



LEGAL AID ONTARIO  
AIDE JURIDIQUE ONTARIO

# Draft LAO executive compensation framework

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

February 2018



# Table of contents

<b>1. Context</b>	<b>3</b>
<b>2. Executive compensation philosophy</b>	<b>3</b>
<b>3. Designated executive positions</b>	<b>4</b>
<b>4. External market analysis</b>	<b>5</b>
4.1 Comparator Organizations	5
4.2 Position Comparison	6
4.3 Market reviews	9
<b>5. Salary and performance-related pay cap calculation</b>	<b>9</b>
<b>6. Salary and performance-related pay structure</b>	<b>10</b>
<b>7. Executive salary and performance-related pay envelope</b>	<b>10</b>
7.1 Maximum rate for increase to performance-related pay envelope	11
<b>8. Other compensation</b>	<b>12</b>

# 1. Context

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In September 2016, the Government of Ontario introduced Regulation 304/16: Executive Compensation Framework (“the Regulation”). The Regulation sets out how all employers designated under the *Broader Public Sector Executive Compensation Act, 2014* (“BPSECA”) must establish and post executive compensation programs for executives.

The Regulation requires government agencies to have a written Executive Compensation Program (“the Program”) that describes the compensation provided to executives. The Regulation also requires that agencies actively invite public feedback regarding their compensation frameworks.

## 2. Executive compensation philosophy

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The purpose of Legal Aid Ontario (LAO)’s executive compensation philosophy is to serve as a guide for decision making as it relates to all elements of executive compensation. The philosophy will be reviewed regularly to ensure that it continues to be aligned with LAO’s strategic objectives.

LAO’s executive compensation program is designed to ensure LAO is able to attract, retain and motivate quality executives with a focus on personal and organizational performance. The goal of the executive compensation program is to provide compensation that is competitive, fair and equitable while encouraging high performance.

The following principles will be considered when setting executive compensation at LAO:

### 1. External market competitiveness

As a public sector agency that is governed by the *Public Service of Ontario Act* and is subject to government directives and policy, LAO is most closely aligned to positions within the Public Sector and Broader Public Sector. LAO mainly competes for executive talent within these sectors; therefore LAO has selected 31 organizations to comprise the comparator group. The Ontario Regulation establishes that a designated employer, such as LAO, shall not provide a designated executive salary and performance-related pay in excess of the 50<sup>th</sup> percentile of appropriate comparator organizations.

### 2. Performance-related pay

LAO’s Compensation Program includes base pay and pay-at-risk incentives. Pay-at-risk incentives drive LAO’s strategic direction by providing incentive to achieve organizational

short, medium, and longer-term goals.

### 3. Total rewards

LAO's executives do not participate in a defined benefit pension plan or have access to post-retirement benefits which is common for most other government agencies. A total rewards approach to compensation must be taken when setting compensation, as pension and post-retirement benefits have been a barrier to attracting key talent from the Public Sector and the Broader Public Sector.

### 4. Internal equity

Pay ranges for non-executive positions are considered when setting range values for executive roles.

### 5. Financial environment

The current and future financial position of LAO will be considered when changing executive compensation to ensure it is aligned with budgetary constraints.

## 3. Designated executive positions

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There are currently eight (8) executive positions at Legal Aid Ontario. The list of positions and corresponding classification is outlined below.

Position title	Classification
President & CEO	CEO
Vice President, North, Central & Eastern Regions	VP
Chief Administrative Officer & Vice President	VP
Vice President, Policy, Research & External Relations	VP
Vice President, Southwest Region	VP
Vice President, GTA Region	VP
Vice President & General Counsel	VP
Vice President, Strategic Planning & Compliance	VP

## 4. External market analysis

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The Ontario Regulation establishes that a designated employer, such as Legal Aid Ontario, shall not provide a designated executive salary and performance-related pay in excess of the 50<sup>th</sup> percentile of appropriate comparator organizations.

### 4.1 Comparator organizations

LAO's executive compensation is based on competitive market rates, determined by analyzing comparable positions at similar organizations. To develop this framework, LAO selected 31 comparator organizations, which are all from the Canadian public sector or broader public sector.

These comparable organizations were selected based on their leadership competencies and level of accountability required by their leadership teams to achieve organizational business objectives. These are also organizations in which LAO competes for talent.

The following table outlines the comparator organizations:

Name	Name
Alcohol and Gaming Commission of Ontario	Municipal Property Assessment Corporation
Art Gallery of Ontario	Niagara College Canada
Attorney General	Ontario Trillium Foundation
Centennial College	Ottawa Convention Centre
Children's Aid Society Toronto	Regional Municipality of Durham
Deposit Insurance Corporation of Ontario	Regional Municipality of Peel
George Brown College	Regional Municipality of York
Georgian College	Royal Ontario Museum
Humber College	Ryerson University
Legal Aid BC	Seneca College
Legal Aid Quebec	Toronto Financial Services Alliance
Liquor Control Board of Ontario	Toronto Waterfront Revitalization Corporation
March Of Dimes Canada	Treasury Board Secretariat
Metropolitan Toronto Convention Centre Corporation	

## 4.2 Position comparison

The following table identifies the LAO positions included in the analysis and the matches used.

LAO position	Matching job title
President and Chief Executive Officer	<ul style="list-style-type: none"> <li>• Chief Executive Officer</li> <li>• President and CEO</li> <li>• President</li> <li>• Deputy Minister</li> <li>• CEO and Registrar</li> <li>• Chief Administrative Officer</li> <li>• President and Vice Chancellor</li> <li>• Member and President</li> </ul>
Chief Administrative Officer	<ul style="list-style-type: none"> <li>• Chief Administrative Officer</li> <li>• Chief Financial Officer</li> <li>• SVP, Finance and Administration and CFO</li> <li>• VP Finance and Administration</li> <li>• VP Finance</li> <li>• Vice President and Chief Financial Officer</li> <li>• Assistant Deputy Attorney General</li> <li>• Assistant Deputy Minister and CAO</li> <li>• Assistant Vice President and CAO</li> <li>• Chief Human Resources Officer</li> <li>• CIO and VP Information Technology</li> <li>• Deputy Director and Chief Advancement Officer</li> <li>• SVP, Planning and Corporate Services and CFO</li> </ul>

LAO position	Matching job title
Vice President and General Counsel	<ul style="list-style-type: none"> <li>• Chief Counsel, Special Projects</li> <li>• Chief Legislative Counsel</li> <li>• Deputy CEO and Chief Customer Officer</li> <li>• Director / Senior Counsel</li> <li>• EVP/EVP, General Counsel and Corporate Secretary</li> <li>• Executive Vice President</li> <li>• General Counsel</li> <li>• General Counsel and Secretary To Board Of Governors</li> <li>• Regional Solicitor</li> <li>• VP Legal Services</li> </ul>
Regional Vice Presidents	<ul style="list-style-type: none"> <li>• Chief Development Officer</li> <li>• CFO and Vice President Corporate Services</li> <li>• VP/Chief Strategy Officer</li> <li>• Chief Learning Officer and Vice President, Academic</li> <li>• Executive Lead, Infrastructure Operations</li> <li>• Member and Vice President</li> <li>• Senior Vice President, Retail Operations</li> <li>• Vice President, Business Development</li> <li>• Vice President, Business Development &amp; Marketing</li> <li>• Vice President University Advancement</li> <li>• VP, Exhibit Development and Project Management</li> <li>• Vice President, Operations</li> </ul>

LAO position	Matching job title
Vice President, Policy, Research & External Relations	<ul style="list-style-type: none"> <li>• Corporate Secretary and Chief Corporate Relations Officer</li> <li>• Assistant Deputy Attorney General, Policy and Innovation Division</li> <li>• Executive Director, Corporate Communications</li> <li>• Vice President, Municipal and Stakeholder Relations</li> <li>• Executive Assistant and Director Government Relations</li> <li>• Vice President, Policy And Stakeholder Relations</li> </ul>
Vice President, Strategic Planning and Compliance	<ul style="list-style-type: none"> <li>• Director, Audit and Compliance</li> <li>• Director, Strategic Policy and Planning</li> <li>• Director, Financial Services and Planning</li> <li>• Director, Finance &amp; Economic Planning &amp; Analysis</li> <li>• Commissioner, Planning and Economic Development</li> <li>• Director, Planning and Development</li> <li>• Executive Director Strategies and Initiatives</li> <li>• Associate Vice President Of Academic Planning</li> <li>• Chief Internal Auditor / Assistant Deputy Minister</li> </ul>



## 4.3 Market reviews

LAO targets to complete a compensation review every three to five years to ensure competitiveness with the external market. In addition, LAO may make annual broad-based market adjustments to all ranges. The broad market adjustments are based on various compensation surveys and economic indicators. All non-executive and executive job classes are adjusted by the same percentage.

The more fulsome market review every three to five years is intended to capture any shift in individual job classes that might be required, and to review pay premiums and other market pressures that LAO may face from the external market. A peer group for the periodic review is always approved by LAO's Board of Directors.

## 5. Salary and performance-related pay cap calculation

LAO, under the guidance of Aon Hewitt, has calculated the maximum amounts of salary and performance related pay that may be paid to executives in comparable positions for each executive grade. The government directive requires that LAO's salary range maximum cannot be more than the 50% percentile (market median) base salary.

The table below illustrates that LAO's maximum total cash compensation (base salary plus performance pay) is less than the market median total cash compensation. Although LAO executives are currently paid below the 50th percentile, there are no plans to make changes to LAO's executive compensation framework at this time.

LAO Executive Grade	Market Median Base Salary Maximum	Market Median Total Cash Compensation (Base Salary + Performance Pay)**	LAO Base Salary Range Maximum	LAO Max Total Cash Compensation (Base Salary + Performance Pay**)
CEO	\$306,844	\$337,528	\$295,000	\$295,000
VP*	\$208,995	\$229,894	\$207,000	\$217,350

\*Amounts displayed are the median values for all VP comparator rates

\*\*For Total Cash Compensation assuming performance pay is 10% of base salary

## 6. Salary and performance-related pay structure

LAO Executive Grade	Salary Range Minimum	Job Rate	Salary Range Maximum	Target Annual Incentive	Maximum Annual Incentive
CEO	\$240,000	\$295,000	\$295,000	5%	10%
VP*	\$165,000	\$207,000	\$207,000	5%	10%

Performance pay: On an annual basis, LAO executives are eligible to receive up to 10% of their base salary in the form of a base salary increase and/or one-time bonus payment without exceeding the maximum total cash compensation.

## 7. Executive salary and performance-related pay envelope

The following table outlines the LAO's total executive salaries for the most recent completed pay year (March 31, 2017) and the calculation of the maximum performance-related pay envelope.

Executives	Actual Salary	Maximum Performance-related Pay	Total Salary and Maximum Performance-related Pay
President & CEO	\$265,000	10%	\$291,500
Chief Administrative Officer and VP	\$195,621	10%	\$215,183

Executives	Actual Salary	Maximum Performance-related Pay	Total Salary and Maximum Performance-related Pay
VP, Policy, Planning & External Relations	\$190,027	10%	\$209,030
VP & General Counsel	\$195,621	10%	\$215,183
VP, Strategic Planning & Compliance	\$165,000	10%	\$181,500
VP, Southwest Region	\$190,212	10%	\$209,233
VP, North, Central & Eastern Regions	\$190,065	10%	\$209,072
VP, GTA Region	\$190,066	10%	\$209,073
<b>Total Salary and Maximum Pay Envelope</b>	<b>\$1,581,612</b>	<b>10%</b>	<b>\$1,739,774</b>

## 7.1 Maximum rate for increase to performance-related pay envelope

LAO is proposing a 3.0% maximum rate of increase to the Salary and Performance-related Pay envelope. This is consistent with recent inflation rates, the 2017/18 Aon Hewitt Salary Increase Survey (data from 378 organizations) with overall projected increases to base salary for 2018 of 2.9%, recent Ontario wage adjustments/settlements and the Ontario budget guideline.

The percentage of LAO's operating budget used for executive compensation was not a factor used, as there is limited data available from comparable organizations.

At this time, there are currently no compression or inversion issues between LAO executives and non-executive managers that would require a higher rate of increase to the pay envelope. There are also no significant expansion or special projects planned.

## 8. Other compensation

The regulation states: “A designated employer shall not provide the following elements of compensation to a designated executive, subject to any entitlement to the element under the *Employment Standards Act, 2000*.” The table below provides confirmation statements of LAO compliance with this aspect of the Regulation.

Framework Requirement (paragraph 2 (3))	LAO compliance
Payments or other benefits provided in lieu of perquisites	No payments are provided in lieu of perquisites
Signing bonuses	LAO does not provide signing bonuses
Retention bonuses	LAO does not provide retention bonuses
Cash housing allowances	LAO does not provide cash housing allowances
Insured benefits that are not generally provided to non-executive managers	All LAO employees receive the same level of insured benefits
Termination payments, including payments in lieu of notice of termination, and severance payments that in total equal more than 24 times the average monthly salary of the designated executive	LAO has reviewed all executive contracts and confirm that severance is capped at 24 months
Termination or severance payments that are payable in the event of termination for cause	LAO does not provide payments for termination/severance in the event of termination for cause
Paid administrative leave, unless provided to the head of a college or university or another designated executive who is part of or will return to the faculty at a college or university	LAO does not provide paid administrative leave
Paid administrative leave that accrues at a rate in excess of 10.4 paid weeks per year	LAO does not provide paid administrative leave
Payments in lieu of administrative leave	LAO does not provide payments in lieu of administrative leave



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