

# **BC SECURITIES COMMISSION**

## **2008**

### **COMPENSATION STRUCTURE**

The BCSC is self-funding. We do not receive transfers from government tax revenues. Instead, we collect fees charged to securities market participants to fund our operations.

We are accountable to the provincial legislature and the public through the Minister of Finance. Our compensation plan requires *Public Sector Employers' Council* approval.

The BCSC manages its compensation through effective<sup>1</sup> internal governance policies and practices. The BCSC's Audit Committee and Human Resources Committee comprise only independent commissioners appointed by the Lieutenant Governor-in-Council. The Audit Committee oversees the BCSC's annual budget and the Human Resources Committee oversees the design and administration of BCSC performance management and compensation practices. Semi-annually, the Human Resources Committee reviews the performance against objectives of the chair, and in consultation with the chair, of other executives and senior managers. The Human Resources Committee determines the chair's incentive compensation for the preceding year and the chair's salary for the ensuing year. The chair and executive director consult the Human Resources Committee on the incentive compensation and salaries of the other executives and senior managers.

The BCSC competes with law and accounting firms, the securities industry, and other securities regulators to hire and retain professional staff with securities market expertise.

### **COMPENSATION PHILOSOPHY**

We strive to offer competitive remuneration (P50<sup>2</sup> base and incentive pay, benefits, and perquisites).

Like most of our competitors, we include performance-based incentives in our compensation plan.

To remain competitive, we conduct annual salary surveys and propose adjustments when surveyed position salaries fall significantly below the P50 target.

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<sup>1</sup> Read our [Annual Report](#) for more information about our governance practices.

<sup>2</sup> P50 means remuneration above what 50% of comparable organizations offer and below what the other 50% of comparable organizations offer.

## INCENTIVE PRINCIPLES

Most employees participate in an incentive plan, following these principles:

- Incentive awards depend on our ability to fund them
- Incentives are based on individual performance and divisional and organizational results
- Individual performance is the primary incentive driver
- Organizational success affects everyone's incentive, more strongly for those with broader responsibility
- Incentive targets reflect positions' organizational impact – senior positions have more impact

### *Incentive targets*

Named officers have the following incentive targets:

Position	Target Payout
CEO	40%
Executive Director	30%
Vice Chair	25%
Director	20%

## INCENTIVE CALCULATION METHODOLOGY

### *Individual factor*

The individual factor is the employee supervisor's<sup>3</sup> assessment of how well the employee performed during the year versus the supervisor's expectations. Supervisors consider how well the employee modelled desirable behaviours (gets results, communicates effectively, resolves problems effectively, team player), the difficulty and impact of planned objectives and the degree to which the employee met the objectives. Individual performance has the most significant impact on every employee's incentive: the individual performance factor can range from 0.0 (unacceptable) to 1.75 (outstanding) and multiplies the other two factors.

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<sup>3</sup> The Human Resources Committee evaluates the CEO position.

### *Divisional factor*

The BCSC has eight divisions. A portion of incentive depends on divisional performance. The division factor components are:

Objectives	Each year, we set strategic and operating objectives, many of which link directly to priorities set out in the BCSC Service Plan (50% of factor).
Efficiency	We set realistic, but stretch, targets that motivate divisions to improve efficiency (speed) of our key processes (25% of factor).
Service	We set realistic, but stretch, targets that motivate divisions to improve service quality for our key processes (25% of factor).

### *Organizational factor*

The BCSC uses the balanced scorecard methodology to track organizational progress. Balanced scorecard theory is that balanced emphasis on the following areas of business management contributes to organizational success:

- Employee and organizational learning and growth
- Business process improvement
- Stakeholder satisfaction
- Financial stability (for a non-profit like the BCSC)

We base fifty percent of the organizational factor on the results of selected balanced scorecard measures and the other fifty percent of the organizational factor on the average divisional factor.

When developing organizational measures, we try to design ones that:

- Reflect our priorities and link strongly to our goals
- Focus on outcomes rather than business process outputs
- Reflect the entire organization (not just the public-facing departments)

We publish most of our balanced scorecard measures and targets in our Service Plan and then report on our progress in our Annual Report. We do not link one of our public measures, on effective policymaking, to incentives, because it is too subjective. For incentive purposes, we consider two additional measures that track how well we met our financial and employee engagement targets.

## FISCAL 2008 SUMMARY COMPENSATION TABLE

Name and position	Base salary	Performance incentive	Defined benefit pension premiums	All other compensation <sup>5</sup>	Total
Douglas M. Hyndman, CEO	342,368	144,040	33,981	23,568	543,957
Brent W. Aitken, Vice Chair <sup>4</sup>	356,400	-	-	5,344	361,744
Brenda M. Leong, Executive Director	248,138	91,337	24,439	15,501	379,415
Langley E. Evans, Director of Enforcement	180,805	31,894	17,589	12,057	242,345
Martin D. C. Eady, Director of Corporate Finance	169,244	29,502	16,455	14,850	230,051

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<sup>4</sup> Mr. Aitken worked on contract until January 31, 2008 at which time he became an employee. He did not participate in the 2008 incentive plan.

<sup>5</sup> Other compensation includes (in order of significance) long-term disability plan premiums, Canada Pension Plan premiums, transportation allowances, parking, extended health and dental plan premiums, professional membership fees, Medical Services Plan premiums, Employment Insurance premiums, Workers Compensation Plan premiums, group life insurance premiums, fitness reimbursements, and imputed interest benefit on interest-free computer purchase loans.