

EXECUTIVE COMPENSATION PROGRAM

Purpose and Background

In 2010, the Province legislated a two-year compensation freeze for all non-unionized employees in the Broader Public Sector (BPS) which prohibited increases to compensation, including rates of pay, pay ranges, benefits, perquisites and other payments, but allowed for employees to progress through the ranks if their terms and conditions of employment included a salary grid. In 2012, the Province lifted the compensation freeze for all non-unionized employees but continued a freeze on all elements of compensation for designated executives and certain office holders, including performance pay envelopes. These compensation restraint measures continue to apply until a compensation framework becomes effective for an employer, or by proclamation of the Lieutenant Governor.

In 2014, the Province approved the *Broader Public Sector Executive Compensation Act, 2014* (BPSECA) which provides for the establishment of compensation frameworks, the details of which are outlined in Ontario Regulation 304/16, as amended by Ontario Regulation 187/17 (the Regulations), and the Broader Public Sector Executive Compensation Program Directive (the Directive).

As a designated broader public sector institution, under the Regulations and the Directive, the Board of Directors of Ontario Shores is responsible for:

- Overseeing the development of an Executive Compensation Program (ECP) that includes a compensation philosophy, sets salary and performance related caps based on a comparative analysis of each designated executive position using at least eight (8) comparable organizations, specifies a maximum rate by which the total designated executive salary and performance-related pay envelope could be increased in each year, and outlines any elements of compensation provided exclusively to designated executives with a corresponding rationale;
- After receiving approval by the Ministry to do so, seeking public comment by posting its proposed ECP on its public-facing website for a minimum of 30 days;
- Submitting to the Ministry the summary of the public feedback received and any changes being made to the program;
- Securing approval by the Minister of comparator organizations and of the proposed maximum rate of increase to its salary and performance-related pay envelope;
- Approving the final ECP and ensuring it is posted on Ontario Shores' website.

Designated Executives

- President & CEO
- Physician-in-Chief (0.3 FTE)
- Vice President, Medical Affairs (0.7 FTE)
- Vice President, Finance and Support Services & Chief Financial Officer (CFO)

- Vice President, Clinical Services
- Vice President, Practice, Human Resources (HR), Centre for Education and Organization Development (CEOD) Research and Chief Nurse Executive (CNE)

Compensation Philosophy

Ontario Shores is a public hospital providing a range of specialized assessment and treatment services to those living with complex and serious mental illness. Our hospital has 326 inpatient beds and a large program of outpatient services providing more than 70,000 visits each year. Our Forensic Program, Adolescent Program and Adolescent Eating Disorders Program are provincial programs and provide care for individuals from across Ontario. Exemplary patient care is delivered through safe and evidence-based approaches where successful outcomes are achieved using best clinical practices and the latest advances in research. Patients receive highly specialized mental health care guided by leading-edge quality of care standards and delivered through the Recovery model of care.

Located just 45 minutes east of Toronto, Ontario Shores proudly serves individuals across Ontario and within its primary service areas including: East and Northeast Toronto and the surrounding municipalities of Durham Region, York Region, Kawartha Lakes, Haliburton, Northumberland and Peterborough Counties. In all, more than three million residents rely on Ontario Shores for specialty mental health services.

The organization shares its expertise, knowledge and experience, through research, education and advocacy initiatives and provides leadership to healthcare providers, community partners, policy makers and social sectors (e.g. justice, social services, education, housing and others) to strengthen and advance the mental health care system. Ontario Shores embraces the opportunity to raise awareness of mental illness, educate healthcare practitioners and train the next generation of mental health care specialists. As advocates, Ontario Shores champions and supports the efforts of patients, professionals, and policy makers to ensure individuals with mental illness have access to care and the opportunity to fully participate in society.

Ontario Shores' compensation philosophy shapes how decisions are made about executive pay. The guiding principles for our compensation philosophy are:

1. Competitive pay rates to attract top talent; engage and motivate those individuals in meaningful, outcomes focused work and retain them to enable their achievement of medium and long-term results and reduce turnover costs and associated disruption.
2. Fair and equitable treatment of executives to build trust and positively influence engagement, retention, and performance.
3. Structured Performance pay as a mechanism to facilitate clarity and focus related to the achievement of strategic objectives and Quality Improvement Plan commitments.
4. Reflect market rates of pay, economic trends, and affordability for the hospital.
5. Meet applicable legislation including pay equity and internal equity principles and any specific LHIN directives.

6. Annual review of pay caps with any adjustment made at the rate specified by applicable legislation.
7. Salaries capped at the 50th Percentile of relevant and appropriate comparators selected for similarity and fit related to: scope of responsibilities for executives, industries within which we compete for executives, size, complexity and budget of the organization, type of operations the organization engages in, and location of the organization.
8. Manage compensation for newly hired executives or those who change positions according to the compensation framework.

In accordance with the new regulation, our executive compensation program strongly supports our strategic objectives and is designed to reward executives for the scope of their functional responsibilities and the delivery of high quality services, actual results, and continued excellence through a mix of fixed and performance-based variable pay. As part of our performance management system, all senior management executives are required to document specific goals and associated evaluation metrics that are linked directly to our annual operating plan. These objectives and metrics are discussed with, and approved by the CEO. At mid-year, progress towards the outcomes is reported and discussed and at year-end the final results are tabled. Performance (or at risk) pay comprises 5% - 10% of the executive's salary depending on the role. For the senior team, excluding the CEO and PIC, 50% of the performance pay is assigned to the achievement of Quality Improvement Plan targets and is allocated equitably to each executive based on results. The other 50% of the performance pay is assigned to the individual executive's achievement of their operational plan related goals and metrics. The CEO and PIC have a similar process with the Board Chair for their annual performance.

Determining Compensation Levels

Comparator Group(s) and Comparative Analysis Details

Ontario Shores' overall Comparator Group is comprised of the following 13 hospitals:

1. Centre for Addiction and Mental Health
2. Mackenzie Health
3. Children's Hospital of Eastern Ontario and Ottawa Children's Treatment Centre
4. Hôpital Montfort
5. Royal Ottawa Health Care Group
6. Baycrest Health Sciences
7. Bruyère Continuing Care
8. Waypoint Centre for Mental Health Care
9. Holland Bloorview Kids Rehabilitation Hospital
10. Women's College Hospital
11. Markham Stouffville Hospital
12. Brant Community Healthcare System
13. Providence Care

These comparator hospitals were selected based on their overall similarity with Ontario Shores with respect to most or all of the factors as specified by the framework including:

1. Scope of responsibilities of the organization’s executives

All comparator organizations have executive teams supporting the delivery of healthcare and other services to public communities.

2. Type of operations the organization engages in

The comparator group is a mix of addiction & mental health hospitals, specialty hospitals and other hospitals with significant mental health services. In addition, as Ontario Shores specializes in mental health rehabilitation and care of seniors with dementia and other neuro-degenerative diseases, some of the comparator hospitals were selected because of their similar focus.

3. Industries within which the organization competes for executives:

Ontario Shores competes for Executive talent within the healthcare (hospital) industry.

4. Size and Complexity of the Organization

Comparator hospitals are of a similar size and complexity (in terms of key quantitative drivers such as Annual Revenues, Headcount and Number of beds, Physician management, Forensic services, and engagement with multiple ministries)

5. Location of the organization

Most organizations are primarily located in Toronto/Greater Toronto Area corridor or large urban areas where Ontario Shores geographically competes for talent.

From the above list, the comparators for each of the executive positions are as follows:

Comparator Hospital	CEO	Psychiatrist in Chief	VP Medical Affairs	VP Fin. & Support Services	VP/CNE	VP Clinical
1. Baycrest Health Sciences	X	X	X	X		X
2. Brant Community Health Care system					X	
3. Bruyere Continuing Care	X	X	X	X	X	X
4. Centre for Addiction & Mental Health	X	X	X	X	X	X
5. Children’s Hospital of Eastern Ontario	X	X	X		X	
6. Holland Bloorview Kids Rehabilitation Hospital	X	X	X	X	X	
7. Hopital Montfort	X					

Comparator Hospital	CEO	Psychiatrist in Chief	VP Medical Affairs	VP Fin. & Support Services	VP/CNE	VP Clinical
8. Mackenzie Health	X			X		X
9. Markham Stouffville Hospital				X		X
10. Providence Health Care					X	X
11. Royal Ottawa Healthcare Group	X	X	X	X		X
12. Waypoint Centre for Mental Health Care	X	X	X	X	X	X
13. Women's College Hospital		X	X		X	
Total # of Comparators	9	8	8	8	8	8

Comparative Analysis Details

Titles and portfolios for executives within the health care sector are highly variable. Accordingly, we conducted a comprehensive review of titles and roles in comparison to those at Ontario Shores. This review demonstrated a good match of responsibilities and scope for the executive positions and thus validated the selection of the 13 comparator hospitals.

Three of the hospitals (CAMH, Baycrest and Bruyere) are common comparators for all of the Ontario Shores executive positions because of the patient population and regional leadership roles provided by those hospitals which are similar to the role of Ontario Shores. From the group of 13 hospitals, sub-sets were selected for specific executive positions in order to best match the title, scope and span of the specific position.

Within the specified comparator organizations, Ontario Shores' President & CEO is compared to President & CEO roles, the Physician-in-Chief (PIC) and VP Medical Affairs positions are compared to PICs and Medical Affairs executives; and the VP Clinical Services is compared to VP Clinical Programs and other Patient Services Roles.

The position of VP, Finance & Support Services and CFO is unique because although the formal title of the VP Finance and Support Services & CFO was never changed the incumbent is also accountable for Information Technology (IT) which has been exponentially advanced in recent years including EMR implementation. Additionally, the VP HR, CEO, Research and CNE role is unique because of the combination of portfolios. Accordingly, for those two executive roles, job matching was carried out

within the specified sub-group of the comparator hospitals to reflect the combination of roles each executive fulfils.

Overall, Ontario Shores believes this group represents a balanced sample of hospitals that are similar both in size and in a combination of the other important benchmark criteria provided in the numerated list above. As stated, the comparator hospitals have similar positions to the specified Ontario Shores' executive positions, however, the small size of Ontario Shores' executive team (6 members, or 5 FTEs) contrasts with the larger executive teams of our comparators; meaning that the scope of the roles for our executives is generally larger than our comparator group.

Ontario Shores has performed a comparative analysis and has established salary and performance-related pay caps at the 50th Percentile of the maximum compensation values for the comparator group. The results of the comparative analysis were used to determine the maximum compensation that can be earned by the executives at Ontario Shores.

Each of the executive positions was benchmarked against jobs with similar job title, job content and scope of responsibilities to the extent possible within the selected comparator organizations. The total cash compensation caps for these levels were then established at the 50th percentile of the comparator market maximum total cash compensation (maximum base Salary plus maximum performance related pay).

Salary and Performance-related Pay

Pursuant to the Regulations, the maximum salary and performance-related pay caps for each designated executive is based on the 50th percentile of the total salary paid for similar positions of the comparable organizations as outlined above.

Designated Executives	Salary Range Maximum	Maximum Annual Performance-related Pay (% of salary)	Salary & Performance-related Pay Cap (50th percentile of comparators)
President & CEO	\$435,000	10%	\$478,500
Physician-in-Chief (0.3FTE)	\$108,545 (annualized: \$361,818.17)	10%	\$119,400 (annualized total: \$398,000)
VP Medical Affairs (0.7FTE)	\$265,333 (annualized: \$379,047.62)	5%	\$278,600 (annualized total: \$398,000)
VP Finance & Support Services & CFO	\$257,810	5%	\$270,700
VP Clinical Services	\$233,048	5%	\$244,700
VP Practice, HR, Research, CEOD & CNE	\$254,286	5%	\$267,000

Legend: FTE means Full-Time Equivalent. 0.3 = 1.5 days per week; 0.7 = 3.5 days per week

Adjustments to the salary and performance-related pay cap

Once per pay year, pursuant to Regulations, Ontario Shores may increase the salary and performance-related pay cap for a designated executive position by a rate that does not exceed the lesser of the following:

- The average rate of increase in salary and performance-related pay of the designated employer's non-executive managers for the most recent one-year period in respect of which Ontario Shores determined the salary and performance-related pay to be paid to the non-executive managers.
- The public sector wage settlement trend in Ontario.

Designated Executive Salary and Performance-related Pay Envelope

The Maximum rate of pay including pay for performance for Ontario Shores Executive team is currently \$1,503,350. Using the comparator group identified earlier and the methodology described earlier, Ontario Shores Executive team will need increases over a number of years to achieve the 50th percentile of the comparator organizations. Ontario Shores will undertake that gradual process to achieve the 50th percentile through a maximum 5% annual increase to the Executive salary envelope. Once the envelope has been increased to achieve the 50th percentile, it will increase only to the extent permissible by regulation. The proposed 5% maximum rate of increase for year one will allow for the initial annual compensation adjustments needed to retain and motivate the executive team, or address any internal/external inequities that may arise.

In determining the requested 5% maximum rate of increase, Ontario Shores has considered all the factors outlined in section 3.3 of the BPSEC Framework Regulation. Although all the factors were considered, some factors were given more attention due to data availability and/or relative impact on Ontario Shores' executive compensation needs and organization-specific circumstances. The following factors were the primary determinants:

1. *The financial priorities and the compensation priorities of the Ontario Government as indicated in the most recently published 2017 Ontario Budget.*

Based on the 2016 Ontario Economic Outlook and Fiscal Review, transforming healthcare is one of the primary priorities for Ontario. The proposed maximum rate of increase would allow Ontario Shores to attract, retain, and motivate executives that are critical to leading the delivery and execution of Ontario Shores' mandate in its LHIN. The proposed rate also considers the organization's future compensation requirements to remain market-competitive with hospitals of similar size and complexity.

- 2. Recent executive compensation trends in the part of the Canadian public sector and BPS that is in the industry within which the designated employer competes for healthcare executives.*

Korn Ferry Hay Group's Executive Market Trends report indicates that executives in national broader public sector have received an average increase of approximately 1.9% annually to actual base salary between 2012 to 2017. Ontario Shores and other Ontario BPS organizations have maintained the same salaries for the last 7 years. The proposed increase to the envelope will allow for updated compensation levels to get closer to the P50 of our comparators and to continue to attract, retain and motivate the executive team.

- 3. Portion of operating budget used for executive compensation as compared to the comparator organizations.*

As indicated in the BPSEC Guide, information on total executive compensation spending is not readily available at this time. Ontario Shores has made efforts to obtain data and analyze information regarding this factor. However, at this time, this type of information is not readily available. The executive salary and performance pay portion of our 2016/17 operating budget is 1.06% and we believe it is well within the predicted benchmarking amounts of other hospital organizations.

- 4. The difference between the salary and performance-related pay range for executive positions and the salary and performance-related pay ranges for the employees or office holders who directly report to those positions.*

Based on the salary ranges at the director level (non-executive managers), compression issues do exist within Ontario Shores' current executive compensation structure. For example, within the existing compensation structure, the difference in base salary between VP/CNE (executive) and Deputy Chief Financial Officer/ Director, Information Technology and Decision Support (non-executive manager) is less than 6% which is not a considerable difference between pay levels from a compensation perspective. In addition, non-executive employees received a salary increase of approximately 2.34% each year for the past 7 years for cost of living and merit adjustments. The proposed maximum rate of increase would allow for an increase to the executives' compensation, to which a portion would be allocated to correct the compression issues that are currently present, and ensure reasonable pay differences between the executives and non-executives.

- 5. Significant expansion in the operations of the designated employer that is not the result of a significant organizational restructuring*

Under the leadership of its Board and Executive Team, Ontario Shores plays a unique role in the mental health sector by contributing leadership and expertise that plays a very influential role locally, provincially, nationally and internationally. Specific examples include:

- Serving as the Central East LHIN's designated lead for the development and implementation of a regional mental health system to facilitate improved performance and outcomes;
- Advancing and supporting adoption of Electronic Medical Record systems locally and provincially and contributing mental health expertise to the development and implementation of quality practice standards through HQO;
- Influencing and evolving Recovery models of care and evaluation through knowledge translation (i.e. the Ontario Shores International Journal of Recovery in Mental Health); patient education (Recovery College) and indicator measurement; and
- Expanding service delivery to meet population needs and implementing newly funded services such as the Central East LHIN Cognitive Behavioral Therapy initiative and 20- bed Geriatric Transitional Unit.
- Expanded Forensic Program which included the opening of a 20 bed Assessment and Rehabilitation Unit and specialized Forensic Outpatient Services.
- Opening of the first of its kind in Canada 12 bed residential Adolescent Eating Disorders Unit that provides an interprofessional model of care that is focused on recovery and rehabilitation.

These examples demonstrate the depth and complexity associated with the executive roles and accordingly, the proposed 5% maximum rate of increase will be essential to attracting, retaining, and motivating top executives to support Ontario Shores' future operating complexities.

The proposed 5% maximum rate would allow Ontario Shores to adjust its existing executive compensation and lessen the gap to market. In doing so, Ontario Shores can motivate and further retain its existing executive team, all of whom are highly talented with valuable experiences and skillsets to bring to the organization.

Other Elements of Compensation

Only one additional element of compensation will be provided:

Element 1: Car Allowance

We provide a fixed amount car allowance monthly to the executives listed below that comprise our senior management team. All other employees are compensated for the use of their vehicles for business related activities based on a fee per kilometer.

Rationale

This variation between employee groups reflects the very high frequency with which executives use their vehicles in the course of their job responsibilities. It avoids a very

significant burden of record keeping which would otherwise be necessary and thus saves time and promotes efficiency in job performance. As other classes of employees use their vehicles less, and are compensated fully via submission of their mileage claim forms, they are not disadvantaged.

All other elements of compensation inconsistent with the regulation have been removed.