

# Campbellford Memorial Hospital Executive Compensation Plan

## INTRODUCTION:

The Broader Public Sector Accountability, 2010 [BPSAA] was established by the government to improve accountability and transparency across the broader public sector [BPS]. It enabled government controls on compensation, expenses, perquisites, business documents and procurement. This legislation imposed a freeze on all non-bargaining unit salaries for the period March 2010 to March 2012.

Government amendments to the BPSAA in 2012, served to further restrain executive compensation, and establish a continuation of the executive compensation freeze as of March 31, 2012 carrying the freeze forward to 2017.

In March 2015, the government proclaimed the Broader Public Sector Executive Compensation Act, (BPSECA) 2014. The purpose of this legislation was to manage executive compensation in the broader public sector following the expiry of executive compensation wage freeze extended in March 31, 2012. The BPSECA 2014 authorized the government to establish compensation frameworks and regulations applicable to the designated executives of BPS designated employers.

On September 5, 2016, the Government of Ontario issued Regulation 304/16 (the Executive Compensation Framework) under the authority of the BPSECA 2014. In June 2017, the Government issued Regulation 187/17, the Broader Public Sector Executive Compensation Program Directive and Guide to amended Regulation 304/16, so as to introduce additional requirements for designated employers. The BPSECA 2014 and Regulations 304/16 and 187/17 serve to set out for designated employers the requirements for determining the maximum amount of salary, and performance pay, (the Pay Cap), the associated Executive Pay Envelope, as well as parameters regarding other elements of executive compensation that may be made available for Designated Executives, and the process for obtaining the overseeing minister's approval on all aspects of the designated employers Executive Compensation Plan.

The Campbellford Memorial Hospital(CMH) Board of Directors have developed and approved an Executive Compensation Plan in compliance with the BPSECA, Regulation 304/16, & 187/17; and the Government's associated Directive and Guide documents.

The CMH Executive Compensation Plan has received ministerial approval and is posted as of **February 6<sup>th</sup>, 2018** for the purpose of providing the public an opportunity to provide comment on the manner in which the CMH Board of Directors determined the compensation it will provide to its Designated Executives in accordance with the current Regulations.

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## Campbellford Memorial Hospital Compensation Philosophy

Campbellford Memorial Hospital (CMH) believes it is important for the benefit of its patients that CMH is able to attract and retain executives who are competent, and possess the requisite skills to support the achievement of operating goals and strategic objectives, and share the values of CMH. Accordingly, the CMH Executive Compensation Plan will be competitive within the marketplace and will reward achievement of Quality Improvement Plan (QIP) objectives at a rate of up to 3% of base rates.

As a publicly funded institution, CMH has designed an Executive Compensation Plan which is fiscally responsible in this environment of fiscal restraint.

The typical labor market for future recruitment of CMH executives is expected to be from Ontario hospitals, located in communities of equal or larger size to the CMH service area, and from hospitals that are of equal or larger size in terms of; number of beds, budget size, and number of hospital sites managed. Accordingly, comparator hospitals have been selected based upon this criteria and similarity of executive's scope of responsibilities. Based on CMH historical executive recruitment practice, the labour market for CMH executive recruitment is generally from Ontario hospitals, located in communities of equal or larger size and from hospitals that are equal or larger in terms of number of beds, budget size, and physical sites recognizing rurality is a factor. The Ontario Hospital Association [OHA] 2016 Comparator Organization Demographic Data Survey and 2016 CEO and Designated Executive Salary Survey, provided the comparative industry compensation and demographic data required to develop the CMH Executive Compensation Plan.

Director (DE) positions will have a common max compensation rate. The placement of an individual DE within the range between their current rate of pay and the new max compensation rate will be determined by the CEO and Management Resources and Compensation Committee and be consistent with current Regulations. The placement of the CEO within the range between their current rate of pay and the new max compensation rate will be determined by the Management Resources, and Compensation Committee.

CMH will maintain its commitment to the Excellent Care for All legislation; as such a portion of executive compensation will be linked to the attainment of annual QIP objectives. This additional performance-related pay will be tied to successful completion of QIP other objectives, and will be set out for each Designated Executive and Designated Executive at 3% of base salary.

Future increases to the executive Pay Envelope and progression toward the maximum rate of compensation [Pay Cap] established for its Designated Executives will be annually approved by the Board of Directors and shall be compliant with current Executive Compensation Regulations and Directives.

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<p><b>In the Sections that follow, BPSECA 2014, Regulation 304/16</b> (Executive Compensation Framework) and Regulation <b>187/17</b> (Regulation, Directive and Guide) requirements are summarized in the <b>Legislated Requirement column</b>, compliance status in the <b>CMH Compliance Status column</b>, and the action taken by CMH to achieve compliance is stated in the <b>CMH Executive Compensation Plan column</b>.</p>		
Legislated Requirement, as per Regulation 304/16 and 187/17	CMH Compliance Status	CMH Executive Compensation Plan
<p><b>Designated Executives</b></p> <p>The Regulation applies to employees and office holders of designated employers who are entitled to receive cash compensation of \$100,000 or more in a calendar year and who are:</p> <ul style="list-style-type: none"> <li>• the head of a designated employer, regardless of whether their title is chief executive officer, president or something else;</li> <li>• the vice president, chief administrative officer, chief operating officer, chief financial officer or chief information officer of a designated employer;</li> <li>• a person holding any other executive position or office with a designated employer, regardless of title;</li> </ul>	<p>In Compliance</p>	<p><b>The following CMH positions have been identified as Designated Executive for purposes of this legislation;</b></p> <ul style="list-style-type: none"> <li>• Chief Executive Officer</li> </ul> <p>With the exception of the CEO position. All other executive positions will be treated as a Class of Designated Executive positions and will include;</p> <ul style="list-style-type: none"> <li>• Director, Patient Care /Chief Nursing Executive (CNE)</li> <li>• Director, Finance / Chief Financial Officer (CFO)</li> <li>• Director, Human Resources / Chief Human Resources Officer (CHRO)</li> </ul>

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<p><b>Comparator Organization Selection</b> For each Designated Executive position or Class of Designated Executive positions, comparable positions must be selected for analysis from at least eight different organizations. Comparable organizations are those that are similar to the employer with respect to three or more of the following factors contained in Table One:</p> <p><b>TABLE ONE;</b></p> <ul style="list-style-type: none"> <li>• Scope of responsibilities of the organization’s executives.</li> <li>• Type of operations the organization engages in.</li> <li>• Industries within which the organization competes for executives.</li> <li>• Size of the organization</li> <li>• Location of the organization</li> </ul> <hr/> <p>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.</p> <p>The following information from the comparative analysis of executive compensation must be presented in the executive compensation program:</p> <ul style="list-style-type: none"> <li>• A list of comparable organizations used to calculate salary and performance-related pay.</li> <li>• A description of how the comparable positions chosen are comparable to the designated executive positions or class of positions.</li> </ul>	<p>In Compliance</p>	<p><b>CMH-List of Comparator Organizations</b> <b>(The Comparator Organization noted below were employed to calculate new salary and performance-related maximum Pay Caps for CMH Designated Executives)</b></p> <p>The following 14 organizations have been identified as comparators for CMH Chief Executive Officer and are compliant with the criteria identified in Regulations 304/16, 187/17 [Directive and Guide] Table One;</p> <ol style="list-style-type: none"> <li>1. West Nipissing General Hospital</li> <li>2. Manitoulin Health Centre</li> <li>3. Halliburton Highlands Health Services</li> <li>4. Hanover and District Hospital</li> <li>5. St. Joseph's Continuing Care Centre-Sudbury**</li> <li>6. Haldimand War Memorial Hospital</li> <li>7. Atikokan General Hospital**</li> <li>8. Englehart and District Hospital**</li> <li>9. Hopital de Mattawa Hospital</li> <li>10. Alexandra Marine and General Hospital</li> <li>11. Alexandra Hospital**</li> <li>12. Sensenbrenner Hospital</li> <li>13. Kemptville District Hospital</li> <li>14. Espanola General Hospital</li> </ol> <p>The following 10 organizations were utilized for the Class of designated Executives which includes Director, Finance/Chief Financial Officer, Director, Patient Care/Chief Nursing Executive and Director, Human Resources/Chief Human Resources Officer;</p> <ol style="list-style-type: none"> <li>1. West Nipissing General Hospital</li> <li>2. St. Joseph's Continuing Care Centre-Sudbury**</li> <li>3. Haldimand War Memorial Hospital</li> <li>4. Englehart and District Hospital**</li> <li>5. Alexandra Marine and General Hospital</li> </ol>
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<ul style="list-style-type: none"> <li>A description of how the comparator organizations are comparable to the designated employer with respect to the selection criteria listed in Table One.</li> </ul>		<ol style="list-style-type: none"> <li>6. Sensenbrenner Hospital</li> <li>7. Hanover and District Hospital</li> <li>8. Hopital de Mattawa Hospital</li> <li>9. Alexandra Hospital**</li> <li>10. Kemptville District Hospital</li> </ol> <p><b>Each of the identified comparator organizations are deemed similar to CMH in terms of the Regulation’s Table One criteria;</b></p> <ul style="list-style-type: none"> <li>Each selected comparator hospital is an Ontario Community hospital providing services similar to CMH. Ex. Emergency Depts. with similar volumes, one acute inpatient unit, similar outpatient surgical programs</li> <li>The Scope of executive responsibilities and competencies are similar, based upon the position profiles provided in the 2016 OHA CEO and Designated Executive Salary Survey. Ex. Support a Board, have responsibilities over Seniors housing and/or number of community programs, similar number of senior direct reports</li> <li>The selected comparator hospitals fall within the marketplace where CMH has or may elect to search for executives. Ex. Current CEO salaries within similar range, small/rural hospitals attracting rural CEOs</li> <li>They are similar in terms of relative size (Ex. budget, beds, patient volumes and FTE’s in organization).</li> <li>Their catchment areas are of a similar size to Campbellford Memorial Hospital. Ex. in geography, rurality</li> </ul>
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<p><b>Executive Salary &amp; Performance-Related Pay Envelope</b></p> <p>The pay envelope is determined based on the sum of all salary and performance-related pay provided to all incumbents of designated executive positions for the most recently completed compensation year.</p> <p>Once determined the pay envelope may be increased by a Government defined percentage referred to in the regulation as the “R” factor. The previous year’s pay envelope is multiplied by the “R” factor to establish the pay envelope for the next pay year.</p> <p>As part of its Executive Compensation plan implementation, a designated employer must determine the maximum rate of increase to the executive salary and performance-related pay envelope that applies to all designated executives.</p> <p>At plan implementation the dollar increase provided to each designated executive may not exceed their new Maximum Compensation Cap and the sum of the salary and performance-related pay received by each designated executive may not exceed the pay envelope.</p>	<p>In Compliance</p>	<p><b>CMH Executive Salary &amp; Performance-Related Pay Envelope</b></p> <p><b>Note: The CMH Board remained fully compliant with the executive compensation freeze requirements under the Government’s BPSAA (2010) and subsequent regulations and directives.</b></p> <p>The CMH <b>pay envelope</b> for the most recently completed pay year is: <b>\$479,721</b></p> <p>The “<b>R</b>” factor CMH employed to adjust its pay envelope for the coming year was <b>5 %</b></p> <p>The rationale for the 5% max. rate increase includes:</p> <ul style="list-style-type: none"> <li>• The Ontario government is forecasting a balanced budget for 2017/18. Executive salaries in Hospitals have been frozen to meet this BPSAA requirement and with the Provincial budget now balanced, it is appropriate and reasonable to now adjust the executive pay</li> <li>• While Hospital Executives salaries have been flat-lined over the past 10 years, annual wage increases for all hospital staff have ranged from 1.4% - 2.0 % over that period of time along with increases within their salary grids to their maximum salaries</li> <li>• At less than 10%, a comparison between the percentage of the CMH operating budget that is used for executive salary and performance-related pay (9.1% of total compensation) is lower than the comparable percentage of the operating budget that is used for executive salary and performance-related pay for the 10 comparator hospitals noted in the plan</li> <li>• In 2016/17, there were 7 Nurses who earned more than the Director</li> </ul>
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<p><b>Conducting the Comparative Analysis</b></p> <p>Designated employers are required to determine caps on salary and performance-related pay.</p> <p>Determining caps involves conducting a comparative analysis for each designated executive position or class of designated executive positions. The analysis may be undertaken by the employer or a third party.</p> <p>The comparative analysis should typically follow these steps:</p> <ol style="list-style-type: none"> <li>1. Determine the maximum amount of annual base salary and</li> </ol>	<p>In Compliance</p>	<p>Human Resources and 2 Nurses who earned more than the Director, Patient Care/CNE at CMH and 4 nurses earning within 5% of the CNE salary. The impact of this salary inversion/compression on both retention and future recruitment for these positions will be significant.</p> <ul style="list-style-type: none"> <li>• In the past 5 years, CMH has reduced management positions while at the same time integrating back-office services with local community care providers as well as expanding community based programs, thereby increasing the scope of responsibility for the CEO and designated executives, at a time when their salaries have been frozen over that period of time.</li> </ul> <p>The <b>new pay envelope</b> (inclusive of the 5% “R” factor increase] for CMH to distribute among its Designated Executives in the implementation of its Executive Compensation Plan is:</p> <p><b>\$503,708</b>(this number is inclusive of the 5% “R” factor adjustment]</p> <p><b>CMH Comparative Analysis &amp; Details</b></p> <p>CMH engaged third party expertise to conduct an independent comparative analysis of each Designated Executive and Class of Designated Executives. The Ontario Hospital Association [OHA] 2016 Comparator Organization Demographic Data Survey and 2016 CEO and Designated Executive Salary Survey data served as the basis for a comparative analysis that has established the CMH Designated Executive new Pay Caps. This analysis resulted in the creation of new Compensation Pay Caps at the <b>50th percentile</b> of the compensation provided at the identified Comparator Organizations.</p>
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<p>performance-related pay available to comparable executives from at least eight appropriate comparator organizations.</p> <p>2. Determine an amount in the range of comparator compensation values that is no greater than the 50th percentile – that is, no greater than the point in the range where half the values fall below. This value becomes the cap for the position or class of positions being evaluated.</p> <p><b>Comparative Analysis Details</b></p> <p>The following information from the analysis of executive compensation must be presented in the compensation program: a list of the comparable positions and organizations used when calculating each cap on salary and performance-related pay:</p> <ul style="list-style-type: none"> <li>• description of how the comparable positions are comparable to the designated executive position</li> <li>• description of how the comparator organizations are comparable to the designated employer with respect to the selection criteria.</li> </ul>	<p>The listed Comparator organizations were employed to complete the comparative analysis for all CMH Designated Executives and Designated Executive Classes.</p> <p>Beyond the CEO, CMH has decided to utilize a Designated Executives Class for the Director, Patient Care/CNE, the Director, Finance/CFO and the Director, Human Resources/CHRO. This decision maintains Pay Equity Legislation compliance and provides flexibility in the reassignment of executive responsibilities without the need for pay adjustments. The OHA survey’s “Top Clinical Executive non-MD” position was utilized for Designated Executive Class. This will allow for team based goals and assist with the creation of a team based culture.</p> <p><b>Comparative Analysis Results</b></p> <p>The Campbellford Memorial Hospital CEO salary range has been compared to the salary range of the comparator hospital CEOs. As a result of the 50<sup>th</sup> percentile comparative analysis, the new Maximum Compensation Pay Cap (salary + performance-related pay) and new Base Salary for each Designated Executive is as follows;</p> <p><b>Chief Executive Officer,</b> Maximum Compensation (Pay Cap) \$190,842 New Base Salary \$162,000</p> <p><b><u>Designated Executive Class</u></b> CMH designated executive class positions have been compared to similar designated executive class positions in comparator hospitals (although the position titles do not use the corporate nomenclature), ex. VP Patient Care/CNE to CMH’s Director, Patient Care/CNE, VP Human Resources/CHRO to CMH’s Director, HR/CHRO and VP Finance/CFO to CMH’s Director, Finance/CFO.</p>
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		<p>The salary range for the Campbellford Memorial Hospital designated executive class has been compared to the salary range of the designated executive class (Vice Presidents) in comparator hospitals. As a result the 50<sup>th</sup> percentile comparative analysis, the new Maximum Compensation Pay Cap (salary + performance-related pay) and new Base Salary for each Designated Executive and Designated Executive class is as follows;</p> <p>Maximum Compensation (Pay Cap) \$128,486</p> <p><b>Director, Patient Care/Chief Nursing Officer (CNE)</b> New Base Salary \$112,320</p> <p><b>Director, Human Resources/ Chief Human Resources Officer/CHRO</b> New Base Salary \$102,352</p> <p><b>Director, Finance/Chief Financial Officer (CFO)</b> New Base Salary \$112,320</p> <p><b>Quality Improvement Plan (QIP) &amp; Performance-Related Pay</b></p> <p>CMH maintains its commitment to the Excellent Care for All legislation; as such a portion of executive compensation is linked to the attainment of the annual Quality Improvement Plan. The potential additional compensation, tied to performance for 2017-18, will be as follows;</p> <p><b>Chief Executive Officer,</b> up to 3% of base salary (\$4860)</p> <p><b>Director, Patient Care/CNE,</b> up to 3% of base salary (\$3,370)</p> <p><b>Director, Human Resources/CHRO</b> up to 3% of base salary (\$3,071)</p> <p><b>Director, Finance/CFO</b> up to 3% of base salary (\$3,370)</p>
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		<p>The total of base salary, QIP and other Performance-related Pay <b>does not</b> exceed the pay envelope or the individual Designated Executive Pay Caps.</p>
<p><b>Other elements of compensation</b></p> <p>With the exception of salary and performance-related pay, an employer cannot provide an element of compensation to Designated Executives that is not also generally provided to non-executive managers, unless the element is required for the performance of the executive’s job or to satisfy a critical business need.</p> <p>Non-executive managers refers to employees and office holders who exercise managerial functions, and who directly report to one or more designated executives.</p> <p>The executive compensation program must identify any element of compensation provided exclusively to a designated executive, or class of Designated Executives, and include a written rationale explaining why the element is required for the performance of the executive’s job or the critical business need that is satisfied by its provision.</p> <p>Guide to providing other elements of compensation</p> <ul style="list-style-type: none"> <li>• If the element is generally provided to non-executive managers:</li> </ul> <p>Then the element may be provided in the same manner, and relative amount, as what is generally provided to non-executive managers.</p> <ul style="list-style-type: none"> <li>• If the element is required for the performance of the executive's job or for critical business reasons:</li> </ul>	<p>In Compliance</p>	<p><b>CMH Other elements of compensation</b></p> <p>The are no additional benefits, compensation elements or perquisites made available to the designated executives that are not also made available to CMH non-executive management;</p>

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<p>Then the element may be provided and must be supported by a business rationale. Otherwise, the element is prohibited.</p>		
<p><b>Future Adjustments to the Salary and Performance-related Pay Cap and Pay Envelope</b></p> <p><b>Pay Cap</b> All salary increases provided to Designated Executives must be approved by the Board of Directors, or the equivalent governing body or officer.</p> <p>Once per pay year, a designated employer may increase the salary and performance-related <b>pay cap</b> for a designated executive position or class of designated executive positions by a rate that does not exceed the lesser of the following:</p> <p>The average rate of increase in salary and performance-related pay of the designated employers non-executive managers for the most recent one year. In respect of which the employer determined the salary and performance-related pay to be paid to the non-executive managers.</p> <p>The public sector wage settlement trend in Ontario, as set out in the budget, the Economic Outlook and Fiscal Review or the public documents of the crown in right of Ontario, the cabinet, the Treasury Board or the Management Board of Cabinet</p> <p><b>Pay Envelope</b> Each year, a designated employer may increase the pay envelope. The designated employer may increase its envelope by an amount that must not exceed the Government approved maximum rate of increase (referred to in the regulation as the “R” factor. The total actual salary and performance-related pay that the designated employer provides to its</p>	<p style="text-align: center;">In Compliance</p>	<p><b>Future CMH Adjustments to the Salary and Performance-related Pay Cap</b></p> <p>The Board has overseen the development of this Executive Compensation Plan, and the Board has approved the Compensation Pay Caps, Pay Envelope and the new salaries and Performance-related pay contained within it.</p> <p>On an annual basis, the Board will oversee all changes to Executive Compensation, including increases to Pay Caps, the Pay Envelope, the award of performance-related pay and individual Designated Executive compensation changes or other changes to this Plan. All future changes will be compliant with the Government’s current Executive Compensation Regulations and Directives.</p>

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<p>designated executive incumbents cannot exceed the envelope for a pay year, regardless of how any increases are distributed across the team of designated executives.</p>		
<p><b>Executive Compensation Plan submission and public consultation process.</b></p> <p>The hospital will comply with the Government’s five step approval process defined in regulation 187/17 prior to its posting and implementation of its Executive Compensation Plan</p> <ol style="list-style-type: none"> <li>1. Designated employer submits proposed executive compensation plan for Government review [September 29, 2017].</li> <li>2. Designated employer addresses Government feedback.</li> <li>3. Public consultation by posting its proposed executive compensation program on its publicly facing website for a minimum of 30 days.</li> <li>4. Designated employer applies for ministerial approval of specific components of its Executive Compensation Plan.</li> <li>5. Designated employer’s Board approves decision to adopt and employer posts final plan.</li> </ol>	<p>In Compliance</p>	<p><b>CMH Executive Compensation Plan submission and public consultation process.</b></p> <ol style="list-style-type: none"> <li>1. The CMH Executive Compensation Plan was submitted to the Minister of Health on September 29, 2017.</li> <li>2. Government feedback was received on January 16, 2018. Feedback was addressed and plan resubmitted on January 16, 2108.</li> <li>3. Government provided approval to proceed to public consultation phase on January 25, 2018. Posting to CMH website occurred on <b>February 6<sup>th</sup>, 2018</b> The public consultation phase concluded on <b>March 8<sup>th</sup>, 2018</b>.</li> <li>4. The plan with summaries of the public feedback was submitted to the ministry for approval on <b>“date”</b>.</li> <li>5. The plan with ministry approval was submitted to the CMH Board for approval on <b>“date”</b>. The approved file Executive Compensation plan is posted on the CMH website on <b>“date”</b></li> </ol>
<p><b>Initial and Annual Executive Compensation Compliance Attestation</b></p> <p>The Executive Compensation Framework Compliance Report Directive requires the Board Chair or equivalent highest ranking</p>	<p>In Compliance</p>	<p><b>CMH Compliance Attestation</b></p> <ol style="list-style-type: none"> <li>1. The initial “Executive Compensation Program Compliance Report Form” was submitted to the Government</li> </ol>

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<p>officer at each designated employer to attest to the employer's compliance with the regulations. The compliance directive sets out two distinct reporting requirements that each designated employer must satisfy.</p> <ol style="list-style-type: none"> <li>1. The initial compliance attestation will be made utilizing the "Executive Compensation Program Compliance Report Form"</li> <li>2. The "Annual Executive Compensation Compliance Report Form", will be completed and submitted on or before May 1 of each year to report on compliance for the period April 1 to March 31 of the preceding year</li> </ol>		<p>on "date"</p> <ol style="list-style-type: none"> <li>2. The "Annual Executive Compensation Compliance Report Form", will be submitted to the Government on May 1, 2018</li> </ol>
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