



Interior Health

July 3, 2012

Mr. Paul Straszak
President & Chief Executive Officer
Public Sector Employers Council of BC
PO Box 9400 Stn Prov Govt
Victoria, BC V8V 9V1
Paul.Straszak@gov.bc.ca

Dear Mr. Straszak,

**RE: Public Sector Employers Act – Section 14.8(3)
Public Sector Executive Compensation Reporting Form**

Please accept this letter as the Interior Health Authority *Statement of Executive Compensation* for the fiscal year 2011/2012. This report is provided in compliance with the Section 14.8(3) of the Public Sector Employers Act and in the form and manner as established by the Public Sector Employers' Council (PSEC) per the Public Sector Executive Compensation Reporting Guidelines.

The report that follows is in two parts. Part One is the Summary Compensation Table for the Interior Health Authority. Part Two is a narrative discussion of our compensation principles, policies and practices.

If you have any questions or require clarification, please contact David Bamford, Corporate Director, HR Strategic Services at 250.870.4701.

Sincerely,

John Johnston
Vice President
People & Clinical Services

Copies to: Norman Embree, Board Chair, Interior Health Authority
Dr. Robert Halpenny, President & Chief Executive Officer

Bus: 250.862.4301
Fax: 250.862.4201
Email: john.johnston@interiorhealth.ca
Web: www.interiorhealth.ca

INTERIOR HEALTH
People & Clinical Services
1815 Kirschner Road
Kelowna, BC V1Y 4N7

Bamford, David

Subject: FW: Statement of Executive Compensation PSEC Reporting Requirements

From: Norman Embree [mailto:normanembree@telus.net]
Sent: Tuesday, July 03, 2012 8:58 AM
To: Bamford, David
Cc: Johnston, John
Subject: RE: Statement of Executive Compensation PSEC Reporting Requirements

Hi David-I have heard back from everyone except one so I approve you adding:
"The Board is aware of the executive compensation paid in the prior fiscal year
and that the compensation provided was within approved compensation plans."

Norman

From: Bamford, David [mailto:David.Bamford@interiorhealth.ca]
Sent: July-02-12 10:13 AM
To: Embree, Norman
Cc: Johnston, John
Subject: Statement of Executive Compensation PSEC Reporting Requirements

Norman

I have attached a revised Statement of Executive Compensation based on changes to the reporting requirements.

- A column entitled "Benefits" has been added to the report. We previously reported this under "All Other Compensation".
- We are now required to disclose the "performance" that triggered the re-earnable portion of Dr. Halpenny's base salary. This is described in Note 2.
- We are also required to disclose any increases in total compensation of 5% or more. This includes salary increases tied to movement through compensation bands, vacation payouts or severance. Note 8 provides the explanation for Donna Lommer's compensation increases.

David

David Bamford Corporate Director Human Resource Strategic Services
Interior Health Authority ▪ 1815 Kirschner Road ▪ Kelowna BC ▪ V1Y 4N7
(t) 250.870.4701 (c) 250.718.1227

**Interior Health
Statement of Executive Compensation
2011/2012**

PART ONE

Summary Compensation Table at March 31, 2012								
<i>Name and Principle Position (a)</i>	<i>Salary (\$) (b)</i>	<i>Bonus and or Incentive Plan Compensation Paid (\$) [c]</i>	<i>Benefits (\$) (d) Note 9</i>	<i>Pension (\$) (e) Note 10</i>	<i>All Other Compensation (\$) (f) Note 11</i>	<i>Total (\$) (g)</i>	<i>Previous Two Years Totals (\$) (h)</i>	
Dr. Robert Halpenny CEO Notes 1,2,3	315,900	35,235	16,730	31,162	729	399,756	2010/11	382,854
							2009/10	66,267
Dr. Jeremy Etherington VP Medicine & Quality Notes 4,5,6	291,933	0	12,887	26,103	1919	332,842	2010/11	257,493
							2009/10	n/a
Andrew Neuner VP Community Integration	238,208	0	13,820	21,320	0	273,348	2010/11	261,872
							2009/10	236,752
Donna Lommer VP Residential & CFO Notes 7, 8	233,139	0	13,094	20,825	0	267,058	2010/11	n/a
							2009/10	n/a
Allan Sinclair VP Acute Services	226,859	0	13,738	20,305	0	260,902	2010/11	n/a
							2009/10	n/a

Notes:

- (1) Annualized base salary of \$351,000.00 with 10% of base salary held back [or at risk]; that is, performance targets must be achieved to earn back the portion of the base salary that was held back or at risk. Dr. Halpenny's compensation package was approved by the Public Sector Employers' Council Secretariat.
- (2) Attainment of 6 performance targets triggered the payout of Dr. Halpenny's hold back on base salary:
 - i. Activity Based Funding
 - ii. Procedural Care Contract
 - iii. Emergency Department Pay for Performance Contract
 - iv. Community Integrated Health Services Attachment and Integration in Targeted Communities
 - v. Balanced Budget
 - vi. Board Objectives
- (3) Dr. Halpenny 4.5 vacation hours paid lump sum. Reported under All Other Compensation.
- (4) Dr. Etherington is an emergency physician providing administrative services to IHA. The principle on which the base salary was determined was the agreement made between the Ministry of Health Services and the British Columbia Medical Association.
- (5) Dr. Etherington elected cash option in lieu of benefits. \$285.23 added to Base Actual salary. (Flex Benefit Program).
- (6) Dr. Etherington 13.13 vacation hours paid lump sum. Reported under All Other Compensation.
- (7) Donna Lommer elected cash option in lieu of benefits. \$780.00 added to Base Actual salary. (Flex Benefit Program).
- (8) Donna Lommer is the Vice President of Residential Services and Chief Finance Officer. On April 1st, 2011 Ms. Lommer's salary was increased from \$215,709 to \$227,077. This increase was tied to movement through the compensation band. On September 25th, 2011 overall responsibility for the Kelowna, Vernon Hospitals Project and the Interior Heart & Surgical Centre Project was added to Ms. Lommer's portfolio. Ms. Lommer's base salary was increased from \$227,077 to \$238,426.
- (9) Benefits include:
 - Insurance Benefits: Group Life Insurance / Accidental Death & Dismemberment / Extended Health / Dental / Long Term Disability
 - BC Medical Services Plan
 - Statutory Deductions: Canada Pension Plan / Workers Compensation / Employment Insurance
- (10) Pension Plan is the Municipal Pension Plan.
- (11) The IHA does not provide perquisites, property or personal benefits to the executive staff

**Interior Health Authority
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PART TWO

Compensation Discussion and Analysis

Interior Health Authority is a member employer of the Health Employers Association of BC and is governed by the HEABC Compensation Reference Plan. This plan has been developed pursuant to the statutory requirements of the Public Sector Employers' Act and is applied across the employer members of HEABC for non-union, management, and executive roles within healthcare.

Compensation Principles

- ✓ Jobs not covered by collective agreements will be compensated in a fair and equitable manner.
- ✓ Levels of compensation will be valid and defensible to full disclosure thus ensuring accountability to the public. Levels shall reflect those in an appropriate composite market.
- ✓ Compensation policies and practices include the total compensation for services through both traditional employer compensation policies and special employment contract relationships.
- ✓ To ensure equity, appropriate systems will measure and recognize the composite value of the skill, effort, responsibility, and working conditions involved in performing the duties of jobs across the healthcare sector.

Compensation Policy Objectives

Consistent with the above principles, healthcare's non-contract compensation program has the following policy objectives:

- a. Healthcare's non-contract compensation plan would address the expectations of trustees, employers, employees, and the Government.
- b. A defensible compensation system responds to broad equity issues. The compensation system recognizes the responsibility of the healthcare sector to establish compensation levels that acknowledge fairness and the public's ability to pay.
- c. Compensation levels are at a level so that healthcare employers can attract, motivate, and retain qualified individuals. Fundamental to this statement is the fact that healthcare compensation practices cannot lead the market. This ensures that taxpayers receive the maximum benefits from qualified individuals occupying jobs within the healthcare sector.
- d. Compensation levels must be competitive to control unnecessary levels of turnover.
- e. Compensation levels will be based on an analysis of internal and external compensation levels. The comparison would consider the type and range of organizations from which healthcare sector employers must recruit and retain highly qualified individuals.
- f. Internal equity requires that compensation be relative to the worth of jobs as measured by the composite value of skill, effort, responsibility, and working conditions. External equity requires that compensation be relative to an acceptable composite market.

- g. Compensation should reinforce and reward performance. Employers shall establish measurable performance standards.
- h. Compensation policies should comply with the intent and requirements of legal obligations by being non-discriminatory in nature.
- i. Compensation policies and programs must be designed to be efficiently administered. The salary ranges will group jobs of similar value and common impact and magnitude.

Compensation Surveys

The compensation reference plan shall be reflective of a representative market that shall be composed of an appropriate mix of employers from which healthcare must attract and retain qualified individuals.

HEABC is responsible for conducting an annual cash compensation survey to ensure appropriate internal and external equity are maintained.

Job market matches shall be appropriate to the type of position: local for administrative support positions and provincial or national for managerial positions.

The comparison of compensation shall be to relevant external labour markets.

The external markets shall reflect the types of organizations from which healthcare employers must attract and retain individuals. This will include both the public and private sector. Compensation information will be collected on the basis of job content not job title.

HEABC will conduct a total compensation survey on a minimum of a three-year or as-needed cycle. Included in the survey will be: salaries, other cash and incentives, perquisites, holidays, vacations and other paid time off work, group benefits, retirement or savings benefits, and standard hours of work.

Compensation Reference Ranges

HEABC is responsible for providing healthcare employers with salary reference ranges. The reference salary ranges will be based on the fiftieth percentile of the blended healthcare and external market pay policy lines. The salary reference ranges will include provisions for an adequate range and spread of salary rates to reflect developmental, job standard, and above standard rates.

Employers are responsible for establishing salary ranges that conform to the reference salary ranges. Employers' salary ranges will be deemed to conform to the compensation reference ranges if the organization's overall comparison ratio is within 0.90 and 1.10 of the appropriate market reference rates.

The comparison ratio calculation is the total of the organization's actual salaries divided by the total of the appropriate market reference rates. Employers are responsible for administering salaries within the reference salary ranges.

Circumstances may require employers to establish job rates that exceed the recommended market reference rates. These circumstances typically are the result of supply and demand factors or unusual or emergent conditions within the organization. Employers, in consultation with HEABC, may establish job rates that exceed the recommended reference rates. The organization's overall comparison ratio should not exceed the recommended target.

Circumstances may require employers to extend geographic cost of living considerations in determining the final salaries of executive and non-contract employees. Employers may include a geographic cost of living component provided the organization's overall comparison ratio does not exceed the recommended range.

Circumstances may require employers to address compression or inversion issues between non-contract staff and directly supervised bargaining unit employees. A premium differential of up to 15 percent may be established where there is a functional supervisory role with responsibility and accountability for outcomes. This premium differential does not form part of the comparison ratio calculation.

Organization Information Plan

The Organization Information Plan provides a means of grouping organizations with similar characteristics for the purpose of comparing the pay practices of these groupings to a relevant external market. The grouping of organizations is determined by assessing certain characteristics that are inherent in all healthcare organizations.

HEABC is responsible for providing healthcare employers with a copy of the Organizational Information Questionnaire (OIQ), instructions on how it is used, and consulting assistance in order to complete and accurately collect the required information.

The healthcare employer is responsible for completing the questionnaire.

The healthcare employer's Board is responsible for approving the completed OIQ and returning the questionnaire to HEABC.

HEABC is responsible for reviewing all completed questionnaires for consistency in application and informing the healthcare employer of the final assessment.

The OIQ collects factual information on healthcare organizations.

Role Assessment Plan

The Role Assessment Plan provides a means of establishing an equitable hierarchy of jobs/roles within an organization as well as a comparison of jobs/roles across the healthcare sector. The hierarchy of jobs/roles is determined by assessing the skill, effort, responsibility, and working conditions inherent in all jobs/roles in healthcare.

HEABC is responsible for providing healthcare employers with copies of the Role Assessment Plan, the associated OIQ, and consulting advice on the application of the system. HEABC is responsible for educating healthcare employers on the use of the plan and providing consulting advice and assistance as required.

Healthcare employers are responsible for ensuring that non-contract employees complete the questionnaire and have their respective managers approve the questionnaire to ensure the information accurately reflects job content and requirements. The head of the healthcare employer, or designate, completes a final approval of the questionnaire.

HEABC is responsible for working with healthcare employers to ensure the consistent application of the plan through periodic reviews. HEABC is responsible to work with the healthcare employers to resolve any disputes on the application of the plan.

Application of the Compensation Reference Plan

For each of the Named Executive Officers (NEO) reported in the Summary Compensation Table of this disclosure, Interior Health Authority has applied the Compensation Reference Plan, working with HEABC as necessary. The base salary and total compensation provided to each NEO is consistent with the principles and policy objectives stated above, as mandated by the Public Sector Employers' Council in accordance with the Public Sector Employers' Act.

Interior Health Authority has established salary ranges and job rates consistent with the mandated fiftieth percentile of the blended market and HEABC reference salary ranges. Newly hired employees are placed on the appropriate salary range and at the appropriate range placement in accordance with their previous experience, competencies, and current labour market conditions. Salary Range Progression is based on the performance of the employee. A review of individual performance is conducted on an annual basis and salary range progression is granted on April 1st of each year. The key determinate of Salary Range Progression is the annual performance review process during which individual performance is assessed.

Benefits

All full time or regular part time employees are eligible to participate in the employer's Health and Welfare Benefit Plans as follows:

BC Medical Services Plan: This Provincial Government medical plan is open to all residents of British Columbia. The employer pays 100 percent of the premium for employees, spouses, and eligible dependents.

Group Flex Benefits Plan: This private group insurance plan provides extended health care, dental care, long-term disability, accidental death and dismemberment, and life insurance protection. The Plan consists of core (required) programs supplemented with elective program coverage as selected by the employee.

Optional Programs: Employees may purchase additional Optional Life Insurance and Accidental Death and Dismemberment insurance coverage.

Pension: As a condition of employment, all full time employees over the age of 18 will become members of the Municipal Pension Plan. This plan is funded through both employee payroll deductions and employer contributions. Enrolment for part time employees is at the employee's option.

Annual Leave

The vacation earning year runs from July 1st to June 30th of the following year. A vacation of 20 work days (150 hours) is provided after 1 year of continuous service. Vacation credits are earned commencing with the first day of employment on a pro rata basis. Vacation entitlement increases by 1 day (7.5 hours) per year commencing with an employee's fifth anniversary of employment up to a maximum of 35 days (262.5 hours).

The employer's Flex Benefit Program, as designed, requires one week (five days) vacation credits to be included in the Flex Benefit Program, as stipulated by Canada Revenue Agency regulations. As part of the selection process, the employee may elect to redirect those vacation credits into vacation leave entitlement.

May 2012