



DISTRICT SCHOOL BOARD OF NIAGARA

EXECUTIVE COMPENSATION PROGRAM FOR ONTARIO'S PUBLICLY FUNDED SCHOOL BOARDS

December 2017

Executive Compensation Philosophy

Executive Talent Needs

The school boards require highly skilled and highly principled leaders to lead the organization in providing, promoting, and enhancing publicly funded education. Student achievement and success is a critical public service and requires innovative leadership to further advance the current public education system, taking into consideration technology advances that can assist with student learning. In their leadership capacity, executives are required to work and communicate with a variety of unique community groups, Government, and other stakeholders, understanding and taking into consideration the school board's population diversity when making decisions (i.e., spoken languages, socio economics, and differing abilities of students, parents, and other community members).

Directors of Education and Academic Supervisory Officers are typically recruited from the education sector (often within the school boards). Recently, there has been difficulty attracting and retaining executive talent at the school boards, due to the compensation compression resulting from executive compensation freezes and increasing Principal and Teacher salaries through collective bargaining. There have also been challenges attracting and retaining Business Supervisory Officers and other executives, who often have increased opportunity for alternative employment. These executive jobs are typically recruited from a variety of broader public sector organizations, as well as private sector organizations.

Compensation Elements

The school boards provide maximum compensation for executives up to the 50th percentile of the selected external comparator organizations, as per the Government Regulations. Compensation for school board executives consists of base salaries, pensions, and benefits. Each component of compensation plays an important role in the attraction, retention, reward, and recognition of the executives needed to carry out the school board's mission.

Base Salaries: Base salaries provide regular compensation to executives for their contributions to the organization. The Provincial Program outlines a base salary range for school board executives. Individual base salaries may vary across executives considering their tenure, experience, relative accountabilities, and relative scope within the organization and across school boards.

Pension and Benefits: Consistent with the Government Regulations, our school board provides similar pension and benefits arrangements to those provided to non-executive managers in our board. Additional coverage or elements are only provided to executives if there is a critical business need and / or it is needed for the effective performance of the executive's job.

Executive Accountability & Complexity Matrix

An Accountability & Complexity Matrix was developed to systematically group the school boards into seven levels. This Matrix uses a set of five Core and two Non-Core factors to rate, rank, and review each school board based on accountabilities, size, and other complexity criteria.

The table below presents the five Core factors:

Core Factor Dimensions	Levels						
	1	2	3	4	5	6	7
	P1 < P20	P20 < P40	P40 < P60	P60 < P80	P80 < P99	P99 +	P99 ++
Projected Operating Budget (\$Millions)	\$1 - \$60	\$61 - \$140	\$141 - \$230	\$231 - \$380	\$381 - \$1,500	\$1,501 - \$2,500	\$2,501 +
# Schools	1 - 20	21 - 35	36 - 50	51 - 85	86 - 200	201 - 400	401 +
Projected Enrolment	1 - 4,700	4,701 - 9,700	9,701 - 17,900	17,901 - 33,900	33,901 - 99,550	99,551 - 200,000	200,001+
# Full-Time Equivalent Teachers	1 - 290	291 - 660	661 - 1,180	1,181 - 2,220	2,221 - 7070	7,071 - 10,000	10,001 +
# Superintendents	1 - 2	3 - 4	5 - 6	7 - 9	10 - 20	21 - 25	26 +

The number of levels was determined using an initial quintile (five level) approach with additional levels 6 and 7 added to capture the further accountabilities and complexities of the largest school boards (that significantly differed from those in level 5). The number of levels was also tested using Mercer’s proprietary job evaluation system, International Position Evaluation.

The table below presents the two Non-Core factors that may have been used to modify the school board level.

Geographic Complexity	Takes into consideration the size of the board (i.e. square kilometres), but more so the complexities that typically arise from having to manage a broad set of differences/complications across a geography. This also relates to interacting with multiple municipalities, townships, or community groups, as well as the potential requirement to effectively interact with stakeholders in multiple languages or with significant cultural differences.
Community Partnerships	Takes into consideration the typical nature of the relationships and associations with First Nations Bands or other community partners within a board’s geography/mandate; and the added diversity and complexities that can be associated with multiple First Nations and/or community partnerships.

Based on the Accountability and Complexity Matrix, our Board is a level 5 Board.

The DSBN meets or exceeds each of the five core factors, with a \$461,000,000 operating budget, 96 schools, 2,874 classroom staff, 1,063 support staff, and 36,376 students. In addition, the DSBN is represented by 12 municipalities, and the Niagara Region.

Comparator Organizations

The Government Regulations stipulate that a minimum of eight comparators must be used in the Comparative Analysis and development of the Executive Compensation Framework. In addition, all comparator organizations must be comparable with respect to three or more of the following factors:

- A. The scope of responsibilities of the organization's executives
- B. The type of operations the organization engages in
- C. The industries within which the organization competes for executives
- D. The size of the organization
- E. The location of the organization

Comparable positions generally include those that are similar with respect to essential competencies (knowledge, skills, and abilities), relative complexity, and the level of accountability associated with the position. The Director of Education executive class is compared to the head of an organization (e.g., President or Chief Executive Officer) and the Supervisory Officer executive class is compared to the Vice President level at comparator organizations.

A set of external comparator organizations were developed taking into consideration the factors outlined above, the markets that the school boards compete for executive talent, and the size and complexity of the school boards in each level. There are eight comparators for each school board level and a total of 35 comparators, with a 75% weighting on education-focused organizations. While of the factors outlined above are important, size is a key consideration when doing executive compensation comparisons and was used in the selection of all comparators. The table below outlines the external comparator organizations in our level. In addition to these comparators, the school boards conducted a series of internal analyses and the current compensation levels and practices at all 72 school boards were considered in the development of the Framework. Each school board was compared to every other school board through the Executive Accountability & Complexity Matrix.

Market Segment	Level 5 External Comparators
Education	Algonquin College
	Carleton University
	Durham College
	York Catholic District School Board
	Education Quality & Accountability Office
	Ontario Educational Communications Authority
	The Ontario French Language Educational Communications Authority
Broader Public Sector	Regional Municipality of Durham
	Ontario Government Executive

Executive Compensation Framework

The Executive Compensation Framework sets the base salary ranges for each of the school board’s designated executives and was developed using common compensation management principles as well as the external comparators organizations.

The base salary range maximums are less than the 50th percentile compensation cap. As per the Government Regulations, the compensation cap was calculated using the maximum total cash compensation provided to comparable positions at the external comparator organizations. The base salary range minimums were developed using a relatively common percentage range spread from the minimum to the maximum of the range. The base salary ranges for the Directors of Education are slightly larger as it is considered a “career range”, the top position within the school board where an executive may stay within the position for many years. The executive ranges increase across the seven levels as there is increasing job variability. While the Act and Government Regulations do not specifically require the development of ranges, base salary ranges were developed, so executives can be differentiated and paid appropriately, considering internal equity and consistency, as well as other individual characteristics, such as tenure, experience, and their relative accountabilities. Therefore, executives may be paid at different levels within the range based on these criteria.

The base salary ranges were developed taking into consideration the Principal salary grids (up to the end of the 2017/2018 school year). In order to reduce the compression and attract school board employees to executive positions, we strive to maintain approximately a 5% differential between the executive minimum and the maximum Principal salaries. As a result, the Executive Compensation Framework may need to be revisited based on future collective bargaining or changes to collective agreements related to Teacher and Principal compensation.

The table below details the base salary range minimums and maximums for the Directors of Education, Associate Directors, and other executives (including Supervisory Officers).

Base salaries are presented in CAD \$000's

School Board Level	1	2	3	4	5	6	7
Directors	\$166 - \$198	\$176 - \$218	\$192 - \$237	\$208 - \$257	\$224 - \$277	\$239 - \$296	\$255 - \$316
Associate Directors	\$158 - \$166	\$167 - \$176	\$183 - \$192	\$198 - \$208	\$213 - \$224	\$228 - \$239	\$243 - \$255
Executives	\$140 - \$157	\$140 - \$166	\$140 - \$176	\$140 - \$185	\$140 - \$194	\$140 - \$204	\$140 - \$213

Our Board is accountable for determining the appropriate placement of our designated executives within the base salary range. The following criteria will be considered when determining their placement in the base salary range:

- The scope of the executive work, including the accountabilities and complexities of the position;
- External public sector comparators and internal school board comparators (at the same level as well as the levels directly above and below); and,
- The tenure, experience, and other individual characteristics (often a composite) of incumbents.

DISTRICT SCHOOL BOARD OF NIAGARA EXECUTIVE COMPENSATION PROGRAM

The table below details the Director of Education and Executive base salary ranges for Level 5 school boards, including our Board:

Director of Education	\$224 - \$277
Superintendents	\$140 - \$194

Executive Pay Envelope and Maximum Rate of Increase

The Government Regulations requires the calculation of a pay envelope (total of all actual base salaries paid to executives) and an annual maximum rate of increase. The table below outlines the pay envelope at District School Board of Niagara and the proposed maximum rate of increase.

Envelope	Maximum Rate of Increase
\$1,996,916.00	5.0%

Actual annual increases paid to executives may be less than the maximum rate of increase and individuals may receive more or less than the maximum rate of increase, considering a variety of criteria, including their tenure in the designated executive position. Increases will not be provided beyond the range maximum. Upon implementation of the Framework, the envelope may be prioritized for executives below the minimum of the range or executives in other unique circumstances.

The table below details the rationale for the maximum rate of increase relative to the factors outlined in the Government Regulations.

Factor	Proposed Maximum Rate of Increase
The financial and compensation priorities of the Ontario Government	The Government has identified a need to take a balanced approach to managing public sector compensation, recognizing the need to maintain a stable, flexible and high-performing public-sector workforce that supports the government's transformational priorities and at the same time ensuring that public services continue to remain affordable. For executives, the Government wants to ensure that broader public-sector organizations are able to attract and retain the necessary talent to deliver high-quality public services while managing public dollars responsibly.
Recent Executive Compensation Trends	The school boards closely considered both executive compensation trends within the broader public sector as well as the sectors from which the school boards attract executive talent. The following trends reflect the findings of Mercer's most recent compensation planning study: <ul style="list-style-type: none"> - Canadian broader public sector average executive compensation increases are projected to be 2.6%; and, - Canadian services (non-financial) average executive compensation increases are projected to be 2.8%.
Comparison of Percentage of Operating Budget for Executive Salaries between our Board and its Comparators	The school boards regularly review the appropriateness of their executive organizational structures and staffing and believe that they are appropriate given the complexity of the organization, and do not warrant an overall reduction in the annual maximum increase to the pay envelope.
The Effect on the Ability to Attract and Retain Talent	The school boards have difficulty attracting and retaining executive talent as Principal and Teacher salaries continued to increase, resulting in significant salary compression. The proposed maximum rate of increase must consider increases for represented jobs within the organization, as they are an important source for attracting talent to future executive positions. The proposed maximum rate of increase must provide the flexibility required to balance affordability with the need to avoid long-term pay compression, or inversion, between layers of management and between management and the bargaining units.

DISTRICT SCHOOL BOARD OF NIAGARA EXECUTIVE COMPENSATION PROGRAM

EQAO Increased	<p>DSBN has made significant progress in EQAO results, one of the most dedicated priorities of the province over the past 5 years. DSBN has outperformed the Province in almost all categories over 5 or 6 years.</p> <p>In Grade 3 Reading, DSBN has increased 14% from 69% to 83%, the province has increased to 72%. In Grade 3 Writing, DSBN has increased 5% from 78% to 83% and the Province has declined to 74%. In Grade 3 Mathematics, DSBN has increased 69% to 74 % and the Province has declined from 68% to 63%.</p> <p>In Grade 6 Reading, DSBN has increased 9% from 76% to 85% and the Province has increased 75% to 81%. In Grade 6 Writing, DSBN has increased 10 % from 73% to 83% and the province has increased 74% to 80%. In Grade 6 Mathematics, DSBN has increased 5% from 54% to 59% and the province has decreased from 58% to 50%.</p> <p>In Grade 9 Applied Mathematics results, DSBN has improved 10% from 42% to 52%, The province has remained at 44%. In Grade 9 Academic Mathematics 79% to 83% and the Province had dropped from 84% to 83%.</p> <p>In Grade 10 OSSLT, DSBN has improved 7% from 79 % from to 86% while the province has dropped from 82% to 81%.</p> <p>Every category except one in EQAO, DSBN has outperformed the province and in some Areas very significantly, This has been the major learning initiative for the Ministry of Education.</p>
Reduction of Surplus Spaces	<p>To support the provincial initiative to reduce pupil spaces, By 2020, the DSBN will have reduced the number of pupil spaces by 7,760. This reduction has mitigated the financial risk to the Board due to the removal of top up funding for empty pupil spaces. We have also sold all of our surplus buildings and generated over \$12M to further support our renewal needs.</p>
Capital Growth and Improvement	<p>The DSBN has achieved significant growth in new facilities including two outdoor education centres, 5 synthetic turf fields, and several large scale school renovations. In addition, we will have closed 36 schools and built 8 new schools by 2020. The DSBN has received awards for environmental sustainability and community growth concepts relating to the new builds. During the last decade over \$150M has been spent on renewal and new capital projects.</p>
Financial Accountability including Special Education Funding	<p>The DSBN consistently spends well below the Board Admin funding envelope and demonstrates a pattern of sustainable financial stewardship that has allowed us to support our learning strategy with Instructional Coaches, Social Workers, and additional Special Education Support. For several years the DSBN Special Education Funding Envelope was underfunded. The Board Senior Team, together with Trustees created a financial strategy to support our Special Education students until the time at which our funding was adequate to meet our students with Special Education needs.</p>
Tenure of Director	<p>The DSBN Director has been in the role of Director for 18 years, spanning two school Boards and preceding that was a Superintendent for 6 years at another Board. He is the second longest serving Director in Ontario and is called upon to serve on numerous expert panels and steering committees. His vast wealth of knowledge and experience have been a driving force in the successes of the DSBN.</p>