



# **Ontario Educational Communications Authority (TVO)**

January 10, 2018



## Introduction

TVO has an ambitious mission: to ignite the potential that lies within all Ontarians through the power of learning.

TVO's complex role as the technological extension of the public education system requires a unique mix of specialized skill sets. We provide: trusted educational content on TVOkids for our youngest learners, creative online math games for K-6, free online math support five evenings a week for grades 7-10, the province's largest high school, a collaborative online platform for teachers, and high quality current affairs journalism that informs and engages citizens through *The Agenda with Steve Paikin*, documentaries, and online at [tvo.org](http://tvo.org).

To deliver on our promise to create moments of learning for Ontarians of all ages, TVO is building a highly-skilled team that can thrive in a sector—and a world—undergoing rapid change driven by technology. We are embracing the opportunity provided by that technology to look at new and better ways of delivering exceptional results for the people of Ontario, whether through increased self-generated revenues, new partnerships to better leverage value, or innovative ways of reaching the people of Ontario and operating our organization.

## Regulation Overview and Background

In 2010, the Province of Ontario enacted *The Broader Public Sector Accountability Act, 2010* ("BPSAA"), which introduced controls on compensation, expenses, perquisites, business documents and procurement in the Broader Public Sector ("BPS"). While the Province of Ontario mandated an executive compensation freeze effective in 2010, executive compensation has been frozen at TVO since 2009.

The Province enacted *the Broader Public Sector Executive Compensation Act, 2014* ("BPSECA") to ensure transparency in how executive compensation decisions are made at public agencies such as TVO.

*Ontario Regulation 304/16 "Executive Compensation Framework"* ("the Regulation"), published in 2016 and further revised in 2017, provides the compensation framework in accordance with which compensation programs for "designated executives" under the BPSECA must be developed.

## TVO's Proposed Executive Compensation Program

This Executive Compensation Program (the "Program") reflects our responsibility to prudently use the funds we receive from taxpayers, donors, and sponsors, and the need to attract and retain the very best leaders to deliver on TVO's ambitious mission.

TVO's executive team is responsible for an annual budget of \$71 million (2017/18), including self-generated revenues and non-recurring revenues for special one-time projects, from both the Government of Ontario and donors. They provide oversight and leadership to approximately 350 team members to achieve TVO's Strategic Directions: supporting digital learning inside and outside the classroom, serving as the digital or virtual public space for Ontario-perspective current affairs journalism, and building a team that can thrive in a fast changing world.

TVO retained a third party executive compensation consultant, Accompass, to provide advice and assist in developing the Program to meet all requirements under the Regulation.



## Compensation Philosophy

TVO's compensation philosophy aligns individual performance with TVO's Strategic Directions and supports the achievement of the following objectives:

- To attract and retain executives with the skills required to serve TVO's mandate, and achieve the Strategic Directions and annual plan;
- To maximize performance in the achievement of TVO's Strategic Directions, taking into consideration market competitiveness and the context and environment that is defined by fast-moving change, driven by technology, in the space in which TVO operates; and,
- To have a strong performance orientation linked to TVO's values (Excellence & Innovation; Collaboration; Ownership; Respect and Trust) while allowing individual compensation to be meaningfully differentiated based on performance.

## Designated Executives

As per the Regulation, the following eight (8) roles are considered designated executives at TVO:

- Chief Executive Officer
- Vice President, Current Affairs and Documentaries
- Vice President, Digital Learning\*
- Vice President, Finance and Corporate Services
- Vice President, Production, Distribution and Administration
- Vice President, Product, Revenue and Marketing
- Vice President, People and Culture
- Chief Technology Officer

\* *The Vice President, Digital Learning role is currently filled by secondment from the Toronto District School Board.*

## Compensation Structure

Compensation of designated executives includes salary and performance-related pay, as well as all other compensation elements available to non-executive managerial staff. Currently, the designated executives participate in a separate pension plan with an enhanced formula to provide a supplementary pension. This plan will be closed, and all employees (including designated executives) will participate in the Public Service Pension Plan (PSPP) administered by The Ontario Pension Board (OPB). Subject to government approvals, the expected transition date is January 1, 2018.

TVO's Program does not provide any elements of compensation to executives that are not generally provided, in the same manner and relative amount, to non-executive managers.

TVO does not provide any of the elements of compensation prohibited in the BPSECA.



## Comparative Analysis

### Comparator Group

To determine the comparator roles for the executive team, a number of objective measures of complexity and accountability were considered, including: the scope of responsibilities of the executive leadership team, the type of business operations the organization engages in, the industry sector with which TVO competes for executives, the size of the organization, and the location of the organization.

TVO is an agency of the Ontario Government, funded primarily by the Province of Ontario, and is a registered charity supported by sponsors and thousands of donors. Of note, TVO operates in the area of media and current affairs, for which there are no direct comparators in the Broader Public Sector in Ontario.

Accompass conducted a survey of broader public sector organizations in the arts, culture, education, and science sectors. Based on the responses received, TVO selected the following eight (8) organizations for the purposes of the comparative analysis:

1. Art Gallery of Ontario\*
2. Metropolitan Toronto Convention Centre
3. Ontario Trillium Foundation
4. Pathways to Education Canada
5. Royal Ontario Museum
6. TFO
7. Toronto Convention and Visitors Association (Tourism Toronto)
8. Toronto International Film Festival (TIFF)

*\* Compensation data for Art Gallery of Ontario is sourced from the 2015 Ontario Public Salary Disclosure in order to obtain full-year data for the CEO role and the 2016 Ontario Public Salary Disclosure for the VP level roles.*

These eight (8) organizations were selected based on their similarity to TVO, considering objective measures of complexity and accountability:

- **Scope of responsibilities of the executive leadership team:** Comparator organizations have a similar complexity of operations to TVO.
- **Type of business operations:** The majority of these organizations are in similar industries to TVO, including media, education, arts or culture.
- **Industry with which TVO competes for executives:** While all incumbents in the current designated executive roles were recruited from the private sector, TVO may recruit executives from broader public sector organizations, such as the selected comparators, because these fall into the industry sectors TVO would consider.
- **Size of the organization (based on revenue and employee headcount):** The majority of the comparator organizations are reasonably similar to TVO in terms of size, as measured by annual revenue and number of employees. While the organizations vary in size, organizations smaller than TVO are balanced by organizations that are larger.
- **Location of the organization:** All comparator organizations have their head offices based in Toronto.



## Comparator Positions

Comparisons of TVO’s designated executive roles to positions within the comparator organizations are made on a class basis. The designated executives at TVO fall into two classes: CEO and Vice-President (“VP”), with the VP class of executives all reporting directly to the CEO. The executives in the VP class have roles and responsibilities that are not common in other broader public sector organizations, including the comparator organizations. As a result, for benchmarking purposes, the compensation for the VP class of executives is compared to the compensation of executives that are direct reports to the CEOs (or comparable positions) of the comparator organizations. These executive positions have a similar level of complexity, responsibility, and accountability as the VP class of executives within TVO, given that majority of the comparator organizations are of a reasonably similar size to TVO and / or have operations that focus on the same broad elements of arts, culture, education, and science.

The benchmarking of TVO’s executive classes is summarized as follows:

Executive Class	Designated Executives	Comparator Positions Considered
CEO	Chief Executive Officer	CEO or Head of the organization
VP	Vice President, Current Affairs and Documentaries Vice President, Digital Learning* Vice President, Finance and Corporate Services Vice President, Production, Distribution and Administration Vice President, Product, Revenue and Marketing Vice President, People and Culture Chief Technology Officer	Direct reports to the CEO (excluding administrative / support staff)

\* The Vice President, Digital Learning role is currently filled by secondment from the Toronto District School Board.

## Proposed Compensation Structure

TVO’s current executive compensation structure is set out below:

Executive Class	Current Compensation Structure				
	Salary Range			Maximum Pay for Performance (based on maximum of salary range)	Maximum Compensation (Maximum salary range + maximum pay for performance)
	Minimum	Midpoint	Maximum		
CEO	\$196,144	\$245,180	\$294,216	\$29,422	\$323,638
VP	\$142,156	\$177,695	\$213,234	\$21,323	\$234,577



TVO intends to revise the compensation structure for the CEO and VP executive classes, using a compensation cap value for each position class as the maximum compensation value. The new compensation structure is comprised of a base salary range and pay for performance.

The new compensation structure for both classes is illustrated in the table below:

New Compensation Structure					
Executive Class	Salary Range			Maximum Pay for Performance (based on maximum of salary range)	Maximum Compensation – Selected Cap (Maximum salary range + maximum pay for performance)
	Minimum	Midpoint	Maximum		
CEO	\$191,515	\$239,394	\$287,273	\$28,727	\$316,000 <sup>1</sup>
VP	\$133,685	\$167,106	\$200,527	\$20,053	\$220,580 <sup>2,3,4</sup>

1. The 50<sup>th</sup> percentile of the comparator data is \$340,866, however the Board of Directors has determined that \$316,000 is the appropriate cap. This value represents the 38<sup>th</sup> percentile of the comparator data.
2. The 50<sup>th</sup> percentile of the comparator data, \$220,580, is used as the cap for the VP class of executives.
3. The cap figure for the VP class of executives is calculated on an organization weighted basis so that each organization considered has an equal weight in the calculation of the cap, regardless of how many direct reports to the CEO a given comparator organization may have. Organization weighted statistics are calculated by first taking the average of all comparable positions to the VP class for each individual comparator organization, and then calculating the median of these figures to determine the cap value.

### Salary and Performance-Related Pay Envelope

TVO’s pay envelope, defined as the sum of the current annual salary and maximum available pay for performance compensation of the Designated Executives, is \$1,685,373.80.<sup>1</sup>

1. This figure includes compensation for the eight executive positions.

In determining the value of the maximum annual rate of increase to the envelope, TVO considered the following factors, as outlined in the Regulation:

- The financial and compensation priorities of the government of Ontario as set out in a number of specified public documents.
- Recent executive compensation trends in the Ontario BPS and Canadian public sector in the same industry sector in which TVO competes for executives.
- A comparison between the percentages of operating budgets used for executive compensation between TVO and its comparator organizations.
- The impact on attracting and retaining talent to the organization’s executive positions and salary/pay for performance compression as between executives and those who report to them.
- Any planned significant expansion in operations.

Based on the research conducted by Accompass, TVO proposes a maximum annual increase to the pay envelope of 2.5%. Current levels of compensation including pay for performance for TVO executives are below the cap and any increases would fall within the new maximum cap.

In determining this proposed increase, TVO primarily considered compensation trends present in the Ontario public and broader public sectors, as outlined in research by the Ontario Treasury Board Secretariat, and in the broader market in Canada, as well as the fact that TVO's spending on executive compensation as a portion of its total budget is similar to its comparator organizations.

The proposed maximum annual rate increase is in line with the annual increases observed in the broader Canadian market, TVO's primary source for executive talent, while marginally higher than the average figures observed in the broader public sector. TVO considers this rate to be reasonable, as the aggregated figures available represent average or median values, while maximum annual increases are typically higher.

The details of TVO's research on the elements outlined in the Regulation are as follows:

### **Ontario Government Financial & Compensation Priorities**

- 1) The Ontario Public/Private annual wage growth rate has been up to 2%, depending on the sector, over each of the last seven years as tracked by the Ontario Treasury Board Secretariat and Ontario Ministry of Labour. Provincial Public Sector wage settlements in Ontario continue to track below the Federal Public Sector, Municipal Public Sector, and Private Sector.  
**Source:** Section A: Transforming Government for Sustainability and Fairness.  
<http://www.fin.gov.on.ca/en/budget/ontariobudgets/2017/ch6a.html#ch6a9>, May 18, 2017
- 2) Average annual negotiated wage increases in Ontario from July 2012 to September 2016 have been somewhat below 2%, with the Provincial Sector tracking significantly below the Municipal, Federal, and Private Sectors.  
**Source:** 2016 Ontario Economic Outlook and Fiscal Review Chapter II: A Balanced Path to a Balanced Budget November 14, 2016. <https://www.fin.gov.on.ca/en/budget/fallstatement/2016/chapter2b.html#2b-4>

### **Executive Compensation Trends**

- 3) Salary and pension increases within the Canadian Public Service have generally ranged between 0.5% and 2.5% per year.  
**Source:** Sample Salary and Pension Increases within the Canadian Public Service.  
<http://www.apex.gc.ca/uploads/key%20priorities/compensation/salary%20increase%20chronology%20-%20march%202017%20-%20eng.pdf>, March 2017
- 4) Accompass publishes an annual yearly salary and budget report detailing salary increase trends in the broader Canadian market. Based on data collected from both private and public organizations, the average wage increase for 2017 is 2.52%.  
**Source:** 2017 Salary Budget Report – Making Sense of the Market.  
<http://info.accompass.com/2017-salary-budget-report>)

### **Operating Budget Analysis**

- 5) An analysis of TVO's spending on executive compensation as a percentage of its operating budget versus the selected comparators was conducted based on the data provided in the custom survey process and publicly disclosed data. Based on the analysis, TVO's spending on compensation for its designated executives is approximately 2.38% of its annual operating budget, generally in line with the average of the comparator group, estimated at approximately 2.5%.



### **Compensation Compression Analysis**

- 6) TVO Executives have been under a pay freeze since 2009. Unionized employees received increases in 2009, 2010, 2011, 2016, and 2017 of over 14.5% on a cumulative basis during this period. Non-Executive Managers received base salary increases in 2009, 2012, 2014, 2016, and 2017 of over 10% on a cumulative basis during this period. This has resulted in minor compression between the Vice Presidents and their non-executive managers in some cases. There is currently no concern regarding compression between the pay for the CEO role and its direct reports.

### **Changes to Operations**

- 7) Currently, TVO has not planned any significant changes to the organization's operations that would impact compensation levels and practices for the designated executives. Should any major changes to operations be undertaken, TVO will work directly with the Ministry to adjust the pay envelope and maximum annual rate of increase appropriately.