



**Public Sector Employers' Council Secretariat**

**Public Sector Executive Compensation  
Reporting Guidelines**

**February 2012**

***Statement of Executive Compensation***

**Table of Contents**

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Item 1 General Provisions  
Item 2 Compensation Discussion and Analysis  
Item 3 Summary Compensation Table

# Statement of Executive Compensation

## ITEM 1 – GENERAL PROVISION

### 1.1 PURPOSE

Public sector organizations disclose all compensation provided to the Chief Executive Officer and the next four highest ranking/paid executives (see Item 1.3 “Definitions”). This document contains specific requirements for how to disclose various common types of compensation.

To meet your disclosure obligation, you must assess fully whether you have disclosed everything that a reasonable person would view as compensation. This template may not specify every form of compensation arrangement. Nonetheless, organizations must disclose all compensation provided to executive officers, regardless of how it is structured or whether it fits within a column of a particular table. The requirements in this document should be interpreted with this in mind.

On an annual basis, employers will be notified by employer associations of a date within the first week of June on which they are to provide disclosure statements to the Public Sector Employers’ Council Secretariat (PSEC). A broad disclosure will be coordinated by government and scheduled for release before September 30<sup>th</sup>. The information will be made publicly available on the PSEC website and employers should post their disclosure statements to their websites on the same day.

School Boards of Education will be notified by the British Columbia Public School Employers’ Association of the date that disclosure statements are required. School districts are to be prepared to make their disclosure statements electronically available on a specified date no later than December 31<sup>st</sup>.

### 1.2 FORMAT

Information is to be disclosed in accordance with this template. In completing the template, organizations may:

- omit a table or column of a table if it does not apply; and
- add tables and columns if they are necessary to present certain aspects of compensation fully.

### 1.3 DEFINITIONS

This section defines many of the terms used in this form.

“**benefits**” means both statutory and non-statutory, including Employment Insurance premiums and Canada Pension Plan contributions, in addition to any discretionary benefits paid for by the employer, such as extended health and dental, group life and accidental benefits, long-term disability and Medical Service Plan premiums.

**“bonus plan”** means any plan providing compensation that is not part of base salary, benefits and perquisites and does not depend upon achieving specified or pre-established performance goals.

**“Chief Executive Officer”** or **“CEO”** means the individual who served as chief executive officer of your organization or acted in a similar capacity (whether or not directly employed by your organization) during the most recently completed fiscal year. A **chief executive officer (CEO)** is the highest-ranking corporate officer, administrator, corporate administrator, executive, or executive officer in charge of management of a corporation, company, organization or agency. If there was a change in CEO during the year, compensation amounts for both CEOs should be included and specified by name (see 1.4 “Preparing the Form”).

**“external management company”** includes a subsidiary, affiliate or associate of the external management company.

**“incentive plan”** means any plan providing compensation that depends on achieving certain performance goals within a specified period, whether performance is measured by reference to the financial performance of the organization or an affiliate, or any other performance measure. Payments made under an incentive plan are not rolled into the base salary in future years.

**“leaves”** includes annual vacation days provided to an employee, sabbaticals, administrative leaves, and any other special leaves or ‘days off’ over and above those which are statutorily required.

**“life insurance policy”** premiums paid as a result of life insurance policies which have the intention of being used to provide a compensatory benefit in the future are reported by employers.

**“Named Executive Officers”** or **“NEOs”** are the **CEO and four** highest ranking corporate officers, administrators, corporate administrators, executives or executive officers in charge of the management of a corporation, company, organization or agency. For the purposes of these reporting requirements the CEO and NEOs only includes those *whose base salary was \$125,000 or greater*. External management companies are to be reported as separate organizations for purposes of disclosure. All school district Superintendents must be reported regardless of base salary. If there was a change in the NEO during the year, both NEOs’ compensation amounts should be included. It should be specified which NEO’s compensation is the new NEO’s (see 1.4 “Preparing the Form”).

**“organization”** includes other types of business organizations such as partnerships, trusts and other unincorporated business entities which are covered by the *Public Sector Employers Act*.

**“perquisite”** in general, an item is not a perquisite if it is integrally and directly related to the performance of an executive officer’s duties. This concept is narrowly defined. If something is necessary for a person to do his or her job, then it is integrally and directly related to the job and is not a perquisite, even if it also provides some amount of personal benefit. For example, the cost of travel and registration to a conference related to the duties of the executive officer is not a perquisite.

Organizations must conduct their own analysis of whether a particular item is a perquisite. The following are examples of perquisites. This list is not exhaustive:

- cars, car lease and car allowance
- personal travel financed by the organization
- clothing
- housekeeping services
- club membership
- theatre tickets
- financial assistance to provide education to children of executive officers
- parking
- personal financial or tax advice, reimbursements of taxes owed with respect to perquisites, or other personal benefits
- subsidized borrowing costs
- housing or housing subsidy

**“pensions”** includes defined benefit, defined contribution, hybrid, and target benefit pension plans.

**“plan”** includes any plan, contract, or arrangement, where cash, or any other compensation may be received. A plan may be for one person or a category of employees. For the purposes of this statement of executive compensation, a plan includes statutory benefits such as the Canada Pension Plan, and includes benefits which are generally available to other employees in the organization.

**“supplementary retirement plans (SRP)”** are pension plan arrangements that are designed to supplement the pension benefit levels that are prescribed for registered pension plans by the Federal *Income Tax Act*.

## **1.4 OVERVIEW - PREPARING THE FORM**

### **1. All Compensation covered**

This form requires disclosure of compensation for the CEO and NEOs of an organization. Any NEO who left prior to the end of the fiscal year must also be included.

### **2. Information for full fiscal year**

If the CEO, or any NEO, worked in another capacity for the organization during part of a fiscal year that is being disclosed, include details of the compensation that was earned in the other position with the organization during the fiscal year. For greater clarity provide a footnote to explain which amounts relate to the respective roles.

### **3. Exclusion due to foreign assignment**

When calculating total compensation to determine who is an NEO (other than the CEO), you may exclude cash compensation that relates to overseas assignments if these amounts:

- are specifically intended to offset the impact of a higher cost of living in the overseas location; and
- are not otherwise related to the duties the NEO performs for the organization.

#### **4. External management companies**

If the organization's CEO or an NEO are employed by an external management company and their services are provided to the organization under a contractual arrangement, the organization must disclose any compensation or payment for those services during the fiscal year.

#### **5. Sources of compensation**

Disclose all compensation paid directly or indirectly to the CEO and each NEO including compensation from the organization's subsidiaries.

#### **6. Disclosure approval by board member**

Disclosure statements must include an attestation letter or email from the board chair or relevant board member stating that the board is aware of the executive compensation paid in the prior fiscal year and verifying that compensation provided was within approved compensation plans.

#### **7. Descriptions of re-earnable incentive pay and other compensation**

Where re-earnable incentive pay is provided, disclosures should describe the performance that triggered it. In addition, where material, "other compensation" should be described at a sufficient level of detail to allow readers to understand the nature of compensation provided.

#### **8. Compensation philosophy**

The compensation philosophy that accompanies annual disclosure of executive compensation should reflect the unique circumstances of an organization (see Item 2.1).

#### **9. Year-over-year increases**

When there has been an increase in total compensation of five per cent or more in the past year provide an explanation in the notes. This includes salary increases tied to movement through compensation bands, vacation payouts, or severance.

## ITEM 2 - COMPENSATION DISCUSSION AND ANALYSIS

### 2.1 COMPENSATION DISCUSSION AND ANALYSIS

1. Provide an explanation of the organization's compensation philosophy. Include a discussion of the material principles, underlying policies and decisions for compensation provided to the CEO and NEOs for the most recently completed fiscal year. Discussion should also disclose where responsibility lies for determining executive compensation - i.e. with the HR Committee of the Board or the whole Board as it relates to the CEO and/or senior executives.

The explanation of the compensation philosophy and the discussion of principles should include the following items:

- a) the objectives of the compensation program, what the compensation program is designed to remunerate and reward;
- b) each form of compensation (base pay, benefits, incentives, etc), and how the organization determines the amount (and, where applicable, the formula) for each; and,
- c) how the compensation plan and philosophy support the organization's mission and goals.

2. Where applicable, note any new policies, actions or decisions that were made after the end of the most recently completed fiscal year that could affect a fair understanding of the NEOs' compensation for the last fiscal year.

3. Identify all incentive plan performance targets and the measures related to the pursuit of the performance targets. Disclose how any incentive payments made to the CEO and NEOs relate to the performance measures and the performance targets. Where possible, targets should be explained in terms that connect them to the publicly reported goals and achievements found in annual reports or similar accountability documents.

4. Identify all leaves (sabbaticals, vacation, administrative or special) and discuss how they relate to the organization's compensation philosophy.

#### **Commentary**

- (i) *The information disclosed under Item 2.1 will depend on the facts and the organization's circumstances. Provide enough information and explanation to allow a reader to understand the disclosure in this form. The information contained in this section should give readers a sense of how compensation levels for the period might have been different if the organization's performance was different (better or worse).*
- (ii) *The following are examples of items that will usually be material:*
  - *any benchmarking that may have been used in determining compensation or any element of compensation. Greater clarity would be achieved by identifying the benchmark and explaining how the peer group sample was formed and why certain organizations were included or excluded from the group; if comparative benchmarking*

information was derived from a third party and/or a consultant then an appropriate description of the research should be included;

- any waiver or change to any specified performance target, goal or condition to payout for any amount, including whether the waiver or change applied to one or more specified NEO(s) or to all compensation subject to the target, goal or condition;
- the role of executive officers in determining executive compensation.

### ITEM 3 – SUMMARY COMPENSATION TABLE

Name & Principal Position (a)	Salary (\$) (b)	Bonus and or Incentive Plan Compensation Paid (\$) (c)	Benefits (\$) (d)	Pension (\$) (e)	All Other Compensation (\$) (f)	Total (\$) (g)	Previous Two Years Totals (\$) (h)
CEO					Severance: Vacation: Leave: Perquisites: Other:		2009-10= 2010-11=
A							
B							
C							
D							

\*PSEC Secretariat will compile all or part of these data into a machine-readable file to be made available to the public through [DataBC](#).

#### 3.1 SUMMARY COMPENSATION TABLE

Provide complete information in this table for the most recent fiscal year and totals for the previous two fiscal years. This reporting obligation is prospective over three years. With each subsequent year, the earliest reporting year can be dropped.

1. **In column (a)** name the CEO and four other highest ranking corporate officers.
2. **In column (b)** dollar value of the base salary of the NEO earned during the year. **[Report vacation payouts or severance payouts should be reported under column (f).]**
3. **In column (c)** include any discretionary bonuses or cash awards that were not based on predetermined performance criteria that were communicated to a NEO and/or include the dollar value of all amounts paid for services performed during the covered fiscal year that are related to awards under an incentive plan.

Also include the dollar value for all amounts earned for services performed during the covered fiscal year that are related to awards under an incentive plan.

- I. If appropriate, include a footnote indicating what amount reported in column (c) was deferred. **Note:** Deferred payments are reported for the fiscal year in which they are earned not when paid. They should not be reported again when actually paid. A payment declined by the employee may be reported by footnote but should not be included in any column.
  - II. Organizations may choose to provide greater clarity with a footnote on incentive plan payments, i.e. how much is attributable to short-term vs. long-term incentives.
4. **In column (d)** include the combined dollar value of employer contributions to statutory and non-statutory benefits for each NEO such as:
- Employment Insurance
  - Canada Pension Plan
  - Workers Compensation
  - Extended Health and Dental
  - Group Life and Accidental Death and Dismemberment benefits available to all employees
  - Long-term disability benefits available to all employees
  - Medical Service Plan premiums
  - Other life insurance policy (i.e. universal life insurance).
5. **In column (e)** include 'employers' pension contributions made for each NEO. If the organization paid an 'employee's' share of pension contributions, that amount should also be included in column (e). RRSP contributions on behalf of the NEO should be reported under column (e).
- I. Organizations whose CEO and NEOs are members of a public sector pension plan (Municipal Pension Plan, College Pension Plan, Teachers' Pension Plan or Public Service Pension Plan) are required to report the employers' contributions made on behalf of the CEO or NEO in column (e).
  - II. Organizations that have unfunded Supplementary Retirement Plan (SRP) arrangements should include the current service costs for these SRP arrangements for the fiscal year being reported that are associated with the CEO or NEO in column (e). Footnote any material factors necessary to understand the SRP arrangement.
6. **In column (f)** include as separate items any severance, unused vacation or leave payouts, any perquisites, as well as all other compensation not reported in any other column of this table. Include each compensation item that you cannot properly report in columns (b) through (e). Provide a note with details for totals of \$10,000 or more. This column must include, but is not limited to the following:
- I. If an employee's employment contract was terminated, any severance attributable to the termination arrangements should be included in this column and should be explained in a footnote.
  - II. Any paid out vacation or leave should be reported in column (f). Organizations may provide a footnoted explanation for greater clarity.

- III. Perquisites, property or other personal benefits provided to the NEO that are not available to all employees. Value these items on the basis of the aggregate incremental cost to the organization. Organizations may provide a footnoted explanation for greater clarity (**see section 1.3 for definition**).
- 7. **In column (g)** include the dollar value of total compensation for the fiscal year. For each NEO, this is the sum of the amounts reported in columns (b) through (f).
- 8. **In column (h)** include the total value of all compensation for the previous two fiscal years. This would be the value reported in column (g) in the previous two years. Organizations with a year-over-year increase of five per cent or more on any executive total compensation should provide an explanation in the notes. This may include increases tied to movement through approved compensation bands or salary ranges.
- 9. Any deferred amounts must be included in the appropriate column for the fiscal year in which they are earned.
- 10. It is the responsibility of the organization to identify accounting errors or other changes to PSEC Secretariat and provide a revised disclosure statement as soon as possible to ensure the accuracy of this publicly available information.

### **3.2 NARRATIVE DISCUSSION OF SUMMARY COMPENSATION TABLE**

While the items discussed in this narrative will vary depending on the terms of each plan, organizations should provide a description of any material factors necessary to understand the information disclosed in the summary compensation table. This should include a general description of the formula or criteria to be applied in determining incentive plan awards provided during the year and awards made in relation to the incentive plan performance measures and targets. The organization may aggregate information for different awards, if separate disclosure of each award is not necessary to communicate their material terms.

### **3.3 OFFICERS WHO ALSO ACT AS DIRECTORS**

If an NEO is also a director who receives compensation for services as a director, reflect that compensation in the Summary Compensation Table and provide a footnote to explain which amounts relate to the director role.