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Executive Compensation Program

Simcoe Muskoka Catholic District School Board

January 2018

Table of Contents

1. <i>Introductory Letter from the Board Chair</i>	1
2. <i>Background Information</i>	2
3. <i>Key Considerations</i>	3
4. <i>Key Development Steps</i>	3
5. <i>Executive Compensation Philosophy</i>	4
6. <i>Executive Accountability & Complexity Matrix</i>	5
7. <i>Comparator Organizations</i>	6
8. <i>Executive Compensation Framework</i>	7
9. <i>Executive Pay Envelope and Maximum Rate of Increase</i>	9

1. Introductory Letter from the Board Chair

Dear Catholic Education Community Member,

In 2014, the Government of Ontario began the process of developing public sector compensation frameworks to ensure a transparent and consistent approach to executive compensation. The *Broader Public Sector Executive Compensation Act of 2014* (“BPSECA” or “the Act”), introduced by the Ontario Government, applies to all Ontario public sector designated employers, including universities, colleges, hospitals, and school boards. This includes the Simcoe Muskoka Catholic District School Board (“SMCDSB” or “the Board”).

In compliance with the *Act*, Ontario Regulation 304/16 – *Executive Compensation Framework*, and Ontario Regulation 187/17 (“*the Regulations*”), all 72 Ontario public sector school boards collaboratively developed a comprehensive Executive Compensation Program to support executive compensation management across the Province. This work was completed in consultation with Mercer (Canada) Limited, an independent consulting firm that specializes in executive compensation. The Executive Compensation Program sets out a rational compensation approach for executive positions across all school boards, including those in our Board. The school boards are committed to meeting the intent and goals of the Ministry of Education and Treasury Board Secretariat to ensure responsible and transparent executive compensation management in the Ontario broader public sector.

In the education sector, a competitive, fair, and responsible Executive Compensation Program is vital for attracting and retaining the talented, innovative leadership required to ensure continued progress in student achievement and success. Our Executive Compensation Program balances the need to manage compensation costs and the need to attract and retain the executive talent we seek.

Key sections in our Executive Compensation Program include:

- Executive Compensation Philosophy
- Executive Accountability & Complexity Matrix
- Comparator Organizations
- Executive Compensation Framework
- Executive Pay Envelope and Maximum Rate of Increase

As part of the Government Regulations, all Ontario broader public sector employers conducted a 30-day public consultation on their Executive Compensation Program. Following consultation and review of the input, the final Executive Compensation Program was approved by the Government of Ontario and is now posted on the Board’s website.

Thank you,

Carol Corriveau-Truchon
Chair, Board of Trustees

2. Background Information

The 72 Ontario school boards of the four publicly funded education systems worked through a Steering Committee to develop a Province-wide sector-based Executive Compensation Program for Directors of Education, Associate Directors, Supervisory Officers, and other executive positions, as per the Act and the Government Regulations.

The Steering Committee was comprised of leadership from the following groups:

- Association des conseils scolaires des écoles publiques de l'Ontario ("ACEPO")
- Association des gestionnaires de franco-ontarienne ("AGEFO")
- Association franco-ontarienne des conseils scolaires catholiques ("AFOCSC")
- Conseil ontarien des directrices et des directeurs de l'éducation de langue française ("CODELF")
- Council of Ontario Directors of Education ("CODE")
- English Catholic Council of Directors of Education ("ECCODE")
- Ontario Catholic School Trustees' Association ("OCSTA")
- Ontario Catholic Supervisory Officers Association ("OCSOA")
- Ontario Public School Boards' Association ("OPSBA")
- Ontario Public Supervisory Officers Association ("OPSOA")
- Public Council of Ontario Directors of Education ("PCODE")

The school boards across the province, including SMCDSB, are committed to supporting and ensuring the goals of the Act are met, including:

- Standardization - providing a consistent, evidence-based approach to setting compensation, based on research and consultation;
- Balance - managing compensation costs while allowing the school boards to attract and retain the talent necessary to deliver high quality public services; and
- Transparency - enhancing the transparency of executive compensation decisions through public consultation and posting.

The Executive Compensation Program developed for all Ontario school boards is intended to be transparent, evidence-based, and meets the requirements of the Act and the Government Regulation. At SMCDSB, the Executive Compensation Program applies to the following designated executives:

Designated Executive	Executive Class
Director of Education	Director of Education
Associate Director of Education – Business & Finance	Associate Director of Education
Superintendent of Human Resources	Executive / Supervisory Officer
Superintendent of Education - Secondary	Executive / Supervisory Officer
Superintendent of Education – Elementary (3 positions)	Executive / Supervisory Officer
Controller of Planning & Facilities	Executive / Supervisory Officer

3. Key Considerations

The school boards considered the following in the development of the Province-wide Executive Compensation Program, including the Executive Compensation Philosophy and the Executive Compensation Framework:

- Executive compensation has been frozen at SMCDSB since 2012. The Board is aligning with efforts across the Ontario Education Sector to develop common rational compensation tools and executive management compensation principles that provide consistency / fairness in executive compensation and guidance for individual school boards to make reasonable compensation management decisions
- The need to reduce the current compensation compression that exists between executives and Principals, as salaries negotiated through collective agreements continued to increase during the executive compensation freeze, making it difficult to attract individuals to take on executive level accountabilities
- The need to keep pace with the evolving Ontario market and remain competitive
 - During the public sector executive compensation freeze, Canadian salaries typically increased by 2% - 3% annually and pay structures or grids typically increased by 1% - 2% annually, as per Mercer's Compensation Planning Surveys
 - Based on information from Mercer, over the past five years, salaries in Ontario have also increased by approximately 2% - 3% annually
 - Over the past five years, there has been more than a 5% increase in the consumer price index and an annual inflation rate of greater than 1.3%
- The need for external comparisons with the market to attract and retain high quality executive talent
- The need for internal equity and a common Framework across the 72 Ontario school boards
- The need to apply standards of accountability and complexity when determining the appropriate level of each school board, using a Province-wide Accountability & Complexity Matrix with a set of Core and Non-Core factors (*see section 6: Executive Accountability & Complexity Matrix*)
- The need for a balanced approach between affordability and attraction / retention needs
- The need for individual school boards to have the flexibility and accountability to determine the placement of their specific executives within the base salary range

4. Key Development Steps

Based on the identified key considerations and using common compensation design principles, the Steering Committee, working together with Mercer consultants, developed the Province-wide Executive Compensation Program for the Ontario Education Sector.

The development process involved the following steps:

1. Formation of a Steering Committee with representatives across each of the types of school boards (e.g., Public, Catholic, English, French);

2. Collection of organization, job, and compensation information from Directors of Education, Associate Directors, Supervisory Officers, and other executives through the use of an Excel / online questionnaire;
3. Development of a consensus-based Executive Accountability & Complexity Matrix, taking into consideration analysis on the data collected;
4. Development of a consensus-based Executive Compensation Philosophy through experiences from the Steering Committee as well as past recruitment practices; and
5. Development of a consensus-based Executive Compensation Framework, using common compensation design practices and constructs.

5. Executive Compensation Philosophy

5.1 Executive Talent Needs

The executive team at the Simcoe Muskoka Catholic District School Board ("SMCDSB"), commonly referred to as the Education Leadership Council ("ELC"), works together with other leaders in the Board to ensure that the goals and priorities of the Multi-Year Strategic Plan, "Our Faith ~ Our Future", are implemented and lived in each school community. ELC members identify annual activities and initiatives to advance the goals of the Strategic Plan. They also ensure that the Board Improvement Plan for Student Achievement, and all other operational plans, are aligned with "Our Faith ~ Our Future".

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.

These executive jobs are typically recruited from a variety of broader public sector organizations, as well as private sector organizations. Given the current demographic profile of the ELC Team, and the corresponding need to replace retiring executives, concerns regarding the negative effects associated with salary compression are expected to intensify in the next 3 to 5 years.

5.2 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.

5.3 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. As per Government Regulations, SMCDSB provides maximum base salary for executives up to the 50th percentile ("P50") of the selected external comparator organizations. P50 (also known as the median or midpoint) is the middle value of a series of values laid out in numerical order. This framework ensures that salaries for Board executives will not exceed the midpoint of the comparator group.

5.4 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.

6. Executive Accountability & Complexity Matrix

An Accountability & 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 - 7,070	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 Core Factor Matrix was applied to SMCDSB using data as of May 2017, with the following results:

Core Factor Dimension	SMCDSB Data	Matrix Level
Annual Operating Budget	\$254,874,652	Level 4
Number of Schools	51	Level 4
Student Enrolment	20,802	Level 4
Number of FTE Teachers	1,302.2	Level 4
Number of Superintendents	8	Level 4

Based on this information, the Core Factor analysis strongly suggests SMCDSB placement within the Executive Accountability & Complexity Matrix at Level 4

In addition to the five Core Factors identified above, SCMDSB reviewed the two Non-Core Factors within the Matrix that may be used to justify a modification in the Core Factor level. A description of each Non-Core Factor and its application to SMCDSB is provided. The table below presents the two Non-Core factors that were 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 bands or other community partners within a board's geography/mandate; and the added diversity and complexities that can be associated with multiple First Nations' and/or community partnerships.

1. Geographic Complexity: SMCDSB's service area encompasses a total of 29 municipalities covering 10,640 km². Geographically, it is the 12th largest school board in Ontario (Source: Trustee Determination and Distribution Guide for Ontario District School Boards 2014). As a result, Board executives are required to manage and foster positive working relationships with a large and complex web of government entities / community groups, while navigating the diverse needs of its urban/rural populations from various socio-economic and cultural backgrounds.

2. Community Partnerships: SMCDSB's service area contains 4 distinct FNMI communities: Wasauksing First Nation, Magnetawan First Nation, Rama First Nation, and Beausoleil First Nation, with the Board managing ongoing Education Services Agreements with the latter two groups. SMCDSB estimates that there are 1,200 enrolled FNMI students (approximately 6%) within the student population. In recent years, migratory trends have also created a small, but rapidly growing, Inuit population within the Huntsville, Orillia, and Barrie schools. The district is also experiencing rapid growth in its immigrant population, particularly in the southern regions. This diversity, which is viewed as a strength within the schools, adds layers of complexity to the leadership of the Board, as executives must navigate the demands of a complex web of cultural and language traditions.

Conclusion: These substantive Non-Core Factors solidify the placement of SMCDSB into Level 4 within the Executive Accountability & Complexity Matrix. However, the Board does not, at this time, view these factors to be of adequate significance to justify an increase in the Level 4 Core Factor ranking.

7. 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 nine comparators for each school board level and a total of 41 comparators, with a 75% weighting on education-focused organizations. While all 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 Level 4. 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	Level 4 External Comparators
Education (N = 7)	Niagara College St. Clair College University of Windsor Windsor-Essex Catholic District School Board Education Quality and Accountability Office Ontario Educational Communications Authority Ontario French Language Educational Communications Authority
Broader Public Sector (N = 2)	Region of Halton Ontario Government Executive

8. 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, 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 a minimum 10% differential between the executive minimum and the maximum Principal salaries. As a result, the Executive Compensation Framework will 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

SMCDSB is accountable for determining the appropriate placement of 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 SMCDSB:

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

Please note most of the executives at SMCDSB will be paid below the maximum pay rates at the end of this 3-year Executive Compensation Program.

9. 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 SMCDSB and the maximum rate of increase.

Envelope	Maximum Rate of Increase
\$1,338,331	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 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	<p>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 maximum rate of increase will allow SMCDSB to balance these issues in keeping with Government’s priorities. It must be noted that in each of the last three school years, SMCDSB has under-spent Grant for Student Needs (“GSN”) allowances for the administration of the Board:</p> <ul style="list-style-type: none"> • 2013-14 the GSN administration budget was under-spent by \$453,481. • 2014-15 the GSN administration budget was under-spent by \$1,299,083. • 2015-16 the GSN administration budget was under-spent by \$451,683.
Recent Executive Compensation Trends	<p>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:</p> <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 SMCDSB and its Comparators	<p>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.</p>

Factor	Maximum Rate of Increase
<p>The Effect on the Ability to Attract and Retain Talent</p>	<p>SMCDSB is concerned in its ongoing ability to attract and retain executive talent. With the implementation of the new Mercer Framework across the Education Sector, the coterminous board in Simcoe County will be at Salary Level Five as compared to SMCDSB at Level Four. Therefore, although executive candidates live and work in the same community, they will have the opportunity to earn approximately 5%-8% more (depending on role) working for the public school board. The Mercer Framework will thereby perpetuate the inequity between the public and catholic school boards in Simcoe County. Furthermore, 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. Wage differentiation between the Supervisory Officer and Principal job classes has been a chronic problem at SMCDSB. From 2004 to 2018, the value of the wage gap between new Supervisory Officers and established Principals has decreased from 12.2% to 4.7%. This salary compression creates difficulties in attracting the best Principals to become Supervisory Officers, whether recruiting from inside or outside of SMCDSB, as the financial incentive involved in becoming a Supervisory Officer does not adequately compensate the individual for additional responsibilities, personal liabilities, stresses, work hours, and a significant reduction in Personal Time-Off ("PTO"). Given the current demographic profile of the ELC Team, and the corresponding need to replace retiring executives, concerns regarding the negative effects associated with salary compression are expected to intensify in the next 3 to 5 years. Looking forward, SMCDSB plans to re-establish an appropriate salary differential between Principals and senior leaders by implementing an executive compensation structure based on the "P50 comparator" Mercer Framework.</p>
<p>Any Significant Expansion that is Not a Result of Restructuring</p>	<p>There are no current considerations with regard to this factor.</p>