



# **PROPOSED EXECUTIVE COMPENSATION PROGRAM FOR DURHAM CATHOLIC DISTRICT SCHOOL BOARD**

**SEPTEMBER 29, 2017**

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## Cover Letter

Dear 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 Durham Catholic District School 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 proposed 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 proposed 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 proposed 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 proposed Executive Compensation Program include:

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

As part of the Government Regulations, all Ontario broader public sector employers are required to conduct a 30-day public consultation on their proposed Executive Compensation Program. Following consultation and review of the input, the final Executive Compensation Program will be posted. If you have feedback on the Program please email John Rinella, Chair of the Board at [executivecompensationprogram@dcdsb.ca](mailto:executivecompensationprogram@dcdsb.ca). We will be accepting public input until thirty (30) days from the date this program is posted on our website. All feedback is appreciated and will be kept on record.

Thank you,  
John Rinella, Chair of the Board

## 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 proposed 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”); and
- Public Council of Ontario Directors of Education (“PCODE”).

The school boards across the province and our Board, the Durham Catholic District School Board, 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 proposed 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 the Durham Catholic District School Board, the proposed Executive Compensation Program applies to the following designated executives:

<b>Designated Executive</b>	<b>Executive Class</b>
Director of Education	Director of Education
Superintendent of Business Services and Chief Financial Officer	Supervisory Officer
Superintendent of Education – Student Achievement, School Effectiveness and Leadership Development	Supervisory Officer
Superintendent of Education – Student Success and Alternative Education	Supervisory Officer
Superintendent of Education – Faith Formation, Continuing Education, Parent and Community Engagement	Supervisory Officer
Superintendent of Education – Teaching and Learning Services, Early Years, Indigenous Education, Arts & Media Program	Supervisory Officer
Superintendent of Education – Special Education, Student Services, Safe Schools, Equity and Inclusive Education	Supervisory Officer
Superintendent - Facilities Services	Supervisory Officer
Superintendent - Human Resources/ Administrative Services and International Education	Supervisory Officer
Chief Information Officer	Executive
Legal Counsel	Executive

## Key Considerations

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

- The need for 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 over a 5% change 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; in particular, between the Durham Catholic District School Board, the Durham District School Board, and other Level Four 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

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## 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 sectoral proposed Executive Compensation Program.

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 proposed Executive Compensation Philosophy through experiences from the Steering Committee as well as past recruitment practices
5. Development of a consensus-based proposed Executive Compensation Framework, using common compensation design practices and constructs

## 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 proposed 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.

## **Compensation Elements (cont'd)**

**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.

**Allowances:** The Durham Catholic District School Board proposes to maintain the existing annual vehicle allowance paid to designated executives. Pursuant to the Terms and Conditions of Employment for Middle Management staff these allowances are provided to non-executive managers in generally the same manner and relative amount. Moreover, the various Collective Agreements with the Board's bargaining units contain contract provisions which provide for vehicle allowances for unionized staff. Furthermore, all employees of the Durham Catholic District School Board are eligible to claim mileage in accordance with Board Policy. However, designated executives in receipt of vehicle allowances are not eligible to claim mileage for travel within Durham Region. Designated executives are charged under the *Education Act* to maintain a significant presence in schools, facilities and in partnership with community stakeholders within a supervisory capacity to ensure the effective implementation of the Board's Strategic Plan (*Discovery 2020*) and monitor compliance of legislative obligations. Vehicle allowances are required for performance of the executive's professional duties and responsibilities. That is, designated executives of the Durham Catholic District School Board are required, in the performance of their duties and employment responsibilities, to utilize their personal vehicles to attend meetings and events within and outside Durham Region at schools, Ministry of Education, community stakeholders and other external organizations. A further consideration is that the geographic area covered by the Durham Catholic District School Board is quite large wherein designated executives are travelling to schools on a regular basis. Therefore maintaining a vehicle and providing a vehicle allowance is required for the performance of the executive's duties and functions.

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## 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 - 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 may 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 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.

Based on the Accountability and Complexity Matrix, our Board is a level 4 board.

## Proposed 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 proposed comparator organizations was 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 an approximate 78% weighting on education-focused organizations. While of the factors outlined above are important, size is a key consideration when doing compensation comparisons and was used in the selection of all comparators.

The table below outlines the 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 proposed Framework. Each school board was compared to every other school board through the Executive Accountability & Complexity Matrix.

Market Segment	Level 4 External Comparators (N=9)
Education (N = 7)	Windsor-Essex Catholic District School Board
	University of Windsor
	Niagara College
	St. Clair College
	Education Quality and Accountability Office (EQAO)
	Ontario Educational Communications Authority
	The Ontario French Language Educational Communications Authority
Broader Public Sector (N = 2)	Ontario Government Executive
	Region of Halton

## Proposed Executive Compensation Framework

The proposed 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 proposed external comparators identified in section 7, Potential Comparator Organizations.

The base salary range maximums are less than the 50<sup>th</sup> 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 proposed 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 2017-18 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 proposed 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
<b>Directors</b>	\$166 - \$198	\$176 - \$218	\$192 - \$237	\$208 - \$257	\$224 - \$277	\$239 - \$296	\$255 - \$316
<b>Associate Directors</b>	\$158 - \$166	\$167 - \$176	\$183 - \$192	\$198 - \$208	\$213 - \$224	\$228 - \$239	\$243 - \$255
<b>Executives</b>	\$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 and Executive base salary ranges for Level 4 school boards, including our Board:

<b>Director of Education</b>	\$208 - \$257
<b>Associate Director</b>	\$198 - \$208
<b>Executives</b>	\$140 - \$185

## Executive Pay Envelope and Proposed 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 current pay envelope at the Durham Catholic District School Board and the proposed maximum rate of increase.

Envelope	Proposed Maximum Rate of Increase
\$1,742,646.00	5.0%

Actual annual increases paid to executives may be less than the proposed maximum rate of increase and individuals may receive more or less than the proposed 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 proposed maximum rate of increase relative to the factors outlined in the Government Regulations.

Factor	Proposed 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.</p> <p>The proposed rate of increase is consistent with, and reasonable in comparison to salary adjustments within the education sector, the Board administration funding envelope, overall operating budget and the Canadian Price Index and inflation rate.</p>

	<p>The proposed increase also fits into the Leadership Framework for system leaders and goes to support the effective practices of strong school district leaders. The proposed increase is also in line with negotiated settlements within the BPS, the CPI and inflation rate. In short, this increase is a balanced and reasonable approach between appropriately and properly compensating designated executive for their scope of professional responsibilities and ensuring that the pay envelope for designated executives reflects a reasonable percentage of the Board's overall operating budget.</p>
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"> <li>- Canadian broader public sector average executive compensation increases are projected to be 2.6%; and,</li> <li>- Canadian services (non-financial) average executive compensation increases are projected to be 2.8%.</li> </ul>
Comparison of Percentage of Operating Budget for Executive Salaries between our Board 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.</p>
The Effect on the Ability to Attract and Retain Talent	<p>The school boards have difficulty attracting and retaining executive talent as school administrators and teachers salaries continued to increase, resulting in significant salary compression. The proposed 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 proposed 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.</p> <p>Under the Ontario Leadership Framework and the Board's Strategic Plan, Discovery 2020, school boards require highly skilled, principled and qualified system leaders to appropriately lead, manage and be accountable for such complex, multi-faceted organizations in a manner which ensures enhanced public confidence. Significant educational credentials including a Masters Degree is required to be hired, and work as, a supervisory officer. School system leaders must be highly competent in working collaboratively with a variety of diverse and</p>

	<p>unique stakeholders, including trustees, parents, community agencies and various levels of governments, so as to make informed decisions in the best interests of students entrusted to our care.</p> <p>Historically, Directors of Education and academic Supervisory Officers are generally recruited from within the hiring school board or other school boards. Business Supervisory Officers and other designated executives may be hired more often from other BPS employers or the private sector based on their professional background, expertise and training. Over the last several years, it has become increasingly challenging for school boards to attract and retain executives due to the compensation compression directly related to the combination of compensation freeze for designated executives and the collectively bargained salary increases for teachers, vice principals and principals. Salary compression from provincially-negotiated increases for all employee groups, including Principals, has produced a significant reduction in the overall differential between the maximum salaries of school principals and senior non-executive managers in comparison to the position of Supervisory Officer.</p>
Any Significant Expansion that is Not a Result of Restructuring	Not applicable.