

ISSUE NOTE

Issue:

- Chief Executive Officer (CEO)/President compensation disclosure at public post secondary institutions.

Background:

- The CEO Compensation Framework currently in effect was approved by Government in 2007 to introduce maximum compensation amounts for CEOs of public sector organizations including Presidents of public post secondary institutions.
- Total compensation for Presidents of colleges, small institutes and (then) university colleges was established at s. 17 ; Thompson Rivers University and Royal Roads University at s. 17 ; British Columbia Institute of Technology and University of Northern British Columbia at s. 17 ; and research universities at s. 17 . Total compensation amounts include base salary, benefits, employer pension contributions, bonus and incentive payments, severance, vacation payouts and retirement allowances.
- In November 2008, an increase from s. 17 was approved for the Presidents of the five new teaching universities.
- In 2008 new disclosure rules were also introduced that require public sector organizations including public post-secondary institutions to disclose total compensation paid to CEOs (including Presidents) and the next four highest paid executives paid over \$125,000 in base salary.
- The Presidents of three of the research universities in British Columbia were among the highest paid executives in the province in 2011/12 (Professor Stephen Toohe, President of the University of BC: \$580,978; Dr. David Turpin, President of the University of Victoria \$504,114; and Andrew Petter, President of Simon Fraser University \$490,162).
- In July 2012, the government established new policy on executive compensation in Crown corporations that included a salary freeze on executive salaries, phasing out of bonuses and incentive pay, and new requirements on travel expenses and vehicle allowances. In September 2012 the salary freeze was extended to all public sector management.



April 2013

-

Not Responsive

Decision required:

- **This is a 90-day issue. There is no decision required at this time but issues management may be necessary at time of next disclosure (with release of Public Accounts).**

DRAFT

Executive Compensation

KEY MESSAGES

- In 2007 Government established a Framework of maximum compensation levels for Chief Executive Officers in the public sector (including Presidents in the public post-secondary institutions) and new standards for disclosure of executive pay.
- Together with the freeze on salaries for public sector management introduced this fall, these measures ensure that government is exercising fiscal prudence for Chief Executive Officer and executive compensation in the face of continued global economic uncertainty.

KEY POINTS AND BACKGROUND

- In 2007 a Chief Executive Officer Compensation Framework was put in place to introduce maximum total compensation for Chief Executive Officers of public sector employers. This includes presidents of post-secondary institutions

Not Responsive

Not Responsive

Maximum total compensation for presidents is

s. 17

s. 17

- In 2008 disclosure rules were introduced that require public sector employers to disclose total compensation paid to Chief Executive Officers and the next four highest paid executives earning over \$125,000 in base salary.
- In July 2012, the government established new policy on executive compensation in Crown corporations including a salary freeze on executive salaries, phase-out of bonuses and incentive pay, and new requirements on travel expenses and vehicle allowances. This did not include public post-secondary institutions, but institutions were asked to consider the policy when establishing compensation plans. In September 2012 the salary freeze was extended to all public sector management including management in post-secondary institutions.

- Post-secondary institutions have been criticized in the media recently for high compensation levels of some employees. The presidents of three of the research universities were among the highest paid executives in 2011/12 (Stephen Toope, University of British Columbia: \$580,978; David Turpin, University of Victoria \$504,114; and Andrew Petter, Simon Fraser University \$490,162). Note: Professor Toope and Dr. Turpin's compensation were red-circled as these contracts were established before the Framework came into effect. In 2012/13, total compensation for the three university presidents did not change significantly, with Stephen Toope earning \$582,860; David Turpin earning \$505,104; and Andrew Petter earning \$480,520.

-

Not Responsive

- There were 11,891 employees earning over \$75,000 at the universities and colleges in 2011/12. Ministry staff compared remuneration at a small sample of institutions for 2011/12 versus 2007/08 which showed that the proportion of employees within remuneration ranges has changed little over the last five years. For example, at the University of British Columbia in 2007/08: 4% made over \$250,000; 23% earned between \$150,000 and \$250,000; and the vast majority at 73% earned under \$150,000. By 2011/12 these proportions had not changed significantly: at the University of British Columbia, 5% earned over \$250,000; 28% earned between \$150,000 and \$250,000; and 67% earned under \$150,000.

CEO and Executive Compensation

KEY MESSAGES

- In 2007 Government established a Framework of maximum compensation levels for Chief Executive Officers (CEOs) in the public sector (including Presidents in the public post-secondary institutions) and new standards for disclosure of executive pay.
- Together with the freeze on salaries for public sector management introduced this fall, these measures ensure that government is exercising fiscal prudence for CEO and executive compensation in the face of continued global economic uncertainty.

KEY POINTS AND BACKGROUND

- The Chief Executive Officer Compensation Framework currently in effect was approved by Cabinet in 2007 to introduce maximum compensation amounts (caps) for CEOs of public sector corporations and Presidents of public post secondary institutions.
- Total compensation for Presidents of colleges, small institutes and (then) university colleges was established at s. 17 ; Thompson Rivers University (TRU) and Royal Roads University (RRU) at s. 17 ; British Columbia Institute of Technology and University of Northern British Columbia at s. 17 ; and research universities at s. 17 . Total compensation amounts include base salary, benefits, employer pension contributions, bonus and incentive payments, severance, vacation payouts, and retirement allowances.
- In November 2008, an increase from s. 17 was approved for the Presidents of the five new teaching universities.
- In July 2012 the government established new policy on executive compensation in Crown corporations that included a salary freeze on executive salaries, phasing out of bonuses and incentive pay, and new requirements on travel expenses and vehicle allowances. In September 2012 the salary freeze was extended to all public sector management.
-

Not Responsive

Not Responsive

APPENDIX 1: Annual Total Compensation of Presidents of Public Post-secondary Institutions.

Presidents of Post-Secondary Institutions - Annual Total Compensation

January 2013

Index	Institution	Cap	President	2008/09	2009/10	2010/11	2011/12
1.	CAM		Dr. Kathryn Laurin	\$199,934	\$163,309	\$201,593	\$202,704
2.	CNC		Mr. John Bowman	\$193,203	\$196,273	\$196,516	\$196,790
3.	COTR		Dr. Nick Rubidge - Retiring as of July 1, 2013	\$199,873	\$181,144	\$199,693	\$200,748
4.	DOUG		Dr. Scott McAlpine	\$199,999	\$129,459	\$201,052	\$201,501
5.	JIBC		Mr. Jack McGee - Retiring as of Sept 30, 2012 Dr. Michel Targo - Starts Oct 1, 2012	\$197,554	\$198,332	\$199,628	\$200,199
6.	LANG		David Ross - Ends Mar 18, 2013	\$200,923	\$200,923	\$202,054	\$215,858
7.	NVIT		Mr. Casey Sheridan - Outgoing - Ends Sept 30, 2010 Mr. Ken Tourand - Incoming - Starts Oct 1, 2010	\$183,247	\$171,405	\$156,357	\$171,271
8.	NIC		Dr. Janis E. Lindsay - Retiring May 31, 2013	\$197,604	\$120,125	\$199,602	\$199,492
9.	NLC		Jean D. Valgardson - Outgoing - Ends Jan 28, 2011 Laurie Rancourt - Incoming - Starts Feb 21, 2011	\$163,926	\$168,292	\$235,493 \$20,323	\$195,611
10.	NWCC		Stephanie Forsyth - Outgoing - Ends Sept 2010 Cathay Sousa - Interim - Sept 2010 - Feb 2011 Dr. Denise Henning - Incoming - Starts Mar 1, 2011	\$184,747	\$184,747	\$169,401 \$184,747	\$192,488
11.	OKAN		Mr. Jim Hamilton	\$203,537	\$203,538	\$211,879	\$220,220
12.	SEL		Ms. Marilyn Luscombe - Outgoing - Ends Dec 31, 2010 Angus Graeme - Incoming - Starts Jan 1, 2011	\$198,646	\$198,927	\$156,186	\$193,769
13.	VCC		Dale Dorn - Outgoing - Ends Aug 2009 Peter Legg - Interim - May 5, 2009 Kathy Kinloch - Incoming - Mar 15, 2010	\$252,700 \$226,456	\$199,965	\$205,320	\$227,068
14.	CAPU		Dr. Greg Lee - Outgoing - Ends Jul 31, 2010 Dr. Kris Bulcroft - Incoming - Starts Aug 1, 2010	\$209,948	\$225,000	\$75,000 \$157,349	\$228,440
15.	ECUAD		Dr. Ron Burnett	\$249,259	\$249,933	\$247,617	\$240,462
16.	KWAN		Dr. David Atkinson - Outgoing - Ends June 30, 2011 Dr. John McKendry - Interim - Starts July 1, 2011 Dr. Alan Davis - Starts Sept 1, 2012	\$224,999	\$256,719	\$250,984	\$225,995
17.	RRU		Dr. Alan R. Cahoon	\$287,952	\$287,952	\$324,117	\$322,679
18.	TRU		Dr. Kathleen Scherf - Outgoing - Ends Sept 14, 2009 Dr. Roger Barnsley - Interim - Starts Sept 14, 2009 Dr. Alan Shaver - Incoming - Starts Dec 1, 2010	\$269,820	\$225,000	\$136,260	\$227,955
19.	UFV		Dr. Mark Evered	\$224,976	\$200,611	\$234,386	\$234,514
20.	VIU		Dr. Ralph Nilson	\$232,746	\$232,746	\$239,489	\$238,764
21.	BCIT		Dr. Donald Wright	\$301,290	\$301,290	\$301,700	\$301,685
22.	UNBC		Dr. George Iwana	\$300,000	\$277,366	\$320,116	\$300,533
23.	SFU		Dr. Michael Stevenson Andrew Petter - Incoming - Starts Sept 1, 2010	\$479,833	\$468,499	\$286,417	\$490,162
24.	UBC		Prof Stephen Toope	\$579,332	\$579,332	\$581,378	\$580,978
25.	UVIC		Dr. David Turpin	\$479,163	\$479,163	\$494,809	\$504,114

Source: Employment contract costing and Disclosure statements.

s. 17

From: Rathbone, Chris PSEC:EX
Sent: Wednesday, March 26, 2014 1:18 PM
To: Umpherson, Rahel AVED:EX
Subject: RE: Hansard comments

Hi Rahel, below are our usual answers around questions about the CEO caps. In particular, Q5 would be useful, though they all provide useful context.

Hope this helps,

Chris

Chris Rathbone | Executive Director
Public Sector Employers' Council Secretariat | Province of BC
Phone: 250.356.0949 | Mobile: s. 17
email: chris.rathbone@gov.bc.ca

Q1. How were the total compensation limits for CEOs determined?

- Prior to setting the guidelines, comparative compensation information from external jurisdictions was compiled and government set these limits based on the unique circumstances and priorities in B.C.
- Within the framework, boards of directors negotiate compensation plans to support service delivery balanced with the need to allocate resources in the most efficient and effective way.

Q2. Who is responsible for determining how much money public-sector CEOs make?

- The boards of directors at public sector employers have responsibility for hiring CEOs, determining their compensation based on government's established framework.
- They are also responsible for monitoring the performance of CEOs and presidents.
- Government reviews their compensation plans to ensure Boards are accountable for their decisions and adhere to the guidelines.

Q3. Does government have guidelines for CEO compensation?

- Yes. Government does have guidelines to provide general parameters on CEO compensation to the boards of directors of public-sector organizations for compensation and perquisites paid to public-sector CEOs and presidents.
- The guidelines require public disclosure on all components of senior employees' total compensation, including the base salary, earned incentive payments, perquisites, employer-paid benefits, and pension contributions.
- It establishes a framework for maximum total compensation limits for the CEOs and presidents of the majority of public-sector employers, including Crown agencies, post-secondary institutions and health authorities. (These are not public, to avoid their becoming a floor in negotiations between boards and prospective CEOs.)
- The guidelines try to achieve the balance between being prudent with the public purse, while enabling organizations to recruit and retain the leadership required to deliver quality services effectively to the people of British Columbia.
- These guidelines were also praised in the Auditor General's report on executive compensation on Crown corporations that was released in November 2009.
- The guidelines are available on the PSEC website.

Q4. Doesn't that mean government sets CEO salaries?

- No, it only sets a maximum limit for total compensation.
- Within the framework, boards of directors negotiate compensation plans to support service delivery balanced with the need to allocate resources in the most efficient and effective way.
- Government approves those arrangements under the provisions of the Public Sector Employers Act.

Q5. Can I have a copy of the framework that shows the total compensation limits for public-sector CEOs? If B.C. is a leader in best practices and financial transparency, then this information should be freely available.

- No. The total compensation limits were disclosed by line ministers to the board chairs in confidence. Line ministers did this in order to allow boards to make responsible compensation decisions that are in the best interests of the public-sector organizations they serve.
- For these limits to be effective and not become compensation “floors”, they cannot be public information. This explanation was accepted by the Office of the Auditor General in its report on executive compensation.
- Boards of directors are responsible for negotiating compensation plans that support service delivery objectives and are balanced with the need to allocate resources in the most efficient and effective way.
- Boards report annually on the total compensation for their CEOs and next four highest ranking or paid senior employees who make more than \$125,000 in base salary annually. They’ve been doing so for four years now.
- This information is available on the websites of each public sector employer and there are links on the PSEC Secretariat’s website as well.

From: Umpherson, Rahel AVED:EX
Sent: March-20-14 3:38 PM
To: Rathbone, Chris PSEC:EX
Cc: West, Niya AVED:EX
Subject: Hansard comments

Hi Chris, thank you for your advice on how to respond to Mr. Eby’s request. As discussed, below please find the exchange verbatim from Hansard.

Wed, March 5, 2014 – Committee A Estimates for AVED:

- David Eby, Opposition Critic: “Does this budget, in setting the global payment amounts for universities and colleges, rely on salary caps for senior administrators, sometimes called excluded staff, at universities and colleges? And if so, what are the current salary caps for schools in BC?”
- Hon. A. Virk: “There is not a cap for all types of executive compensation, for all employment types. It’s only for CEOs of the public post-secondary universities. We will provide the specific caps, because we do have a variety of different universities, institutions and colleges. We will forward that to the member.”

Thank you,

=====

Rahel Umpherson
 Strategic Policy and Planning Branch
 Ministry of Advanced Education

Phone: 250.387.6150
 Cell: 250.387.6150
 Email: Rahel.Umpherson@gov.bc.ca

=====

ADVICE TO MINISTER

CONFIDENTIAL ISSUES NOTE

Ministry: Advanced Education

Date: July 17, 2013

Minister Responsible: Amrik Virk

Public Post-Secondary Executive Compensation

ADVICE AND RECOMMENDED RESPONSE:

- We have a world-class post-secondary education system in British Columbia.
- B.C.'s public post-secondary presidents are leading large, complex institutions with thousands of employees responsible for delivering post-secondary education in British Columbia.
- Our post-secondary system is one of the best in the world and it requires strong leadership to ensure British Columbia's students continue to receive the high-quality education this province is known for world-wide.

SECONDARY MESSAGES:

- All public post-secondary institutions are meeting obligations by disclosing total compensation paid to chief executive officers and the next four highest paid executives earning over \$125,000 in base salary on their websites and more broadly on government's website.
- The disclosure includes total base salary, employer pension contributions, benefits, bonuses or incentives, severance, vacation payouts, and all other compensation, which may include retirement allowances.
- Since 2001, B.C. has made significant improvements to transparency and disclosure executive compensation and as a result B.C. has become a leader in best practice in Canada.
- The boards' compensation decisions reflect the challenges associated with attracting and retaining exemplary administrators and must align with the compensation framework and legislation established by government.

BACKGROUND REGARDING THE ISSUE:

- This is the second year that shows three research university presidents in the top 10 at a time when universities are allowed to raise tuition though lifts remain capped at two per cent. The top 10 is provided to media and this is the second year that the base salary and total compensation will be provided in machine-readable format through the open data initiative with a link to the statements' page and is part of the Open Government agenda.
- UBC's president is ranked second, UVic's president is ranked fifth and SFU's president is ranked seventh.
- UBC president Stephen Toope's compensation is up by 0.3 per cent due to very minor changes to benefit and pension costs, and a small difference in the valuation of his housing benefit. Retiring UVic president, David Turpin's is up by 0.2 per cent, and SFU's president, Andrew Petter is down by two per

cent. These fluctuations in compensation are all explained by paid leave and common housing provisions in their contracts.

Employer	Rank	Position/Title	Salary	Bonus	Benefits	Pension	All Other Comp	Total Compensation	
								2012/13	2012/2011
Not Responsive									
University of British Columbia	2	Stephen Toope, President & Vice Chancellor	\$ 378,000	\$ 50,000	\$ 85,857	\$ 8,969	\$ 60,035	\$ 582,860	\$ 580,978
Not Responsive									
University of Victoria	5	David Turpin, President & Vice Chancellor	\$ 373,700	\$ 56,055	\$ 46,639	\$ 8,093	\$ 20,617	\$ 505,104	\$ 504,114
Not Responsive									
Simon Fraser University	7	Andrew Petter, President and Vice-Chancellor	\$ 328,870	\$ 33,000	\$ 32,468	\$ 13,331	\$ 72,851	\$ 480,520	\$ 490,162
Not Responsive									

Post-secondary compensation general:

- Public post-secondary boards of governors are responsible for determining appropriate compensation for their presidents and senior executives.
- Compensation plans must be within the framework established by government and be approved by the Minister responsible for the Public Sector Employers Act.
- Each disclosure statement includes base salary, bonuses, incentive pay, pension, all other compensation and the total compensation paid for the two previous years, as well as the institution's compensation philosophy, what it is designed to reward, and how any incentive payments relate to the institution's performance targets.
- When setting salary levels for presidents, the boards consider a number of factors, including:
 - Compensation of current and/or recent senior staff
 - Guidelines established by government
 - The designates' current compensation
 - Market survey information from other comparable post-secondary institutions.
 - Other factors that may be relevant to the specific position.

Note: The total compensation range for post-secondary institution presidents ranges from a high of \$582,000 for Stephen Toope at UBC, to a low of \$175,993 for Ken Tourand at the Nicola Valley Institute of Technology.

Top 10 post-sec salaries: (For Jai Parihar, change from 2011/12 is due to a 3.1% increase in salary and a full year of employment. For David Farrar, this year-over-year increase is due to a salary increase upon contract renewal. Note: These increases occurred prior to the September 2012 excluded management salary freeze.

Name	Title / position	Institution	2011/12	2012-13 total compensation
Stephen Toope	Pres & vice-chancellor	University of British Columbia	\$580,978	\$582,860
David Turpin	pres & vice-chancellor	University of Victoria	\$504,114	\$505,104
Andrew Petter	Pres & vice-chancellor	Simon Fraser University	\$490,162	\$480,520
Al Poettcker	UBC Properties President & CEO	University of British Columbia	\$417,990	\$420,897
Jai Parihar	UBC Investment Mgmt President & CEO	University of British Columbia	\$301,445	\$410,825
Paul Winwood	Vice-provost, medicine	University of Northern BC	n/a	\$390,675
David Farrar	Provost & VP academic	University of British Columbia	\$359,814	\$378,354
Reeta Tremblay	VP academic & provost	University of Victoria		\$349,629

ADVICE TO MINISTER

Pierre Ouillet	VP finance, resources & operations	University of British Columbia	\$347,552	\$335,343
Allan Cahoon	pres & vice-chancellor	Royal Roads University	\$322,679	\$327,899
Barbara Miles	VP development & alumni engagement	University of British Columbia	n/a	\$322,404
John Hepburn	VP research & international	University of British Columbia	\$311,046	\$311,291

Incentive Bonuses:

Bonuses paid to public sector executives have been the source of considerable media attention in recent months.

In the B.C.'s public PSE system, performance or incentive bonuses were paid for 2011-12 to presidents at UBC and SFU, to the president and three vice-presidents at UNBC, UVic and RRU, and to two vice-presidents at VCC. Two vice-presidents at UBC Properties Investment Ltd. also received bonuses. The amounts of the incentive bonuses are part of the total compensation packages disclosed. Performance that triggers these payments is described in disclosure statements/ compensation reports.

In the case of UBC, the president's 2011-12 incentive payment was based, in part, on achievement of 2010-11 goals, as described in detail in the University's disclosure statement. In the case of UBC Properties Investment Ltd, the annual bonus payment is based on project performance (e.g. completion of projects on time and on budget, etc.)

Communications Contact: Dan Gilmore 952-6400
 Program Area Contact: Kindree Draper 356-5639
 File Created:
 File Updated:
 File Location: Operations/Issue Notes

Minister's Office	Program Area	Deputy	Communications Director / Manager
		ADM IR	Rodney Porter

New Policy on Executive Compensation in Crown Corporations (introduced July 25, 2012)		Is JIBC employment contract consistent with new Crown corporation policy?	
		Y/N	Description
1.	Immediate freeze of compensation for all current Crown corporation executives	Yes	The contract for the new President is expected to cost \$198,969 per annum and the annual compensation for the outgoing President in 2011/12 was \$200,192.
2.	Bonuses will be phased out and replaced with a non-pensionable holdback of up to 20 percent, tied to financial and business results	Yes	No senior executives at JIBC receive bonuses.
3.	New senior executives recruited at a salary 10 percent less than the incumbent	N/A	This is a requirement specific to senior executives at Crown corporations.
4.	Executives should earn no more than 85 percent of the CEO salary	N/A	Approval of the new JIBC President contract is not incongruent with this policy. In 2011/12, the salary of the VP Academic position was 78 percent of the President's base salary, and the salary of the VP Finance and Administration was 80 percent of the President's base salary.
5.	Incentive pay will be phased out for new non-executive staff, except where established through collective bargaining.	N/A	Approval of the new JIBC President contract is not incongruent with this policy.
6.	Crown executives are restricted to the same travel expense reimbursement policy as government executives.	Not clear	The new contract does allow for the President to be reimbursed for all authorized travelling and other out-of-pocket expenses incurred while carrying out the duties of President – and in accordance with the Institute's policies (section 8.1). <i>Note: am consulting with Corporate Finance staff on this question.</i>
7.	A vehicle allowance where required for business is the only permissible perquisite. Any other perquisites now in place will be phased out.	Yes	The only perquisite included for the President is a monthly car allowance of \$530 per month. The previous President had a paid health club membership that has not been offered to the incoming President.

Prepared: August 17, 2012

Human Capital and Sector Labour Relations Branch