228 - \$239	\$243 - \$255
Executives	\$140 - \$157	\$140 - \$166	\$140 - \$176	\$140 - \$185	\$140 - \$194	\$140 - \$204	\$140 - \$213

Our Board is accountable for determining the appropriate placement of our designated executives within the base salary range. The following criteria will be considered when determining their placement in the base salary range:

- The scope of the executive work, including the accountabilities and complexities of the position;
- External public sector comparators and internal school board comparators (at the same level as well as the levels directly above and below); and,
- The tenure, experience, and other individual characteristics (often a composite) of incumbents.

The table below details the Director of Education, Associate Director, and Executive base salary ranges for Level 4 school boards, including our Board:

Director of Education	\$208 - \$257
Associate Directors	\$198 - \$208
Executives	\$140 - \$185

Executive Pay Envelope and Maximum Rate of Increase

The Government Regulations requires the calculation of a pay envelope (total of all actual base salaries paid to executives) and an annual maximum rate of increase. The table below outlines the pay envelope at Trillium Lakelands District School Board and the maximum rate of increase.

Envelope	Maximum Rate of Increase
\$1,408,466	5.0%

Actual annual increases paid to executives may be less than the maximum rate of increase and individuals may receive more or less than the maximum rate of increase, considering a variety of criteria, including their tenure in the designated executive position. Increases will not be provided beyond the range maximum. Upon implementation of the Framework, the envelope may be prioritized for executives below the minimum of the range or executives in other unique circumstances. The rate of increase takes into account a necessary one-time adjustment, which is required in order to address some existing disparities and bring the salaries of a few positions into line with the ranges established by the framework. These disparities have been further exacerbated by a number of years of compensation freezes without increases to the base salaries,

The table below details the rationale for the maximum rate of increase relative to the factors outlined in the Government Regulations.

Factor	Maximum Rate of Increase
The financial and compensation priorities of the Ontario Government	The Government has identified a need to take a balanced approach to managing public sector compensation, recognizing the need to maintain a stable, flexible and high-performing public-sector workforce that supports the government's transformational priorities and at the same time ensuring that public services continue to remain affordable. For executives, the Government wants to ensure that broader public-sector organizations are able to attract and retain the necessary talent to deliver high-quality public services while managing public dollars responsibly. The approach taken reflects the Government's priorities by ensuring that the board will be able to attract and retain executives. The rate of increase necessary to achieve this at the board level does not create a financial burden of such magnitude that it will compromise the government's goal of affordable public service.
Recent Executive Compensation Trends	The school boards closely considered both executive compensation trends within the broader public sector as well as the sectors from which the school boards attract executive talent. The following trends reflect the findings of Mercer's most recent compensation planning study: <ul style="list-style-type: none"> - Canadian broader public sector average executive compensation increases are projected to be 2.6%; and, - Canadian services (non-financial) average executive compensation increases are projected to be 2.8%.
Comparison of Percentage of Operating Budget for Executive Salaries between our Board and its Comparators	The school boards regularly review the appropriateness of their executive organizational structures and staffing and believe that they are appropriate given the complexity of the organization, and do not warrant an overall reduction in the annual maximum increase to the pay envelope.
The Effect on the Ability to Attract and Retain Talent	The school boards have difficulty attracting and retaining executive talent as Principal and Teacher salaries continued to increase, resulting in significant salary compression. The maximum rate of increase must consider increases for represented jobs within the organization, as they are an important source for attracting talent to future executive positions. The maximum rate of increase must provide the flexibility required to balance affordability with the need to avoid long-term pay compression, or inversion, between layers of management and between management and the bargaining units. Additionally, as a board with a large geographic expanse, the board must be in a position to offer executive salaries, which are competitive with similar positions within the communities and neighbouring districts in order to attract and retain executives.
Any Significant Expansion that is Not a Result of Restructuring	There was a significant differential between some of the existing current ranges and the rates established by the framework which required a one-time adjustment in order to bring those ranges to the appropriate values established by the framework.