

Johnson, Penny CLBC:EX

From: Goozh, Carol J CLBC:EX
Sent: Friday, January 27, 2012 3:14 PM
To: Vincent, Tom PSEC:EX; Sieben, Mark MSD:EX
Cc: Woollard, Doug CLBC:EX
Subject: CLBC Compensation



BN CLBC
Compensation jan201

Attached is CLBC's proposal for addressing the issues associated with the discontinuation of the CLBC variable ("at risk") pay for excluded staff.

This methodology has been approved by the CLBC board and we are seeking support from MSD and PSEC.

Please contact us if you have questions or concerns.

Regards,

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Vice President, Policy and Program Development
Community Living BC
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Vancouver, BC V6P 6G5
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E-Mail: Carol.Goozh@communitylivingbc.ca

Regards,

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BRIEFING NOTE JANUARY 25, 2012

ISSUE:

CLBC restructuring of excluded compensation by integrating the variable pay incentive into salary.

BACKGROUND:

At its July 27, 2011 meeting, the CLBC Board Governance & Human Resources Committee directed management to seek Government approval to integrate the variable pay component into salary as a first step towards establishing a comprehensive Compensation Philosophy which better acknowledged and aligned total employee reward with CLBC objectives. An initial meeting took place in September 2011 with CLBC and PSEC senior staff, where support for the approach was indicated, dependent on MSD agreement.

On October 21st, Minister Cadieux requested, and the CLBC Board Chair agreed, that CLBC discontinue its variable pay plan and that the Board should determine the method to do so.

DISCUSSION:

During the CLBC Board's annual review of CLBC's compensation philosophy, a number of issues were identified with the CLBC re-earnable variable pay system:

- Due to low bonus percentages, disparities in some CLBC and public sector excluded salaries, challenging goals and demanding workloads, variable incentive pay program at CLBC had historically been applied more as an 'entitlement' than a 'reward'.
- There was inconsistency in application; CEO variable pay was integrated into salary in 2009-10.
- There was a need to apply greater rigour to CLBC's performance management system to take into account corporate, team and individual goal achievement as identified in an Auditor General Review of Crown agencies in 2009, as well as competency in doing the job.

In restructuring the variable pay system, two alternatives were considered:

s.13, s.14

ELIMINATE VARIABLE PAY AND ROLL INTO BASE SALARY

Using the net zero mandate, CLBC is proposing to integrate the current re-earnable variable incentive pay into base salary. A portion of the current budget for variable pay will be used to pay the employer's benefit and pension costs, resulting in CLBC public sector salary reporting for most excluded employees to be slightly lower than in previous years.

The recommended methodology would see CLBC calculate a three year average of bonuses paid to each staff and apply the resulting average annual percentage increase to each excluded employee's current salary, less a portion of salary related to benefits and pension. CLBC salary grids for Managers and VPs would be adjusted to incorporate these increases. The upper range for CLBC Director salaries would be downgraded, as inconsistencies have been identified with the public service pay range for this category.

CLBC proposes to take the following actions:

1. Calculate the three-year average percentage variable pay issued to excluded employees at the Manager, Director and VP levels in 2008/9, 2009/10 and 2010/11.
2. Apply the above group average to each eligible excluded employee's current salary and determine the salary increase less the portion attributable to benefits and pension.
3. Increase the pay grid of CLBC Manager and VP levels by 5% and 10% respectively, to reflect the incorporation of variable pay into salary. The upper range of the Director salary would be downgraded to be more in line with that of the public service, while ensuring that the current CLBC Regional Directors (current actual salary \$110,000) do not experience a compensation reduction.
4. Timing of the change would be subject to direction of the Ministry of Social Development.
5. CLBC would increase salaries for the current fiscal which would result in a lump sum retroactive pay to April 1, 2011 for excluded staff.

The above methodology does not require additional funds for compensation for excluded employees.

RECOMMENDATION:

The CLBC Board recommends that PSEC and the Ministry of Social Development approves CLBC to integrate an equivalent amount of variable pay into individuals' salaries, pension, and benefits retroactive to April 1, 2011 as outlined above. The change is to be completed for all CLBC excluded staff in fiscal 11/12, timing as advised by MSD.



Table 1—CLBC Excluded Salary and Incentive Plan: Salary Grid Adjustments/Public Service Comparison

CLBC Position	CLBC Cash Compensation (not including variable pay)	CLBC Variable or At Risk Compensation	CLBC Adjusted* Salary Maximums (including variable pay)	BC Public Service Salary Max.
VP/CFO/COO (ADM)	\$115,900 to \$137,977	Up to 10% of Base Salary	\$150,212	\$165,000
Senior Director	\$ 99,343 to \$121,419	Up to 5% of Base Salary	\$114,867	\$113,073
Senior Manager	\$ 62,917 to \$89,133	Up to 5% of Base Salary	\$ 93,131	\$ 95,843
Manager/Snr Advisor	\$ 55,190 to \$ 77,267	Up to 5% of Base Salary	\$ 80,734	\$ 81,843

*Adjusted for benefits and pension calculation

From: Sieben, Mark MSD:EX
Sent: Thursday, July 19, 2012 10:47 AM
To: MacMillan, Karen MSD:EX
Subject: FW: CLBC variable pay elimination proposal
Attachments: BN CLBC Compensation jan2012.docx

From: Sieben, Mark MSD:EX
Sent: Tuesday, February 28, 2012 5:18 PM
To: Cadieux, Stephanie MSD:EX
Cc: Bertrand, Alicia MSD:EX; MacMillan, Karen MSD:EX
Subject: FW: CLBC variable pay elimination proposal

Perhaps we can chat about this quickly around ends of one of the meetings tomorrow or Thursday morning.

I have a question or two for Tom that I'll attend to in advance of that.

From: Vincent, Tom PSEC:EX
Sent: Tuesday, February 28, 2012 4:47 PM
To: Sieben, Mark MSD:EX
Cc: Wilson, Barbara A PSEC:EX; Howatson, Evan PSEC:EX
Subject: CLBC variable pay elimination proposal

I am writing to say that PSEC will support CLBC's recent proposal to eliminate variable pay and roll the average awarded incentive pay for the past three years into base salary if it is satisfactory to MSD, Mark.

PSEC support is based on the following main points:

- Variable pay will be eliminated and rolled into base pay at the average amount of incentive pay awarded for the past three years less the amount required to top up wage-related benefits and increased pension contributions
- This means that the maximum possible salary under CLBC's approved compensation plan will increase by 10% for Vice President and 5% for Directors and Managers less the portion attributable to benefits and pension.
- Actual salaries will increase by 9.66% for the Vice President, 4.96% for Directors and 4.93% for Managers less the portion attributable to benefits and pension.
- The recent CLBC review concluded that remuneration in CLBC is not excessive at current levels.

Details on the proposal are noted below for your information and I have attached a copy of CLBC's Briefing Note. I am happy to discuss this further if you wish.

PSEC will take this issue forward for a decision once I hear back from you, Mark.

All the best,

Tom

ELIMINATE VARIABLE PAY AND ROLL INTO BASE SALARY

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and pension costs, resulting in CLBC public sector salary reporting for most excluded employees to be slightly lower than in previous years.

The recommended methodology would see CLBC calculate a three year average of bonuses paid to each staff and apply the resulting average annual percentage increase to each excluded employee's current salary, less a portion of salary related to benefits and pension. CLBC salary grids for Managers and VPs would be adjusted to incorporate these increases. The upper range for CLBC Director salaries would be downgraded, as inconsistencies have been identified with the public service pay range for this category.

CLBC proposes to take the following actions:

1. Calculate the three-year average percentage variable pay issued to excluded employees at the Manager, Director and VP levels in 2008/9, 2009/10 and 2010/11.
2. Apply the above group average to each eligible excluded employee's current salary and determine the salary increase less the portion attributable to benefits and pension.
3. Increase the pay grid of CLBC Manager and VP levels by 5% and 10% respectively, to reflect the incorporation of variable pay into salary. The upper range of the Director salary would be downgraded to be more in line with that of the public service, while ensuring that the current CLBC Regional Directors (current actual salary \$110,000) do not experience a compensation reduction.
4. Timing of the change would be subject to direction of the Ministry of Social Development.
5. CLBC would increase salaries for the current fiscal which would result in a lump sum retroactive pay to April 1, 2011 for excluded staff.

The above methodology does not require additional funds for compensation for excluded employees.

<u>CLBC Bonus Payments</u>	<u>2008/09</u>	<u>2009/10</u>	<u>2010/11</u>	<u>3-year Average</u>
Vice Presidents	8.97%	10.00%	10.00%	9.66%
Directors	4.90%	5.00%	4.99%	4.96%
Managers	4.90%	4.97%	4.92%	4.93%

<u>Impact of Benefit Costs</u>	
<u>LTD</u>	<u>1.86%</u>
<u>Pension</u>	<u>10.28%</u>
<u>Total</u>	<u>12.14%</u>

Net % to be moved to salary

Vice Presidents	8.61%
Directors	4.43%
Managers	4.40%

From: Sieben, Mark MSD:EX
Sent: Tuesday, June 19, 2012 5:45 PM
To: Mader, Susan GCPE:EX; Kerr, Grant GCPE:EX
Subject: FW: Op-Ed CLBC exec raises June 19 2012 Draft2

Played with it a bit. [See what you think.](#)

From: Mader, Susan GCPE:EX
Sent: Tuesday, June 19, 2012 5:22 PM
To: Sieben, Mark MSD:EX
Cc: Kerr, Grant GCPE:EX
Subject: Op-Ed CLBC exec raises June 19 2012 Draft2

For review oped on compensation increases.

I'm sure PO will look after MO, but I'm starting with you.

Sue

Pages 8 through 9 redacted for the following reasons:

s.13

ADVICE TO MINISTER

<p style="text-align: center;">CONFIDENTIAL ISSUES NOTE</p> <p>Ministry of Social Development Date: Oct. 20, 2011; Updated Apr. 4, 2012, May 9, 2012 Minister Responsible: Hon. Stephanie Cadieux</p>	<p style="text-align: center;">CLBC Executive Compensation - Incentives</p>
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KEY FACTS REGARDING THE ISSUE:

- Effective April 1, 2012, Community Living BC has a new compensation package including changes for variable pay.
- CLBC and the Ministry of Social Development reached an agreement on the new package and it has been approved by the Public Sector Employers' Council (PSEC).
- In October 2011, CLBC agreed to terminate its variable compensation system as quickly as possible at the request of the Minister of Social Development Stephanie Cadieux.
- The new compensation package will take an average of the variable pay for the last three years at each compensation level to come up with a number that will be rolled into the base. This is a similar approach used by other organizations.
- Currently, CLBC and Social Development are developing an implementation plan.
- This has not yet been communicated externally, or internally at CLBC.

Background

In October 2011, Advocacy Group Moms on the Move posted on their blog about CLBC Executive compensation and incentives saying that CLBC Executives received their full incentives while “cutting services and turning away families in crisis”. Three CLBC executives received a bonus averaging \$13,800 each in last year (fiscal 2010/11).

CLBC had a performance-based rewards program. At CLBC's inception in July 2005, compensation was based on a structure proposed by the Ministry of Children and Family Development (MCFD) and approved by PSEC.

Previously, both salary increases and incentive payments were tied to performance as measured by the achievement of goals set out in an executive's annual performance plan.

The annual performance plan is established at the beginning of the fiscal year and is directly linked to the CLBC Operational Plan formulated jointly by the Board and senior management team. Weights were assigned to goals to differentiate goals by organizational priority and thereby obtain an adjusted performance rating.

CLBC's incentive plan performance targets and measures were captured in the organization's Operational Plan which is derived from the Strategic and Service Plan key directions. All three documents are accessible to the public on CLBC's web site. The Operational Plan includes sections on:

- Connecting individuals and families with supports, services and community opportunities to advance their vision of a good life.
- Supporting the development of welcoming communities to enable citizenship and contribution.
- Improving services through strengthened relationships and partnerships.
- Developing a culture of service excellence provided by exceptional staff.
- Demonstrating effective governance, leadership and fiscal responsibility.
- Developing data and information management systems that support the work of CLBC and its partners.

Operational goals within each category are assigned to CLBC executives and performance measures are assigned to each operational goal. The executive's progress towards the achievement of stated goals is regularly monitored throughout the year and assessed at fiscal year-end. The annual review provides the basis for the performance-related variable pay calculation.

ADVICE AND RECOMMENDED RESPONSE - MINISTER:

- **Effectively April 1, 2012, Community Living BC has a new compensation package. This new package has been agreed to by government and CLBC and has been approved by the Public Sector Employers' Council (PSEC).**
- **Both government and CLBC agree that in a people-first organization like CLBC - performance based targets and measures are not appropriate.**
- **In October 2011, Minister of Social Development Stephanie Cadieux requested that the variable pay compensation system at CLBC be terminated as quickly as possible.**
- **By ending CLBC's variable pay compensation system, this government is demonstrating our commitment to ensuring that CLBC provides the best possible services and supports to individuals with developmental disabilities and their families.**
- **CLBC and the ministry are currently working on an implementation plan for the roll-out of the new compensation package, and will be releasing details once the plan is completed in June.**

ADVICE AND RECOMMENDED RESPONSE – CLBC:

- **Effectively April 1, 2012, Community Living BC has a new compensation package. This new package has been agreed to by government and CLBC and has been approved by the Public Sector Employers' Council (PSEC).**
- **The Minister and the Board agreed to make this change seven months into fiscal 2011/12.**
- **The former compensation plan remained in place for fiscal 2011/12 with a proactive change for the new fiscal year. This is the same approach used by other government organizations undergoing changes for staff compensation.**

ADVICE TO MINISTER CONFIDENTIAL ISSUES NOTE

Ministry of Social Development

Date: June 15, 2012

Minister Responsible: Hon. Stephanie Cadieux

Title of Issues Note

CLBC Executive Compensation – Incentives

KEY FACTS REGARDING THE ISSUE:

- Effective April 1, 2012, Community Living BC has a new compensation package including changes for variable pay.
- CLBC and the Ministry of Social Development reached an agreement on the new package and it has been approved by the Public Sector Employers' Council (PSEC).
- In October 2011, CLBC agreed to terminate its variable compensation system as quickly as possible at the request of the Minister of Social Development Stephanie Cadieux.
- The new compensation package will take an average of the variable pay for the last three years at each compensation level to come up with a number that will be rolled into the base. This is a similar approach used by other organizations.
- The new approach has done away with the previous practice of withholding a portion of VPs' and managers' salaries until year end.
- It will not result in any increased expenditures to CLBC and will ensure CLBC salaries are comparable with the private sector.
- Currently, CLBC and Social Development are developing an implementation plan.
- This has not yet been communicated externally or internally at CLBC.

BACKGROUND:

In October 2011, Advocacy Group Moms on the Move posted on their blog about CLBC Executive compensation and incentives saying that CLBC Executives received their full incentives while “cutting services and turning away families in crisis”. Three CLBC executives received a bonus averaging \$13,800 each in last year (fiscal 2010/11).

CLBC had a performance-based rewards program. At CLBC's inception in July 2005, compensation was based on a structure proposed by the Ministry of Children and Family Development (MCFD) and approved by PSEC.

Previously, both salary increases and incentive payments were tied to performance as measured by the achievement of goals set out in an executive's annual performance plan.

The annual performance plan is established at the beginning of the fiscal year and is directly linked to the CLBC Operational Plan formulated jointly by the Board and senior management team. Weights were assigned to goals to differentiate goals by organizational priority and thereby obtain an adjusted performance rating.

CLBC's incentive plan performance targets and measures were captured in the organization's Operational Plan which is derived from the Strategic and Service Plan key directions. All three documents are accessible to the public on CLBC's website. The Operational Plan includes sections on:

- Connecting individuals and families with supports, services and community opportunities to advance their vision of a good life.
- Supporting the development of welcoming communities to enable citizenship and contribution.
- Improving services through strengthened relationships and partnerships.
- Developing a culture of service excellence provided by exceptional staff.
- Demonstrating effective governance, leadership and fiscal responsibility.
- Developing data and information management systems that support the work of CLBC and its partners.

Operational goals within each category are assigned to CLBC executives and performance measures are assigned to each operational goal. The executive's progress towards the achievement of stated goals is regularly monitored throughout the year and assessed at fiscal year-end. The annual review provides the basis for the performance-related variable pay calculation.

ADVICE AND RECOMMENDED RESPONSE - MINISTER RESPONSE:

- **Effectively April 1, 2012, Community Living BC has a new compensation package. This new package has been agreed to by government and CLBC and has been approved by the Public Sector Employers' Council (PSEC).**
- **Both government and CLBC agree that, in a people-first organization like CLBC, performance-based targets and measures are not appropriate.**
- **In October 2011, Minister of Social Development Stephanie Cadieux requested that the variable pay compensation system at CLBC be terminated as quickly as possible.**
- **By ending CLBC's variable pay compensation system, this government is demonstrating our commitment to ensuring that CLBC provides the best possible services and supports to individuals with developmental disabilities and their families.**
- **CLBC and the ministry are currently working on an implementation plan for the roll-out of the new compensation package, and will be releasing details once the plan is completed in June.**

ADVICE AND RECOMMENDED RESPONSE - CLBC RESPONSE:

- **Effectively April 1, 2012, Community Living BC has a new compensation package. This new package has been agreed to by government and CLBC and has been approved by the Public Sector Employers' Council (PSEC).**

ADVICE TO MINISTER CONFIDENTIAL ISSUES NOTE

- **The Minister and the Board agreed to make this change seven months into fiscal 2011/12.**
- **The former compensation plan remained in place for fiscal 2011/12, with a proactive change for the new fiscal year. This is the same approach used by other government organizations undergoing changes for staff compensation.**

ADVICE TO MINISTER CONFIDENTIAL ISSUES NOTE

Ministry of Social Development

Date: June 18, 2012, Updated June 19, 2012

Minister Responsible: Hon. Stephanie Cadieux

Update - CLBC Executive Compensation - Incentives

KEY FACTS REGARDING THE ISSUE:

- Effective April 1, 2012, Community Living BC has a new compensation package including changes for variable pay. The former plan was applied until March 31.
- CLBC and the Ministry of Social Development reached an agreement on the new package and it has been approved by the Public Sector Employers' Council (PSEC).
- The new compensation package takes an average of the variable pay for the last three years at each compensation level to come up with a number that will be rolled into the base. This is a similar approach used by other organizations.
- Including the pension contribution, the pay increase is 9.66 per cent for two vice presidents (2), 4.96 per cent for directors (9) and 4.93 per cent for managers (49).
- Including the pension contribution, the total cost to CLBC is \$300,478.
- There are 61 impacted employees.
- An internal note was sent to staff outlining the changes on June 19 at 7:53 am. In the next few weeks, staff will receive the pay retroactively (by early July).
- In October 2011, CLBC agreed to terminate its variable compensation system as quickly as possible at the request of the Minister of Social Development Stephanie Cadieux.

BACKGROUND

- In October 2011, Advocacy Group Moms on the Move posted on their blog about CLBC Executive compensation and incentives saying that CLBC Executives received their full incentives while “cutting services and turning away families in crisis”. Three CLBC executives received a bonus averaging \$13,800 each in last year (fiscal 2010/11).
- CLBC had a performance-based rewards program. At CLBC's inception in July 2005, compensation was based on a structure proposed by the Ministry of Children and Family Development (MCFD) and approved by PSEC.
- Previously, both salary increases and incentive payments were tied to performance as measured by the achievement of goals set out in an executive's annual performance plan.
- The annual performance plan is established at the beginning of the fiscal year and is directly linked to the CLBC Operational Plan formulated jointly by the Board and senior management team. Weights were assigned to goals to differentiate goals by organizational priority and thereby obtain an adjusted performance rating.
- CLBC's incentive plan performance targets and measures were captured in the organization's Operational Plan which is derived from the Strategic and Service Plan key directions. All three documents are accessible to the public on CLBC's web site. The Operational Plan includes sections on:
 - Connecting individuals and families with supports, services and community opportunities to advance their vision of a good life.
 - Supporting the development of welcoming communities to enable citizenship and contribution.
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- Developing a culture of service excellence provided by exceptional staff.
 - Demonstrating effective governance, leadership and fiscal responsibility.
 - Developing data and information management systems that support the work of CLBC and its partners.
- Operational goals within each category are assigned to CLBC executives and performance measures are assigned to each operational goal. The executive's progress towards the achievement of stated goals is regularly monitored throughout the year and assessed at fiscal year-end. The annual review provides the basis for the performance-related variable pay calculation.

ADVICE AND RECOMMENDED RESPONSE - MINISTER:

s.13

Details:

- Effective April 1, 2012, Community Living BC has a new compensation package in place. The new package has been agreed to by the B.C. government and CLBC, and has been approved by the Public Sector Employers' Council (PSEC).
- The new approach has done away with the previous practice of withholding a portion of VPs' and managers' salaries until year end.

ADVICE TO MINISTER CONFIDENTIAL ISSUES NOTE

- Ending the incentive pay will ensure there is no opportunity for employees to make more money based on performance or results. Moving to a flat salary with no bonus will ensure people are paid for work that is in the best interest of the individuals and their families they support and nothing else.
- While incentives or expectations for achievement were supposedly set to reward productivity, everyone almost always received the maximum payment.
- In addition, the Comptroller's review of CLBC's compensation found that incentive pay was inappropriate for this type of organization, which prompted the Board and the Minister to request approval to restructure the variable pay plan to a new, more transparent compensation system be put into place.
- By taking the three year average, it allows government to set the base salary lower than simply basing it on last year's total package.
- Instead, the new compensation package will take an average of the variable pay for the last three years, at each compensation level, to come up with a number that will be rolled into base salaries.
- This will result in less compensation to senior management than what they received, and what they were eligible for, under the previous system.
- Terminating the variable pay compensation necessitates an adjustment to base salary for most senior management. With the pension contribution, it is 9.66 per cent increase for vice presidents, 4.96 per cent for directors and 4.93 per cent for managers. This will not result in any increased expenditures to CLBC.