

## **Western University**

### **Executive Compensation Program**

Considering: O. Reg. 304/16: EXECUTIVE COMPENSATION FRAMEWORK under Broader Public Sector Executive Compensation Act, 2014, S.O. 2014, c. 13, Sched. 1

April 25, 2018



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## Background

In 2010, the Government of Ontario introduced the *Broader Public-Sector Accountability Act, 2010 (BPSAA)* which includes a series of regulations to control the compensation, expenses and perquisites for employees within the broader public sector. This legislation included a compensation freeze for executives in the broader public sector, including universities.

In 2014, the Government of Ontario approved the Broader Public-Sector Executive Compensation Act, 2014 (BPSECA) in order to manage executive compensation in the broader public sector. In September 2016, the Government of Ontario introduced Regulation 304/16; Executive Compensation Framework, which was amended in November 2016, June 2017, and November 2017. These pieces of legislation outline the process that Ontario Broader Public Sector employers are to use to create compensation frameworks for Designated Executive positions.

Highlights of compensation framework for Designated Executive positions require that:

- Salary and any performance-related pay be capped at the 50<sup>th</sup> percentile of appropriate comparators;
- Designated Employers must receive approval from their overseeing Ministry (for Western it is Ministry of Advanced Education and Skills Development) on the comparator organizations used to determine the salary and performance-related pay caps;
- The salary and performance-related pay envelope, and the rate of increase to be applied to this envelope, is to be capped at the maximum rate of increase approved by the overseeing Ministry; and
- Approval of the overseeing Ministry is required at multiple points through the process of creating the Executive Compensation Program.

The regulations require the program to be posted on a public-facing website for a period of 30 days. After consideration of the feedback, the final Executive Compensation program must be submitted to the Ministry for final approval. Feedback on Western's program may be directed to: [execcomp@uwo.ca](mailto:execcomp@uwo.ca)

## Introduction

Western University is situated on the traditional territories of the Anishinaabeg, Haudenosaunee, Lunaapeewak and Attawandaron peoples, who have longstanding relationships to the land and region of southwestern Ontario and the City of London. The local First Nation communities of this area include Chippewas of the Thames First Nation, Oneida Nation of the Thames, and Munsee Delaware Nation. In the region, there are eleven First Nation communities and a growing Indigenous urban population. Western values the significant historical and contemporary contributions of local and regional First Nations and all of the Original peoples of Turtle Island (North America).

Founded on March 7, 1878 by Bishop Isaac Helmuth of the Anglican Diocese of Huron, 'The Western University of London Ontario' opened its doors to students for the first time in 1881 with four faculties – Arts, Divinity, Law and Medicine.

Since the first class graduated in 1883, the University has become a vibrant centre of learning and research. Through 11 faculties and three affiliated university colleges, Western today offers its 35,000-plus students more than 400 specializations, majors and minors in a full range of academic fields.

And while our excellence roots itself in history, Western continues to eye next-generation discoveries. Our reputation has been built by dedicated teachers, breakthrough discoveries, our commitment to social responsibility and our affinity for strategic partnerships.

Western University has a strong international reputation as one of Canada's top research-intensive universities. From fundamental to applied knowledge, Western University's discoveries benefit economic, social, health, public policy and cultural development in Canada and around the world.

Considered Canada's most beautiful university campus, Western's main site spans over 400 acres of green space and Gothic-style buildings mixed with modern, LEED-certified structures, providing an environment where our community of scholars can thrive.

We deliver 'The Western Experience', an exemplary learning experience that engages the best and brightest people, challenging them to meet ever-higher standards in the classroom and beyond. We inform every dimension of a student – intellectual, social, cultural, as well as physical. The University residence system is home to more than 5,000 students, with a guaranteed place for every first-year student. The residences offer a wide range of programming designed to enable every student to be successful. Western has one of the highest entering average grades nationally and Maclean's magazine recently found Western to have the second highest graduation rate in the country. From our home in London outward across every continent, Western prepares future leaders to succeed.

## Executive Compensation Framework

Western University

### Fiscal 2016/2017

#### Financial Overview

- \$1.289 billion total revenues
- \$236 million annual average research grant revenue
- \$1.107 billion total annual expenditures
- \$679 million market value of endowed funds
- \$1.271 million value of capital assets

#### Stakeholders Overview

- 35,291 full-time student enrollment in 11 Faculties and 3 Affiliated University Colleges
- 2,400 full-time educators and researchers
- 12,472 total full-time and part time employees
- 294,000 Alumni

### Designated Executive Positions

Western's executive leadership team sets the strategic vision for the university led by the President.

The President, working with the Vice Presidents, is committed to positioning the university for academic excellence in perpetuity.

Western has three (3) classes of Designated Executives:

1. President and Vice-Chancellor;
2. Academic Vice-President (currently including Provost and Vice-President Academic and Vice-President Research positions);
3. Administrative Vice President (currently including Vice-President External and Vice-President Operations and Finance positions).

### Compensation Governance

The *Senior Policy and Operations Committee* (SPOC) of the Board of Governors is responsible for administration of the compensation policy and recommending the approval of compensation for the President and Vice-Presidents (Designated Executives).

While the Ontario statute mandates maximum salary and performance-related pay, the actual salary and performance-related pay offered to new incumbents will be determined consistent with existing practices, which includes benchmarking. It should not be concluded that any new or current incumbent will be entitled to the specified maximum. Adjustments are limited by the pay envelope outlined on page 12 of this document and approved by SPOC.

The University's practice is to determine competitive and fair compensation for positions based on the organization's academic aspirations and on the competition for leadership talent across Canada and internationally.

**Compensation Philosophy**

To recruit the world’s most inspirational influencers and leadership talent necessary to deliver sustained high performance in executing on strategy, Western must provide a globally competitive compensation. As a research-intensive university studying humanity’s most complex challenges we must deliver an attractive, flexible and market-based total compensation plan including salary that recognizes leadership responsibilities, pay for performance and non-salary compensation elements which support retention and motivate innovative senior leadership.

Base salaries are determined on an individual basis and annual increments for executives are entirely based on performance. The President’s goals and objectives are approved by the Senior Policy and Operations Committee and the Vice-Presidents’ objectives are approved by the President. Performance is assessed annually against these objectives which is the basis for any increase to base salary and/or performance bonus.

The overall compensation for our Designated Executives is fiscally responsible within the long term organization’s financial position and academic goals.

**Salary and Performance-related Pay Cap**

**Table 1: Comparator Organizations**

<b>Class</b>	<b>Canadian Research Intensive Universities</b>	<b>Other Broader Public Sector Organizations</b>
1. President	McMaster University University of Toronto University of Ottawa McGill University University of Calgary University of Alberta	Hamilton Health Sciences The Hospital for Sick Children Sinai Health System
2. Academic Vice-President	McMaster University University of Toronto University of Ottawa McGill University University of Calgary University of Alberta	Hamilton Health Sciences The Hospital for Sick Children The Michener Institute Perimeter Institute
3. Administrative Vice-President	McMaster University University of Toronto University of Ottawa McGill University University of Calgary University of Alberta	Hamilton Health Sciences The Hospital for Sick Children Sinai Health Systems

## **Executive Compensation Framework**

### Western University

*The comparable compensation for each organization was the maximum observation for salary and performance-related pay for an incumbent in the job class at each of the comparator institutions.* For example, the **Academic Vice-President** observation at McMaster University is the total of base salary and one-time payments for the Vice-President Health Sciences position; at University of Toronto it is the total of base salary, stipend and performance-related pay for the Vice-President Research and Innovation position; at the University of Calgary it is the total base salary and performance-related pay for the Provost position; at the Perimeter Institute it is the total cash compensation for the Faculty Chair; at Hamilton Health Sciences it is the total cash compensation for the Chief Medical Executive.

### ***Scope of Accountability Considerations***

The Canadian universities, Ontario academic teaching hospitals and research/teaching institutes chosen for comparators have similar governance structures to Western. The positions have accountabilities consistent with the leadership of large organizations that include significant medical and health sciences, research and academic teaching. The size of the senior executive team was also a factor Western used in selecting appropriate comparator organizations. Western's senior executive is lean, with only five roles sharing the entire responsibility for overseeing the teaching and research mission of the University, as well the management of resources, facilities and services. The organizations chosen also have relatively lean executive structures, using the number of positions reporting to the President as a metric. Two of the comparators are as lean as Western with only four positions reporting to the President. Other organizations we considered, but did not include, had many more executive positions reporting to the President (e.g. London Health Sciences – 10 positions). The scope of accountability for executive positions at Western would have more breadth when compared to executive positions at these other organizations.

### ***Type of Operations***

Each of the Canadian universities chosen is a member of the U15 Research Intensive Universities, organizations engaged in the highest level of research activity among higher education organizations in Canada. Western competes for research talent, including Canadian Research Chairs, with all these organizations. Western also competes for leading educators in the disciplines of medicine, dentistry, nursing, law, engineering, science, music, education, business, arts and humanities including very specialized fields of philosophy, occupational therapy, physical therapy, communicative science and disorders, wind engineering, planetary sciences and medical imaging. The University of Toronto is larger in terms of revenue and student enrollment, as compared to Western. However, it is the U15 University that is closest to Western in terms of diversity of programs and degrees offered in various disciplines and professional programs. The Broader Public Sector teaching hospitals selected have a similar or smaller number of researchers/educators, employees, operations and expenditure as compared to Western.

### ***Size of Organization***

Appendix A – Table A.1 provides detailed information on student population, operating expenditures and research revenue (2016/2017). Tables A.2 and A.3 provide detailed information on employee numbers, operating expenditures and government grant revenue for the Board Public Sector organizations chosen.



***Industries within which the organization competes for executives***

Given the relative size of the University’s medical and health sciences operations, the leadership talent at Western is expected to have significant breadth of experience to support over 165 graduate and professional programs, employing over 2,500 researchers in science, technology, engineering, health and medical sciences. The leadership talent required to succeed into the academic vice-president and president positions is likely currently compensated as a physician, engineer, business leader or esteemed academic – many well in excess of the salaries of Western’s current executives.

**Table 2: Comparator Academic Positions**

<b>Organization</b>	<b>Number of Research Chairs (per CRC 2015)</b>	<b>Highest paid academic position in the organization (per 2016 public salary disclosure)</b>
<b>Western University</b>	64	Physician, Neurosurgery
<b>University of Calgary</b>	67	Canada Research Chair in Materials Engineering
<b>University of Alberta</b>	107	President and Vice-Chancellor
<b>McMaster University</b>	72	Physician, Pathology and Molecular Medicine
<b>University of Toronto</b>	255	Professor, Rotman School of Management
<b>University of Ottawa</b>	75	Psychiatrist
<b>Sinai Health System</b>	n/a	Neonatologist-in-Chief
<b>Hospital for Sick Children</b>	n/a	Radiologist-in-Chief
<b>Hamilton Health Science</b>	n/a	Physician, Anesthesia
<b>Perimeter Institute</b>	n/a	Physicist

***Location of the organization***

While the talent market for University leadership positions is international, our comparators are all Canadian. Three (3) research intensive universities from outside of Ontario have been chosen. All other comparators are located in Southern Ontario.

**Comparative Analysis Details**

In accordance with the statute, the salary and performance-related pay cap is equal to the 50<sup>th</sup> percentile (median) of the observations in the comparator organizations. The source data for these calculations included the U15 (15 Canadian Research Intensive Universities) Data Exchange of Executive Compensation Survey for 2016-17 published in March 2017 and the 2016 Broader Public Sector Salary Disclosure published by the Government of Ontario.

**Table 3: Compensation Maximum per Class**

<b>Class of Position(s)</b>	<b>Salary and Performance-related pay cap (P50 of Total Cash Compensation of comparator positions in comparator organizations)</b>
President and Vice Chancellor	\$595,000
Academic Vice-Presidents	\$409,549
Administrative Vice-Presidents	\$374,041

Salary and Performance-related Pay Envelope

**Table 4 : Sum of Salary and Performance-related compensation for Pay Year August 1, 2016 through July 31, 2017**

<b>Class of Position(s)</b>	<b>Designated Executive Position</b>	<b>Total Paid</b>	<b>Annualized</b>
President and Vice-Chancellor	President and Vice-Chancellor	\$484,000	\$484,000
Academic Vice-Presidents	Provost and Vice-President Academic	\$343,000	\$343,000
	Vice-President, Research	\$291,500	\$291,500
Administrative Vice-Presidents	Vice-President, Operations and Finance	\$101,408	\$294,540
	Vice-President, External	\$335,000	\$335,000
<b>Total Pay Envelope</b>			<b>\$1,748,040</b>

There was a vacancy in one of the Administrative Vice-President positions during the most recent pay year – for this reason an annualized pay envelope is calculated for application to this section of the framework.

Upon approval of this draft Executive Compensation Framework, the University will be restricted to the Total Pay Envelope above, increased by the approved envelope adjustment, to compensate all designated executives for the pay year 2018/19. The *Senior Policy and Operations Committee* of Western’s Board of Governors will continue to be accountable for approving the adjustment to the pay envelope each year. The adjustments to the pay envelope will not exceed 5%. Annually the *Senior Policy and Operations Committee* will determine the percent adjustment to be allocated to each designated executive based on competitive salaries for employee groups and external benchmarking.

The University considered several factors in setting this maximum annual adjustment to the envelope:

1. **Equity with higher education industry wage trends:** Since 2012, academic staff at Western have received wage settlements valued between 3.1% and 4.5%, which are comparable to their peers across the province. Designated executives, as well as all other employees, must be compensated relative to their competencies and scope of accountabilities within an organization. Salary compression occurs when individuals in positions reporting directly to a designated executive are compensated close to or above the incumbent executive, who has a relatively larger scope of accountabilities. This is the case at Western, since the executive salaries have been frozen for over seven years while the faculty and professional staff (direct reports to designated executives) have received collectively bargained settlements. At Western in 2016, there were two (2) deans that were paid the same or more compensation than the President and Vice-Chancellor. There were three (3) deans, one non-executive management role and eight (8) faculty members who were compensated higher or within 15% of the Provost's compensation. Western has twenty-five faculty members (researchers) who were compensated higher or within 15% of the Vice-President (Research). It will be important to have flexibility to grant increases to designated executives at least equal to or exceeding the wage settlements received by those employees reporting to them.

## Executive Compensation Framework

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2. ***Need to attract talent to executive positions and retaining talent:*** Less than 1% of the Canadian work force is represented by doctoral graduates, which is the minimum education requirement for the executive classes of President and Academic Vice-Presidents. Considering the requirement for an outstanding record of scholarship and research, extensive academic leadership experience and a proven capacity for fundraising and relationship-building (locally, nationally and internationally), the percentage of eligible candidates using these criteria alone is less than 0.01%. Actual talent attracted to Western University over the past few years is evidence that we compete in both Canadian and non-Canadian talent markets. Specifically, 21% of Western's current full-time faculty hold citizenships in countries other than Canada and 40% earned their PhD or professional doctoral designation outside Canada. Additionally, 37% of academic staff hired by Western University in 2016-17 came from outside of Canada, and a further 25% of individuals recruited as Western's Canada Research Chairs are international citizens.
  
3. ***Rate of Expansion and Growth in the University:*** In any given year there may be considerable expansion and growth relating to student enrollment, program development and implementation, additional capital projects and new collaborations or partnerships. Expansion of academic programming and operations in the most recent academic year include Indigenous Initiatives, which includes the creation of a new academic department in the Faculty of Social Science; a multi-year Engineering program expansion that will result in the expansion of 406 student enrolments and increase in faculty/staff complements, and the construction of a new \$40 million building. Western has a multi-year plan to transform our campus into a pedestrian-friendly, vehicle-free and safer campus. Our long-range Space Plan involves a number of high priority projects – including three new major academic projects, which are starting in 2017-18, with a combined capital expenditure of \$170 million. The operating and endowment fund has grown to \$1.2 billion. The significant expansion increases the scope of accountability for all executive roles.

### Other Elements of Compensation

The Academic Vice-Presidents and Administrative Vice-Presidents have the same benefit and pension programs as the respective non-executive management at the University with the following exception:

- The Vice-President External may lease a non-luxury vehicle to support their travel to and from the airport and to meetings with stakeholders within driving distance of the University. This position spends a significant proportion of their time in meetings with external stakeholders locally, provincially, nationally and internationally and providing a leased car to facilitate this travel is the most economical and efficient way to support this work

The President and Vice-Chancellor has the same benefit and pension program as the non-executive management at the University with the following exceptions:

- Gibbons Lodge is a property owned by the University and used to host University events on an on-going basis. The President and Vice-Chancellor is required as part of the job to live at the University-owned property in order to develop and manage relationships with the University's stakeholders. The incumbent lives in the upper level of the house and hosts approximately 90 events per year attended by University stakeholders on the lower level of the home. The housing benefit is reported as a taxable benefit to the incumbent.
- The President and Vice-Chancellor may lease a non-luxury vehicle to support their travel to and from the airport and to meetings with stakeholders within driving distance of the University. This position spends a significant proportion of their time in meetings with external stakeholders locally, provincially, nationally and internationally and providing a leased car to facilitate this travel is the most economical and efficient way to support this work
- Western has historically provided a supplementary pension for the President and Vice-Chancellor of the University. In order to successfully recruit Presidents in the future, the University must be able to continue to offer a supplementary pension arrangement. The role of President and Vice-Chancellor is by definition filled by an individual with significant tenure and experience. The last three (3) Presidents of the University have come from other academic institutions where they had earned significant service under a defined benefit pension plan. Each President required a supplemental pension as part of their employment contract to bridge the gap caused by leaving a defined benefit plan at that stage of their careers. The Western pension program for non-executive management is a defined contribution plan, where contribution levels are insufficient to match comparable defined benefit accruals at other institutions for candidates with significant tenure and close proximity to retirement. Therefore, in order to attract and retain the most qualified candidates for the position of President, the ability to provide a supplementary pension plan for the President is a critical business need of the University.

Appendix A - Canadian Comparison Organizational Metrics 2016/2017

Table A.1 - Research Intensive Universities

Research Intensive Universities	FT Student Enrollment	Total Expenditures	Research Revenue
<b>Western University</b>	<b>35,291</b>	<b>1,107,000,000</b>	<b>236,000,000</b>
University of Alberta	34,902	1,804,202,000	470,690,000
University of Calgary	28,296	1,327,448,000	358,298,000
McGill University	31,460	1,391,728,000	437,107,000
McMaster University	28,413	1,155,352,000	324,624,000
University of Ottawa	35,317	1,142,632,000	294,143,000
University of Toronto	77,001	3,221,418,000	998,488,000

Table A.2 – Teaching and Research Hospitals

Teaching and Research Hospitals	FT+PT Employees	Operating Expenditures	Government Grant Revenue
<b>Western University</b>	<b>12,472</b>	<b>1,107,000,000</b>	<b>464,600,000</b>
Hamilton Health Science	12,897	1,384,400,000	1,101,022,000
The Hospital for Sick Children	5,985	824,936,000	550,828,000
Sinai Health System	5,311	637,058,000	487,080,000

Table A.3 – Teaching and Research Institutes

Teaching and Research Institutes	Associated Researchers/ Educators	Operating Expenditures	Government Grant Revenue
<b>Western University</b>	<b>2,200</b>	<b>1,107,000,000</b>	<b>120,712,000</b>
Perimeter Institute	1,200	31,121,000	23,392,000
The Michener Institute	1,700	17,299,000	9,168,000