

Wilfrid Laurier University Executive Compensation Program

Background

The Broader Public Sector Executive Compensation Act, 2014 (BPSECA) was proclaimed into force in March 2015. The purpose of this legislation is to manage executive compensation in the Broader Public Sector (BPS) by authorizing the government to establish compensation frameworks applicable to designated employers (including universities) and their designated executives. The legislation authorizes the government to establish frameworks to set out requirements that all designated employers must follow for establishing and posting executive compensation programs. According to government, the development of the framework was guided by the principles of standardization, balance, and transparency. These principles aim to ensure there is a consistent and evidence-based approach to setting compensation levels for BPS executives, that there is a balance between managing compensation costs while allowing employers to attract and retain the necessary talent, and that there is transparency in how executive compensation decisions are made through public consultation and posting.

Following consultation with multiple stakeholders in the BPS, in 2016 the Province introduced Ontario Regulation 304/16 in support of the BPSECA, effective September 6, 2016. The Province updated its approach through amendments to the Regulation and the issuance of the BPS Executive Compensation Program Directive on June 9, 2017. The Regulation and Directive set out the details and implementation timelines for executive compensation programs for all employers within the BPS.

The Regulation states that all BPS employers must submit a draft program to the overseeing ministry by September 29, 2017. The Program must be compliant and describe the compensation that may be provided to designated executives including a compensation philosophy, salary and performance related pay caps, comparative analysis details including comparator organizations

used to calculate pay caps, the maximum rate of increase to the salary and performance related pay envelope, and other elements of compensation.

Following review and approval by the overseeing ministry, the draft Program must be posted on the employer's public-facing website for 30 days to allow a reasonable opportunity for members of the public to provide comment and feedback. The Employer will consider the public feedback in finalizing the program, and seek approval of the final program from the organization's board of governors and the overseeing ministry. Once all requirements set out in the framework are met, the final executive compensation program must be posted on the employer's website and will then take effect.

Upon the date that the employer's Program becomes effective, it will apply to all current and future designated executives. There is a three-year transition period during which all designated executives must transition to the Program if their current compensation package is not compliant on the effective date. On the date that the final Program is publicly posted, university employees other than designated executives who were subject to previous legislative constraints on compensation will no longer be subject to such constraints.

The requirements of the BPSECA and the Regulation have been carefully considered by the WLU's Human Resource Compensation Subcommittee and the Board of Governors. The Program set out below has been developed to ensure that Wilfrid Laurier University is compliant with these requirements.

Designated Executive Positions

The following executive positions at Wilfrid Laurier University have been determined to be designated executive positions in accordance with the Regulation:

- President and Vice-Chancellor
- Provost and Vice-President Academic
- Vice-President Finance and Administration
- Vice-President Research
- Vice-President Student Affairs
- Vice-President Development and Alumni Relations
- Senior Executive Officer, University External Relations and Brantford Campus

On the effective date of the Program, the framework will apply to all designated executives holding the above listed positions, as well as new designated executive who may assume those positions in the future. Incumbents employed prior to the effective date are provided with a three year transition period from the effective date if elements of their existing compensation program are not compliant with the new program. After the three years transition period, all aspects of compensation must be adjusted or rolled back to be compliant. New incumbents hired on or after the effective date will be immediately subject to the terms of the Program.

Laurier's Executive Compensation Philosophy

The goal of Wilfrid Laurier University is to provide a competitive, fair and equitable total compensation program for its executives with a focus on pay for performance. The compensation Program, within the limitations of the Regulations, is designed to attract, retain and motivate highest quality executives where pay is aligned with the relevant market and linked to successful performance and demonstration of leadership behaviours which model the University's values, strategic goals and institutional priorities.

The following principles will guide Executive Compensation at Wilfrid Laurier University:

- **External Market Competitiveness:** Executive positions will be compensated at a level comparable to other Canadian universities that are similar to Laurier in terms of roles, scope of responsibility, mandates, size, complexity, and geographic location.
- **Pay for Performance:** Executive performance will be reviewed and measured annually. Annual performance pay will be directly aligned with the level of performance achieved in support of the previously agreed upon strategic goals and priorities.
- **Internal Equity:** Compensation levels of non-executive managers will be considered when establishing executive compensation levels to ensure appropriate differentials are maintained. Compensation of designated executives with academic appointments will reflect the underlying academic compensation model.
- **Accountability and Transparency:** The Executive Compensation Program must balance affordability with the ability to remain competitive and attract and retain the executive talent necessary to deliver upon strategic priorities. The Program will outline the design of various executive pay components and support transparency through public consultation and posting.

Ineligible Types of Compensation

The following types of compensation are not eligible according to the Regulation:

- payments or other benefits provided in lieu of perquisites
- signing bonuses
- retention bonuses
- cash housing allowances
- insured benefits not generally provided to non-executive managers
- termination pay, including pay in lieu of notice of termination and severance pay, in excess of 24 months' base salary
- termination or severance pay provided in the event of termination for cause
- paid administrative leave, unless provided to the head of a college or university or another designated executive who is part of or will return to the faculty at a college or university
- paid administrative leave that accrues at a rate that exceeds 10.4 paid weeks per year
- payments in lieu of administrative leave

Salary and Performance Related Pay – Comparator Selection Rationale

For each designated executive position or class of designated executive positions, comparable positions must be identified from at least eight different organizations to benchmark salary and performance related pay. Comparable organizations are those that are similar to the employer with respect to three or more of the following factors:

- Scope of responsibilities of the organization's executives
- Type of operations the organization engages in
- Industries within which the organization competes for executives
- Size of the organization
- Location of the organization

The compensation of designated executives at Laurier has been determined through a benchmark analysis of appropriate comparable positions at comparator organizations.

A. Scope of Responsibilities of the Organization's Executives

For each designated executive position, an analysis was performed to identify an appropriate match position from comparator organizations based on the nature and scope of responsibility. If a direct match was not possible, the closest proxy match was used.

B. Types of Operations the Organization Engages In

All comparator organizations used to identify comparator positions fall within the Canadian university sector. Within the sector, the universities selected as comparators were, in the majority of cases, from among Canada's comprehensive group of universities.

C. Size, Complexity and Reputation of the Organization

Laurier's size and growth plans as a multi-campus, multi-community university, its complexity and status as a comprehensive university, and its strong reputation for providing holistic student development and an exceptional student experience were considered in determining the appropriate comparators.

D. Location of the Organization

The cities of Waterloo and Brantford are vibrant and growing communities. Waterloo has a strong technology presence, attracting executive level candidates from across the province and country. Laurier's Waterloo campus is located within walking distance of another major university, and a number of other universities are within a 30 - 45 minute commute. Close proximity to these other universities makes it important for Laurier to provide executive compensation programs that both attract and retain top talent. Laurier's plans to expand to a Milton campus will increase its competition for talent within the greater Toronto area.

Comparative Analysis Details

Designated employers are required to determine caps on salary and performance-related pay. Determining caps involves conducting a comparative analysis for each designated executive position or class of designated executive positions. Maximum compensation levels are determined by selecting a minimum of eight comparator organizations, and determining the 50th percentile of the comparator group. According to the Regulation, designated executives cannot be paid at a level greater than the 50th percentile of the relevant comparator group.

Comparative data was gathered using public sector salary disclosure information and a customized executive compensation survey sponsored by the Council of Ontario Universities and administered by Gallagher McDowall Associates.

The comparators used to benchmark salary and performance-related pay for each designated executive position or class of designated executive positions are as follows (more detail provided in Appendix A):

Designated Executive Positions	Number of Comparators	Comparator Selection – Canadian Universities
President and Vice-Chancellor Provost and Vice-President Academic Vice-President Research	10	Ryerson University, University of Waterloo, Carleton University, University of Guelph, Brock University, York University, McMaster University, Queen’s University, Western University, Windsor University (core comparator group)
Vice-President Finance and Administration	9	Ryerson University, University of Waterloo, Carleton University, University of Guelph, Brock University, York University, McMaster University, Queen’s University, Western University (no job match at Windsor)
Vice-President Development and Alumni Relations	8	Ryerson University, University of Waterloo, Carleton University, University of Guelph, York University, McMaster University, Queen’s University, Western University (no job match at Brock and Windsor)
Senior Executive Officer, University External Relations and Brantford Campus and Vice-President Student Affairs	9	Ryerson University, Carleton University, University of Guelph, York University, Queen’s University, MacEwan University, Simon Fraser University, University of Victoria, Mount Royal University

Rationale for Selected Comparator Organizations

Laurier recruits on a national level for executive talent. All comparator organizations used to identify comparator positions fall within the Canadian, and primarily the Ontario, university sector. Within the sector, the universities selected as comparators were, in the majority of cases, from among Canada's comprehensive group of universities. Universities falling under the comprehensive category conduct a significant amount of research and offer a wide range of undergraduate, graduate, and professional programs. These universities include, Ryerson University, Carleton University, University of Guelph, Brock University, York University, Windsor University, University of Victoria, Mount Royal and Simon Fraser University.

Comparators falling outside of the comprehensive group of universities were selected due to other comparable factors such as close geographic proximity to Laurier and the need to compete for talent in the local market, similar size and complexity of operations, and to establish an accurate benchmark for a particular executive position or class of positions with respect to scope of responsibility and essential skill competencies.

The Senior Executive Officer, University External Relations and Brantford Campus and the Vice-President Student Affairs positions do not have 8 direct comparators when considering the uniqueness of job responsibilities and scope, skill, competencies and the size and complexity of the organization. Laurier has a very intentional and strategic focus on the student experience, which has resulted in Laurier being recognized by Maclean's magazine as #1 in student satisfaction for the past two years. Based on this strategic focus, our head of Student Affairs is an elevated role within the University at the Vice-President level which requires a unique skill set and carries a high level of autonomy. In many Canadian universities, the head of student affairs is at an Assistant Vice-President level, without this same level of autonomy. The Senior Executive Officer, University External Relations and Brantford Campus is a blended portfolio of local campus senior leadership and University wide responsibility for External Relations. This unique blend results in an elevated level of responsibility and autonomy requiring a level of knowledge and skill comparable to that of the Vice-President Student Affairs. Due to the uniqueness of both these roles within the sector, and their comparable level of knowledge, skills and autonomy they have been grouped into one job class for the purposes of this compensation program.

Salary and Performance Related Pay Caps by Executive Position

To determine the salary and performance related pay caps, a comparative analysis must be performed for each designated executive position or class of positions using the selected comparators.

The analysis performed, as required by the Regulation, determined the amount of annual base salary and performance related pay available to the comparable positions from at least eight comparator organizations, and then determined the 50th percentile of the comparator total cash compensation values. The 50th percentile becomes the pay cap for each designated executive position.

Designated Executive Positions or Class of Positions	50 th Percentile of Comparator Group (Pay Cap)	Laurier Maximum Total Cash Compensation – Current Incumbent*
President and Vice-Chancellor	\$395,500	\$363,000
Provost and Vice-President Academic	\$302,500	\$297,000
Vice-President Research	\$280,000	\$253,000
Vice-President Finance and Administration	\$272,993	\$275,000
Vice-President Development and Alumni Relations	\$283,000	\$190,000 (based on 0.8 FTE, Acting Appointment)
Senior Executive Officer, University External Relations and Brantford Campus and	\$244,404	\$242,960 (Senior Executive Officer)

Vice-President Student Affairs		\$232,831 (Vice-President Student Affairs)
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* reflects the base salary plus the maximum potential lump sum performance pay for the current incumbent @ Sept 1, 2017

Employers may make annual adjustments to the salary and performance related pay caps after the compensation program has been in effect for at least one year. Such adjustments cannot exceed the lesser of the provincial public sector wage settlement trend and the average rate to increase in salary and performance related pay to non-executive managers.

Key Elements of Compensation for Designated Executives

The following key elements will comprise the compensation provided to Laurier's designated executives and are compliant with the Regulation:

a) Cash Compensation: Base salary and performance related pay levels will be determined as per the Regulation, based on the market comparators and the university's compensation philosophy. Cash compensation shall not result in a total salary (base salary plus performance pay) that exceeds the established pay cap.

b) Supplementary Healthcare and Dental Benefits, Long Term Disability and Life

Insurance: Subject to eligibility, executives will be provided with access to these benefits plans as generally available to other eligible non-executive managers.

c) Administrative Leave: Designated executives who have academic appointments and are a part of or will return to the faculty of the university will accrue administrative leave at a rate not to exceed 10.4 weeks for each year of service. This is the same administrative leave provided to academic Deans.

d) Pension and Retirement Benefits: Subject to eligibility and as amended from time to time, executives will be members of the Wilfrid Laurier Pension Plan, the Wilfrid Laurier Supplemental Pension Arrangement, and the Wilfrid Laurier retiree benefits plan as generally available to other eligible non-executive managers.

Salary and Performance-Related Pay Envelope

The Regulation requires Employers to determine annually the maximum rate of increase to the executive salary and performance-related pay envelope that applies to all designated executives. The envelope will determine the maximum sum of the annual increases that can be provided to designated executives, not to exceed the salary and performance-related pay cap for each position. The envelope may be distributed differentially amongst the incumbents holding designated executive positions.

The envelope is calculated based on the sum of the annualized salary and performance related pay provided to all incumbents of designated executive positions for the most recently completed pay year. Employers must adjust the envelope if changes occur to the executive team during the current pay year.

The maximum rate of increase to the pay envelope is expressed as a percentage and must be determined with consideration given to the five factors outlined in the Regulation.

At Laurier, the annualized sum of the salary and performance related pay provided to incumbents of designated executive positions in the most recent performance year from July 1, 2016 – June 30, 2017 \$1,886,364.63.

Maximum Rate of Increase to Envelope

Employers are required to determine the maximum rate by which the envelope could potentially increase in a year. The proposed maximum rate of increase in the salary and performance related pay envelope that shall apply to Laurier in all pay years is 5.0%. It is important to note that this is a maximum envelope, and the actual increases provided to executives will continue to be reviewed and approved through the normal Board of Governors processes.

A 5.0% maximum increase to the envelope will allow for annual economic and performance based merit increases for executives that align with the increases provided to Laurier's non-executive managers (Assistant Vice-Presidents, Deans, and Directors). In addition, it will provide a small pool of funds that may be used to address market competitiveness and salary compression for specific designated executives falling below the market median to ensure Laurier is well positioned to attract and retain talent and to ensure appropriate pay differentials are achieved and maintained between designated executives and their direct reports. Attraction of

talent will be critical for Laurier in the coming year as we recruit to replace our Provost and Vice-President Academic and Vice-President Development and Alumni Relations.

This recommendation takes into account and aligns with the government of Ontario's economic priority to invest in education so that students can compete in the global economy. This priority includes investment in post-secondary education. The Government has also emphasized, in its 2016 Ontario Economic Outlook and Fiscal Review, the importance of continuing to provide effective and affordable public services while recognizing the need for fair compensation.

University executive compensation has been frozen through government legislation since 2010, and Laurier executives took a voluntary freeze in 2009. This eight-year freeze has resulted in Laurier's executive salaries falling behind the external market and not keeping pace with inflation. During the period from 2010 to 2016, CPI increased at a compounded rate of 12.17%. As a result of the freeze, Laurier's executives are earning less in today's dollars than they were in 2010. By comparison, during this same time period, full-time faculty salaries at Laurier have increased, on average, by approximately 4.5% per year. Non-executive managers and staff have also continued to receive annual salary increases throughout this period. This situation has created salary compression issues between executives and their direct reports, and has also resulted in executives holding academic appointments (President, VP Research, Provost and VP Academic) falling behind the internal benchmarks with respect to their faculty salaries.

In November 2016, it was reported that the Government of Ontario had agreed to provide its excluded managers with a wage increase of between 5%-35% to remedy recruitment and retention issues that had arisen due to salary compression with staff level positions. Minister Sandals acknowledged that higher than normative wage increase may be appropriate in certain circumstances where this a demonstrated need with respect to recruitment and retention.

The Regulation references "significant expansion in the operations of the designated Employer" as a factor in determining the maximum rate of increase to the pay envelope. Government has indicated that expanding undergraduate capacity in areas of the province with strong long-term demand and current gaps in local access is critical to the success of the Province. (Reza Moridi, Minister of Training, Colleges and Universities, May 2015). Laurier has responded to the Government of Ontario's Request for Expression of Interest for a new, university-led post-secondary site in Milton, and is in the process of developing the more detailed proposal including an Academic Plan for further discussion. Expansion of Laurier to Milton will require significant strategic planning and oversight from the executive team, and will increase the importance of

attracting and retaining executive talent at Laurier. In addition to the planned expansion to Milton, Laurier has experienced sustained enrollment growth at its existing campus locations and was recently ranked first in its category for student satisfaction through the Maclean's Canadian University Rankings.

Salary Adjustments and Performance Pay for Designated Executives

Salary adjustments for designated executives will be approved annually by the Human Resources Compensation Subcommittee on behalf of the Board of Governors. Any adjustments provided to executives will be consistent with the Regulation and within the allowable total maximum rate of increase to the pay envelope. Adjustments related to performance will be based on an annual assessment of performance relative to goals and objectives in support of the university's strategic priorities.

Authority for Executive Compensation

The Board of Governors has approved this Executive Compensation Program as developed for its consideration by the Human Resources Subcommittee of the Board. The Board of Governors has delegated its authority for the administration of the Executive Compensation Program to the Human Resources Subcommittee of the Board. Accordingly, the Human Resources Subcommittee will have the authority to set the compensation levels for the university's designated executives in accordance with the Program.

Implementation of the Compensation Program

Any adjustments to compensation for designated executives are permissible coincident with the effective date of the Program.

Remaining Compliant with the BPSECA and the Regulation

The Executive Compensation Framework Compliance Report Directive requires the Board Chair or equivalent highest ranking officer at each designated employer to attest to the employer's compliance with the Regulation. An attestation is required to confirm that any new or updated executive compensation program implemented is compliant. An attestation is also required

annually by May 1 to confirm the actual compensation provided to designated executives is compliant with the approved Program.

Appendix A: Comparator Details

Positions Benchmarked for President and Vice-Chancellor

- **Ryerson:** President and Vice-Chancellor
- **Waterloo:** President and Vice-Chancellor
- **Carleton:** President and Vice-Chancellor
- **Guelph:** President and Vice-Chancellor
- **Brock:** President and Vice-Chancellor
- **York:** President and Vice-Chancellor
- **McMaster:** President and Vice-Chancellor
- **Queen's:** Principal and Vice-Chancellor
- **Western:** President and Vice-Chancellor
- **Windsor:** President and Vice-Chancellor

Positions Benchmarked for Vice-President Research

- **Ryerson:** Vice-President Research and Innovation
- **Waterloo:** Vice-President University Research
- **Guelph:** Vice-President Research
- **Brock:** Vice-President Research
- **York:** Vice-President Research and Innovation
- **McMaster:** Vice-President Research
- **Queen's:** Vice-Principal Research
- **Western:** Vice-President Research
- **Windsor:** Vice-President Research

Positions Benchmarked for Vice-President Development and Alumni Relations

- **Ryerson:** Vice-President Advancement
- **Waterloo:** Vice-President Advancement
- **Carleton:** Chief Advancement Officer

- **Guelph:** Vice-President External
- **York:** Vice-President Advancement
- **McMaster:** Vice-President University Advancement
- **Queen's:** Vice-Principal Advancement
- **Western:** Vice-President External

Positions Benchmarked for Vice-President Academic and Provost

- **Ryerson:** Provost and Vice-President Academic
- **Waterloo:** Vice-President Academic and Provost
- **Carleton:** Provost and Vice-President Academic
- **Guelph:** Provost and Vice-President Academic
- **Brock:** Provost and Vice-President Academic
- **York:** Vice-President Academic and Provost
- **McMaster:** Provost and Vice-President Academic
- **Queen's:** Provost and Vice-Principal Academic
- **Western:** Provost and Vice-President Academic
- **Windsor:** Vice-President Academic and Provost

Positions Benchmarked for Vice-President Finance and Administration

- **Ryerson:** Vice-President Finance and Administration
- **Waterloo:** Vice-President Administration and Finance
- **Carleton:** Vice-President Finance and Administration
- **Guelph:** Vice-President Finance and Administration
- **Brock:** Vice-President Administration
- **York:** Vice-President Finance and Administration
- **McMaster:** Vice-President Administration
- **Queen's:** Vice-Principal Finance and Administration
- **Western:** Vice-President Finance and Operations

Positions Benchmarked for SEO Brantford Campus and External Affairs / Vice-President Student Affairs

- **Ryerson:** Vice-Provost Students
- **Carleton:** Vice-President Students and Enrolment and University Registrar
- **Guelph:** Vice-President External
- **York:** Vice-Provost Students
- **Queen's:** Vice-Principal University Relations
- **Simon Fraser:** Vice-President External Relations
- **University of Victoria:** Vice-President External Relation
- **Mount Royal:** Vice-President SACL
- **McEwan:** Vice-President Student Services