

EXECUTIVE TOTAL COMPENSATION PRACTICE

Effective April 1, 2011

London Health Sciences Centre (LHSC) is committed to attracting and retaining highly talented executives to meet its strategic and business objectives and lead the organization through the challenges of providing healthcare services today and into the future, contributing to the advancement of health care, education and research. The mission and values of the Hospital have provided the framework for the following executive total compensation strategy.

1. Attract, retain, and motivate talented executives through recognition and reward in the form of competitive salaries and benefits.
2. Remain competitive in the markets in which we compete for executives with respect to executive salary ranges, benefits and perquisites, through periodic reviews against comparable hospitals, in keeping with the desired market positions for total compensation.
3. Strive to ensure a balance between internal equity and external competitiveness.
4. Meet all legislative and salary disclosure requirements, and in particular, comply with the *Excellent Care for All Act, 2010* by linking a portion of compensation for executives to the achievement of performance targets set out in the annual quality improvement plan (QIP).
5. Communicate to executives the structure of the compensation program and the rationale for decisions made with respect to their individual compensation.

Compensation Philosophy

The total compensation of Executives shall be positioned at approximately the 50th percentile of the compensation paid by the defined comparator market for such roles. LHSC has the ability to revisit the total compensation market position philosophy at any time, based on factors including retention/recruitment risks, ability to pay, etc.

Total Compensation Structure

Total compensation has two components: Total Cash, which includes base salary and performance incentive, and Benefits.

- **Total Cash:** A range shall be set for total cash compensation, with the range maximum positioned at approximately market 50th percentile and the range minimum at approximately 85 percent of the maximum.
 - **Performance Incentive:** The portion of total cash to be set aside for the performance incentive shall be determined annually by the President and CEO. The performance incentive must be linked to QIP targets and may be linked to other targets at the discretion of the President and CEO.
 - **Base Salary:** Base salary paid to an Executive in the year shall be determined by adjusting their placement in the total cash range by the amount allocated to the performance incentive.
- **Benefits:** Benefits and perquisites shall be provided at approximately the market average.

Application

This policy applies to all Vice Presidents, as well as other members of the Senior Leadership Team including the Chief of Staff and Senior Medical Directors. For any individuals who receive a stipend for such roles, the total stipend will be subject to base stipend and performance incentive portions as described above.

Defining the Market

To ensure adherence to the executive total compensation market philosophy, a review of relevant market comparator data (cash and benefits) shall occur every three years or more frequently upon the request of the CEO. In consideration of LHSC's status as an acute care teaching hospital as well as the unique nature of executive roles integrated with St. Joseph's Health Care, London the identified comparator group includes:

- Acute teaching hospitals in Ontario; plus,
- Select large community hospitals in Ontario.

Comparator hospitals will be reviewed and confirmed as part of the tri-annual market review.

Merit-Based Compensation

All executive compensation adjustments are merit-based, dependent on the individual and/or group achievement of applicable developmental, performance and quality objectives. Equally important is the evaluation of the executive's performance against the organization's values. Achievement of objectives and the overall behavior of the executive must reflect LHSC's values and the demonstration of those values must be clearly visible to all.

Annual Adjustments

Annual adjustments to the executive salary range will be reviewed annually (excluding the period of legislated compensation restraint), with any adjustments subject to the approval of the President and CEO. The application of adjustments to incumbents is at the approval of the President and CEO. Annual adjustments are normally effective April 1.

Salary Progression Adjustments

Normally new incumbents will start at the minimum of the salary range or at a point along the range depending on the level of experience and qualifications they bring to the role. Progression through the range is based on achievement of established developmental and performance goals and objectives, as determined by the President and CEO. Range progression increases of up to five percent (5%) are normally applied on the individual's anniversary date but can be paid at a higher level at the discretion of the President and CEO.

Performance Incentives

The actual pay-out of any portion up to the ceiling for the annual performance incentive shall be determined as a result of the executive achieving the pre-established goals for the year as determined by the President and CEO through the annual performance evaluation process.

Performance incentive payments are pensionable for purposes of the Hospitals of Ontario Pension Plan. They are also subject to normal statutory taxes and other deductions relevant to LHSC's benefits plans.

Salary Administration

In unique circumstances the President and CEO may administer the compensation plan above the current range on an individual basis including utilizing a red-circling strategy as necessary.

Practice Review

This practice shall be reviewed every three years or sooner if there is a major change in organizational strategy or at the discretion of the President and CEO.

DEFINITIONS:

- 50th Percentile, also known as the market median, is defined as the point in the external market where 50 percent of comparator organizations pay less and 50 percent pay more.

REFERENCES:

- Bill 16 – Public Sector Compensation Restraint to Protect Public Services Act, 2010
- Bill 46 – Excellent Care for all Act, 2010