

---

# Advisory Committee

*on Senior Level Retention  
and Compensation*

EIGHTH REPORT: SEPTEMBER 2005

This publication is available at the Web site of the Public Service Human Resources Management Agency of Canada:

[http://www.hrma-agrh.gc.ca/hr-rh/eg-gd/index\\_e.asp](http://www.hrma-agrh.gc.ca/hr-rh/eg-gd/index_e.asp)

EIGHTH REPORT OF THE ADVISORY COMMITTEE ON SENIOR LEVEL  
RETENTION AND COMPENSATION

PDF ISBN No.: 0-662-41132-3  
CATALOGUE No.: CP51-1/2005E-PDF

HTML ISBN No.: 0-662-41135-8  
CATALOGUE No.: CP51-1/2005E-HTML

# Table of Contents

PREFACE .....	1
COMPENSATION OF EXECUTIVES AND DEPUTY MINISTERS .....	3
COMPENSATION OF CHIEF EXECUTIVE OFFICERS OF CROWN CORPORATIONS .....	7
COMPENSATION FOR OTHER GOVERNOR IN COUNCIL APPOINTEES IN AGENCIES, BOARDS AND COMMISSIONS ....	11
CONCLUSION .....	15
SUMMARY OF RECOMMENDATIONS .....	17

# Appendices

APPENDIX A – COMMITTEE MEMBERS .....	20
APPENDIX B – COMMITTEE MANDATE .....	22

# Illustrations

(1) Current and Proposed EX and DM Job Rates and Maximum At-Risk Pay .....	4
(2) Public Service Total Compensation Compared to Labour Market Median.....	5
(3) Current and Proposed CEO of Crown Corporation Job Rates and Maximum At-Risk Pay .....	8
(4) Current and Proposed GC Job Rates and Maximum At-Risk Pay .....	12
(5) Current and Proposed GC-Q Job Rates .....	13



# Preface

June 10, 2005

The Honourable Reg Alcock, P.C., M.P.  
President of the Treasury Board and  
Minister Responsible for the Canadian Wheat Board  
House of Commons  
Ottawa, Ontario  
K1A 0A6

Dear Mr. Alcock:

The Advisory Committee on Senior Level Retention and Compensation recently met to consider the human resources management of the senior cadre of Canada's public sector and to formulate recommendations for compensation in 2005-2006.

With the large number of pending retirements, not only in the federal public sector, but across Canada generally, the government's continued ability to attract and retain executives will be crucial. Given the demographics of the senior leadership in both the public and private sectors, the competition for executive talent will be exacerbated in the coming years. Executive talent will be in demand, and organizations will need to compete vigorously to recruit and retain the people they need to operate successfully.

The Committee's goal is to provide advice that will help the government to manage such broad human resources issues. The government will need to continue to develop appropriate recruitment and retention strategies to ensure leadership continuity. These strategies will need to be based on an overall human resources and succession plan supported by a thoughtful development agenda and adequate compensation. The Committee proposes to provide advice on these broader issues in our next report.

We are writing to you to recommend salary range increases for executives (EX), deputy ministers (DM), Governor in Council appointees (GC and GC-Q) and Chief Executive Officers of Crown corporations (CEO).

I would be pleased to have the opportunity to discuss the Committee's views and recommendations with you.

Sincerely,

A handwritten signature in black ink that reads "Carol Stephenson". The signature is written in a cursive style with a large, flowing initial 'C'.



# Compensation of Executives and Deputy Ministers

**T***he compensation structure for the EX and DM Groups is based on a comparison of EX-1 total compensation with that of the median total compensation of equivalent jobs in the Canadian labour market.*

To assist our research, the Committee commissioned an in-depth study of total compensation in the Canadian labour market by Hay Management Consultants Inc. This study consisted of data on total compensation (including all benefits, paid time off, pensions, performance pay and base salaries) obtained from 466 Canadian organizations in the private and broader public sectors. We have high confidence in the accuracy of the study's findings.

The data shows EX-1 total compensation to be 3 per cent lower than that of equivalent jobs in the Canadian labour market study. The Committee therefore recommends a 3 per cent salary range increase for the EX and DM Groups, effective April 1, 2005.

The illustration below shows the current and the new job rates that would result from this increase.

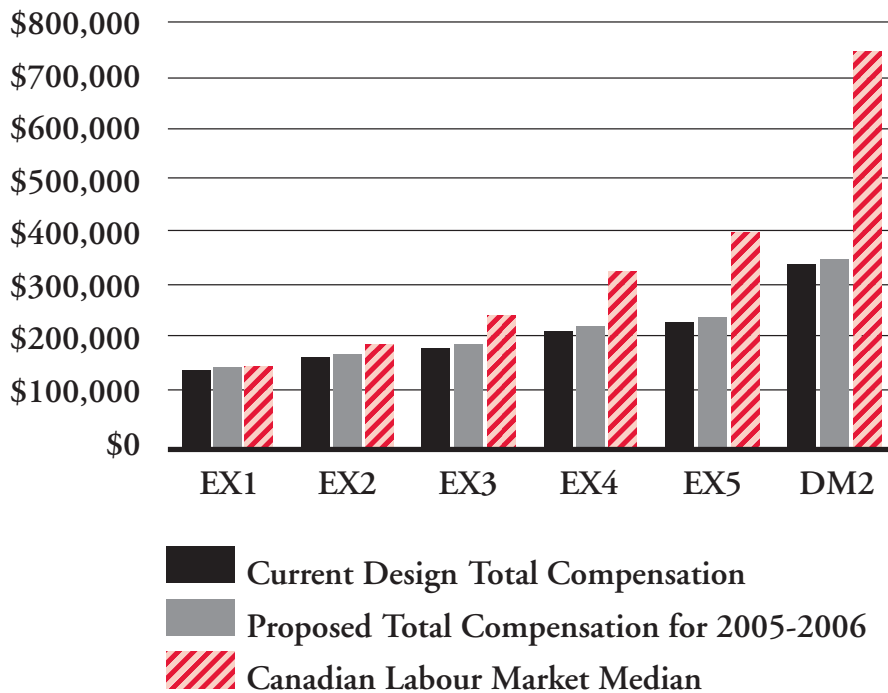
**CURRENT AND PROPOSED EX AND DM  
JOB RATES AND MAXIMUM AT-RISK PAY**

<b>Level</b>	<b>Current Job Rates</b>	<b>Proposed Job Rates</b>	<b>Maximum At-Risk Pay</b>
EX1	\$104,800	\$108,000	10%
EX2	\$117,400	\$121,000	10%
EX3	\$131,500	\$135,500	10%
EX4	\$151,000	\$155,600	15%
EX5	\$169,200	\$174,300	15%
DM1	\$189,400	\$195,100	15%
DM2	\$217,700	\$224,300	20%
DM3	\$243,800	\$251,200	20%
DM4	\$273,100	\$281,300	25%

ILLUSTRATION 1

The effect of this recommendation on the labour market position is shown in the illustration below, which clearly shows the widening gap at each successively higher level.

### PUBLIC SERVICE TOTAL COMPENSATION COMPARED TO LABOUR MARKET MEDIAN



#### ILLUSTRATION 2

As we have noted in the past, the Committee bases its recommendations on what has happened in the Canadian labour market in the prior year. In contrast, we note that about 78% of organizations in Canada use a methodology that bases salaries on what is *projected to happen* in the labour market in the coming year. This projection approach has the advantage of maintaining salary ranges that more effectively reflect current labour market conditions. While there is an element of risk associated with such projections, this methodology is in widespread use.

After careful consideration, and for the time being, we have chosen to continue our past practice, basing our recommendation of a 3 per cent salary range increase on 2004 data.

This is a conservative compensation policy, since the increase is based on data from the previous year resulting in a one year lag. In addition, as you know, the compensation structure for EX/DMs is designed in such a way that only EX-1 compensation is comparable to equivalent positions in the Canadian market. At each successive level above EX-1, the gap with comparators in the total Canadian market increases.

We will continue to monitor the government's success in recruiting and retaining talent at senior levels. In order to ensure that our policy advice continues to support the government's human resources management goals, it may become necessary for the Committee to consider approaches such as a projection or increasing the amount of performance pay for which executives are eligible.

# Compensation of Chief Executive Officers of Crown Corporations

**T***he compensation structure for Chief Executive Officers of Crown corporations (CEOs) is based on a comparison of Group 1 total compensation with that of the median total compensation of equivalent positions in the total Canadian market. The September 2004 Hay data indicate that Group 1 total compensation is currently about 6% less than that of equivalent positions in the total Canadian market.*

The Committee has also been informed that on occasion the government is experiencing difficulties in recruiting CEOs with the current compensation structure.

We remain firmly of the view, however, that the existing principles underlying CEO compensation are the correct ones, including maintaining the relativity between CEO and EX/DM compensation. While CEOs operate, in some cases, in a more commercial environment than deputy ministers, they are nevertheless performing public service and have responsibilities that are no more onerous than those of executives and deputy ministers. For these reasons, we do not propose that CEOs receive a greater salary range increase than executives and deputy ministers. *We recommend that CEOs receive the same 3% salary range increase proposed for executives and deputy ministers, effective the beginning of corporations' 2005 fiscal years.*

The illustration below shows the current and the new job rates that would result from this increase.

CURRENT AND PROPOSED CEO OF CROWN CORPORATIONS JOB RATES AND MAXIMUM AT-RISK PAY

Level	Current Job Rates	Proposed Job Rates	Maximum At-Risk Pay
Group 1	\$121,700	\$125,400	10%
Group 2	\$136,300	\$140,400	10%
Group 3	\$152,700	\$157,300	10%
Group 4	\$171,000	\$176,200	10%
Group 5	\$191,500	\$197,300	10%
Group 6	\$220,200	\$226,900	15%
Group 7	\$253,200	\$260,800	15%
Group 8	\$291,200	\$300,000	15%
Group 9	\$349,400	\$359,900	20%
Group 10	\$419,300	\$431,900	25%

ILLUSTRATION 3

While it is our view that the compensation principles and structure are sound, CEO positions have not been re-evaluated since 1998. Since position evaluations are integral to the compensation structure, it would be timely to update the evaluation plan for CEO positions and re-evaluate the positions. We propose, therefore, that the Privy Council Office undertake this work and bring forward to the Committee for its consideration the adjustments to the compensation structure that may be necessitated by these re-evaluations.

In addition, we recommend that the Privy Council Office develop for the Committee's consideration an enhanced at-risk pay regime to offer to prospective candidates when the current compensation structure proves insufficient to attract qualified candidates for particular positions. This regime should be based on the leading practices elsewhere in the private and public sectors.





# Compensation for Other Governor in Council Appointees in Agencies, Boards and Commissions

**T***he compensation structure for the GC group is based on a comparison of the total compensation of the GC-3 level, which is the most populous GC level, with that of the median total compensation of equivalent positions in the total Canadian market. Last year, the Committee found that GC-3 total compensation exceeded that of equivalent positions in the total Canadian market by 4.2 per cent. As a result, we recommended that the salary range increase for the GC group be slightly less than that for EX/DMs. The intent was to gradually reduce GC compensation to that of the comparator market while at the same time allowing for variations in market data that may occur from year to year.*

The September 2004 Hay data indicate that GC-3 total compensation now exceeds that of equivalent positions in the total Canadian market by 3.6 per cent. In keeping with last year's strategy to gradually bring GC-3 total compensation into line with median total compensation for equivalent positions in the total Canadian market, *the Committee recommends a 2.5 per cent salary range increase for the GC group, 0.5% per cent less*

*than the increase recommended for executives and deputy ministers, effective April 1, 2005. The Committee further recommends the same increase for positions paid in the GC-Q salary ranges.*

The illustrations below show the current and the new job rates that would result from this increase.

### CURRENT AND PROPOSED GC JOB RATES AND MAXIMUM AT-RISK PAY

Level	Current Job Rates	Proposed Job Rates	Maximum At-Risk Pay
Level 1	\$74,200	\$76,100	10%
Level 2	\$85,300	\$87,400	10%
Level 3	\$98,100	\$100,600	10%
Level 4	\$112,800	\$115,700	10%
Level 5	\$129,700	\$133,000	10%
Level 6	\$149,200	\$153,000	15%
Level 7	\$171,600	\$175,900	15%
Level 8	\$197,300	\$202,300	15%
Level 9	\$226,900	\$232,600	15%
Level 10	\$260,900	\$267,500	20%

### ILLUSTRATION 4

## CURRENT AND PROPOSED GC-Q JOB RATES

Level	Current Job Rates	Proposed Job Rates
Level 1	\$79,100	\$81,200
Level 2	\$91,000	\$93,200
Level 3	\$104,600	\$107,300
Level 4	\$120,300	\$123,400
Level 5	\$138,300	\$141,900
Level 6	\$164,100	\$168,300
Level 7	\$188,700	\$193,500
Level 8	\$217,000	\$222,500
Level 9	\$249,600	\$255,900
Level 10	\$295,700	\$303,200

## ILLUSTRATION 5



## Conclusion

**T***he government's continued ability to attract and retain key personnel is of high importance to the Advisory Committee. We feel that the proposed increases will maintain the attractiveness of public service at the executive level, for those who have committed themselves, and their careers, to service to the public. However, the Advisory Committee will be reviewing the retirement projections and succession plans at our next meeting. For the reasons outlined above, i.e. an escalating demand for executive talent in the public and private sectors, it may be necessary to make further adjustments to the compensation plan.*



# Summary of Recommendations

## THE COMMITTEE RECOMMENDS:

- a 3 per cent salary range increase for the EX and DM Groups, effective April 1, 2005
- a 3 per cent salary range increase for CEOs, effective the beginning of Crown corporations' 2005 fiscal years
- that the Privy Council Office develop for the Committee's consideration an enhanced at-risk pay regime to offer to prospective candidates for positions as CEOs of Crown corporations when the current compensation structure proves insufficient to attract qualified candidates for particular positions. This regime should be based on the leading practices elsewhere in the private and public sectors
- a 2.5 per cent salary range increase for positions paid in the GC group salary ranges, effective April 1, 2005
- a 2.5 per cent salary range increase for positions paid in the GCQ salary ranges, effective April 1, 2005





# Appendices

# Appendix A

## COMMITTEE MEMBERS

**Carol M. Stephenson, B.A. (Committee Chair)**  
**Dean, Richard Ivey School of Business**

Ms. Stephenson, a widely respected CEO in the Canadian telecom industry was appointed Dean of the Richard Ivey School of Business in July, 2003. In 1999, she was appointed Chief Executive Officer of Lucent Technologies Canada. Prior to that she was President and Chief Executive Officer of Stentor Resource Centre Inc.; and Vice-President of Bell Canada. Ms. Stephenson is a graduate of the University of Toronto. She has also completed the Executive program at the Graduate School of Business Administration, University of California at Berkeley as well as the Advanced Management Program at Harvard University. She also holds an honorary doctorate in engineering from Ryerson Polytechnic University.

**John L. Fryer, C.M., B.Sc. (Econ.), M.A.**  
**Adjunct Professor, University of Victoria**

Adjunct Professor, School of Public Administration, University of Victoria; President Emeritus, National Union of Public and General Employees (NUPGE). Mr. Fryer is a member of the board of directors of the International Centre for Human Rights and Democratic Development. He was the former Chair of the Advisory Committee on Labour-Management Relations in the Federal Public Service. Mr. Fryer is currently chairman of Negotiated Solutions, a west coast consulting company. Mr. Fryer has been a member of the Advisory Committee on Senior Level Retention and Compensation since 1997.

**Gaétan Lussier, O.C., B.Sc. (Agr.), M.Sc., Ph.D.**  
**President, Gaétan Lussier and Associates**

Past Assistant Deputy Minister and Deputy Minister, Quebec Ministry of Agriculture; Past Deputy Minister of Agriculture Canada; Past Deputy Minister and Chairman, Employment and Immigration Canada; Past President, Les Boulangeries Weston Québec Inc.; Past President and Chief Executive Officer Culinar Inc. Mr. Lussier has been a member of the Advisory Committee on Senior Level Retention and Compensation since 1997.

**Sarah E. Raiss, B.Sc., M.B.A.**  
**Executive Vice President, Corporate Services of TransCanada Pipelines**

Sarah Raiss is responsible for human resources, information systems and corporate services. Prior to this position with TransCanada Pipelines, she was President, of S.E. Raiss Group, Inc.; Vice President of Customer Service, Training and IT Support at Ameritech; Senior Consultant at Metzler & Associates; as well as holding various positions with Michigan Bell. Ms. Raiss holds a Bachelor of Science in Applied Math and a Masters of Business Administration in Strategic Marketing and Organization Behaviour from the University of Michigan.

**Tom Traves, B.A., M.A., Ph.D.**  
**President, Dalhousie University**

Dr. Traves has been the President of Dalhousie University since 1995. He serves on the Boards of the Directors of Clearwater Fine Foods, InNOVAcorp and the Greater Halifax Partnership. He is past-Chair of the Atlantic Association of Universities, the Academic Advisory Committee of the Institute of Canadian Bankers and the Association of Universities and Colleges of Canada Standing Committee on Educational Issues and Funding. Previously, he served as Vice-President (Academic) at the University of New Brunswick in Fredericton and as Dean of Arts at York University in Toronto. Dr. Traves has a B.A. from the University of Manitoba, an M.A. and Ph.D. from York University and an honorary doctorate from Umea University in Sweden in 1997.

# Appendix B

## COMMITTEE MANDATE

To provide independent advice and recommendations to the President of the Treasury Board concerning executives, deputy ministers and other Governor-in-Council appointees of the federal Public Service and public sector on:

- developing a long-term strategy for the senior levels of the Public Service that will support the human resource management needs of the next decade,
- compensation strategies and principles, and
- overall management matters comprising among other things human resource policies and programs, terms and conditions of employment, classification and compensation issues including rates of pay, rewards and recognition.

To present recommendations in a report to the President of the Treasury Board. The report will be made public by the President of the Treasury Board.