



**Report 4, 2009/10 - British Columbia Crown Corporations
Executive Compensation Arrangements: A Work in Progress**

As at July 2010

Introductory comments from the Public Sector Employers' Council

Since receiving the Auditor General's (OAG) report, government has accepted all its recommendations, consulted widely on the audit and government's response and expectations related to practices in this area, and implemented the recommendations. In addition, it has reported on its response to the report and the state of its implementation to the Select Standing Committee on the Public Accounts.

Recommendations

RECOMMENDATION AND SUMMARY OF PROGRESS	STATUS
<p>Recommendation 1: Government ensure appropriate mechanisms are in place to resolve executive compensation issues with Crown corporations.</p> <p>Actions taken, results and/or actions planned</p> <p><i>The Public Sector Employers' Council (PSEC) has met since the OAG report to discuss, among other things, executive compensation and the OAG report.</i></p> <p><i>As noted in the OAG report, the Crown Corporation Employers Association has been rejuvenated. It is now an important link in communications between Crown corporations and government, including communications related to executive compensation.</i></p>	<p>Fully or substantially implemented</p>
<p>Recommendation 2: Government improve its compensation proposal submission and approval requirements and maintain a formal record of all decisions made.</p> <p>Actions taken, results and/or actions planned</p> <p><i>Government has implemented this recommendation as it relates to improved record-keeping for requests for approval of compensation plans and the associated responses. Public sector employers to which these guidelines apply have lines of business ranging from post-secondary education to health care to electrical power generation and transmission to vehicle insurance. Rather than develop a standard form for the diverse array of public sector employers subject to the Public Sector Employers Act, PSEC has put guidelines on its website and updated these recently. In addition, PSEC Secretariat supports employers seeking approvals to ensure that necessary information is present in their requests. PSEC has also placed guidelines and best practices related to performance pay on its website in response to an observation in the OAG report. These guidelines are a useful resource to all employers, not only those in the public sector.</i></p>	<p>Alternative action taken</p>



Recommendations continued...

RECOMMENDATION AND SUMMARY OF PROGRESS	STATUS
<p>Recommendation 3: Government put adequate monitoring systems in place to ensure compensation plans are followed as approved.</p> <p>Actions taken, results and/or actions planned</p> <p><i>Following annual public disclosure of executive compensation, PSEC now performs a comparison review of public sector employers to ensure that compensation paid is within approved compensation plans. This is done using a standard audit sampling technique.</i></p>	Fully or substantially implemented
<p>Recommendation 4: Crown corporations offering performance-related pay as part of executive compensation conduct periodic reviews to ensure these programs continue to achieve intended objectives.</p> <p>Actions taken, results and/or actions planned</p> <p><i>The OAG report found that this is common practice. Government has been meeting with public sector employer associations and selected employers to move this from a common to a universal practice. Implementation of this recommendation has been reinforced by a new requirement that boards endorse annual executive compensation disclosures as being accurate and within approved compensation plans. It is further reinforced by employer performance review cycles and practices.</i></p>	Partially implemented
<p>Recommendation 5: Crown corporations offering performance-related pay as part of executive compensation develop performance measures that reflect the corporation's long and short-term objectives, and include measures that promote team and corporate results.</p> <p>Actions taken, results and/or actions planned</p> <p><i>When it has met with employers and employer associations, PSEC Secretariat has emphasized the importance of this common practice becoming universal among public sector employers using performance pay.</i></p> <p><i>This is reinforced by the new disclosure requirements that the performance resulting in the awarding of performance pay be included in disclosures along with the amount of the performance pay. It is also emphasized in a guideline on performance pay on the PSEC website.</i></p>	Partially implemented



Recommendations continued...

RECOMMENDATION AND SUMMARY OF PROGRESS	STATUS
<p>Recommendation 6: Government require Crown corporations that offer performance-related pay as part of executive compensation to clearly demonstrate and document the link between performance payments and actual performance.</p> <p>Actions taken, results and/or actions planned</p> <p><i>This recommendation was implemented with the July 8, 2010 public sector executive compensation release. In addition to Crown corporations, its implementation encompassed all employers subject to the Public Sector Employers Act that use performance or incentive pay as part of their compensation plans. Disclosed executive compensation material now includes a description of the performance linked to the performance pay.</i></p>	<p>Fully or substantially implemented</p>
<p>Recommendation 7: The information included in public disclosures of Crown corporation executive compensation be reviewed by the Public Sector Employers' Council Secretariat to ensure the information complies with reporting guidelines.</p> <p>Actions taken, results and/or actions planned</p> <p><i>The period between executive compensation information being provided to government and its being publicly disclosed has been increased slightly to allow staff to ensure that it complies with requirements. This was implemented with the July 8, 2010 release of this information.</i></p>	<p>Fully or substantially implemented</p>
<p>Recommendation 8: The Chair of Crown corporation boards sign executive compensation disclosure statements, providing assurance that executive payments are in accordance with board-approved compensation plans.</p> <p>Actions taken, results and/or actions planned</p> <p><i>This recommendation was fully implemented in the July 8, 2010 public sector executive compensation disclosure. It was applied to all employers subject to the Public Sector Employers Act, not only Crown corporations.</i></p>	<p>Fully or substantially implemented</p>