

June 13, 2014

Mr. Lee Doney  
Interim President & CEO  
Public Sector Employers' Council Secretariat  
Suite 210, 880 Douglas Street  
Victoria, B.C. V8W 2B7

**RE: *Public Sector Employers Act - Section 14.8(3)***  
***Compensation Disclosure for CEO and Senior Executives***

Please accept this letter as Northern Health's Statement of Executive Compensation for the fiscal year 2013/2014. 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 Employer's Council (PSEC) per the Public Sector Executive Compensation Reporting Guidelines.

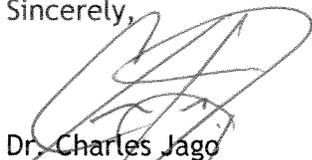
The report that follows is in two parts. Part One is a narrative discussion of our compensation principles, policies and practices. Part Two is the Summary Compensation Table for Northern Health.

As the Board Chair for Northern Health, I confirm the following:

- The Board is aware of the executive compensation paid in the prior fiscal year.
- The compensation information disclosed is accurate and includes all compensation paid by Northern Health, foundations, subsidiaries, or any other organization related to or associated with Northern Health.
- Compensation provided is within approved compensation plans and complies with the Public Sector Executive Compensation Reporting Guidelines.

If you have any questions or require clarification, please contact Jane Lindstrom, VP Human Resources at 250-565-2116.

Sincerely,



Dr. Charles Jago  
Northern Health Board Chair

cc: Cathy Ulrich, President and CEO  
Jane Lindstrom, VP Human Resources  
Mark De Croos, VP Financial and Corporate Services/CFO  
Kindrée Draper, Corporate Relations Manager, PSEC  
Pamaljit Gill, Industry Advisor, Management Compensation, HEABC

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## **PART ONE**

### **Compensation Discussion and Analysis**

#### **Background**

Northern Health is the publicly funded healthcare provider for the northern half of British Columbia serving over 300,000 people in an area of 600,000 square kilometers. The health authority operates over two dozen hospitals, fourteen residential care facilities, many public health units, and offices providing specialized services. Northern Health employs approximately 7,000 people.

Northern Health is a member of the Health Employers Association of BC (HEABC) 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**

Northern Health's compensation policy objectives are consistent with those contained in the Compensation Reference Plan Guidelines as follows:

- Healthcare's non-contract compensation plan would address the expectations of trustees, employers, employees and the Government.
- 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.
- Compensation levels must be at a level that ensures 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.
- Compensation levels must be competitive to control unnecessary levels of turnover.
- 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.
- 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.
- Compensation should reinforce and reward performance. Employers shall establish measurable performance standards.
- Compensation policies should comply with the intent and requirements of legal obligations by being non-discriminatory in nature.
- Compensation policies and programs must be designed to be efficiently administered. The salary ranges will group jobs of similar value, common impact and magnitude.

## **Compensation Surveys**

The Compensation Reference Plan will be reflective of a representative market that is 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 salary reference ranges will be based on the 50<sup>th</sup> 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 development, job standard and above standard rates.

Employers are responsible for establishing salary ranges that conform to the salary reference ranges. Employers' salary ranges will be deemed to conform to the compensation reference ranges if the organization's overall comparison ratio is within .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 salary reference 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 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 Questionnaire, 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 required to submit role assessments, role descriptions and organization charts for each new non-contract position to HEABC.

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

### **Application of the Compensation Reference Plan**

#### **Base Salary**

HEABC's non-contract Role Assessment Plan is the tool used to evaluate all executive positions at Northern Health, with the exception of the President and Chief Executive Officer. The total compensation allowable for the President and Chief Executive Officer is established by the Ministry of Finance as part of a province-wide Public Sector CEO Compensation initiative. Any amendments to existing CEO compensation must be approved by the Minister of Health, prior to seeking approval from the Minister of Finance.

For each of the Executives reported in the Summary Compensation Table of this disclosure, Northern Health has applied the Compensation Reference Plan, working with HEABC as necessary. The base salary and total compensation provided to each Executive 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.

Northern Health has established salary ranges and job rates consistent with the mandated 50<sup>th</sup> 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 based on a number of factors including experience, skills, competencies, current placement of incumbents in comparable roles, and current labour market conditions.

Movement along the salary range is considered annually based on an approach and budget approved by the Board.

Annual salary reviews take place in conjunction with a formal performance management program; employees are eligible for salary increases based on performance, annual increase guidelines, and available room on the specific salary range. Performance and development are assessed between the employee and their manager mid-year and at fiscal year end. Northern Health's Board assesses the performance of the CEO.

#### **Health and Welfare Benefits**

Northern Health's benefit package includes Medical Services Plan, Long Term Disability (LTD), Sick Leave Accumulation, Life Insurance, Accidental Death & Dismemberment (AD&D), Dependent Life Insurance,

Extended Health Care, and Dental Plan. Where applicable, benefit coverage is extended to employee dependents and are employer paid.

Northern Health's executive benefit provisions are the same as those provided to all its employees with the following exceptions: 1) there is no annual deductible for extended health; 2) the gross monthly benefit for LTD is increased annually based on the Consumer Price Index to a maximum of 5% annually. Northern Health's benefit package is comparable with other health sector employers in British Columbia.

### **Pension Plan**

Enrolment in the pension plan is mandatory for regular full-time employees and optional for regular part-time employees. The plan is funded through both employee payroll deductions and employer contributions.

### **Paid Leave**

Executives are eligible for six weeks annual vacation, with an additional day per year to a maximum of seven weeks. Annual vacation provides employees with a period of time away from the work environment. It is Northern Health's intention that all vacation is to be taken as a benefit and therefore employees are expected to utilize their full entitlement each year. Annual paid leave (statutory and paid holidays, annual vacation and paid sick time) are included in the base salary component of the Summary Compensation Table.

### **Retirement Allowances**

Certain employees with ten years of service and having reached a certain age are entitled to receive special payments upon retirement or as specified by terms and conditions of employment or collective agreements. These payments are based upon accumulated sick leave credits and entitlements for each year of service. Credits are paid out at the time of leaving the workforce provided the person leaves on or after age 55 upon retirement, termination, death or disability. No payout is made in the event that the employee is dismissed with just cause.

Summary Compensation Table at FISCAL, 2014

Name and Position (a)	Salary (b)	Bonus and / or Incentive Plan Compensation (c)	Benefits (d)	Pension (e)	All Other Compensation (expanded below)	2013/14 Total	Previous Two Years Totals	
							2012 / 13 (s)	2011 / 12 (t)
Catherine Ulrich, President & CEO	\$ 329,000	\$ -	\$ 12,618	\$ 35,173	\$ -	\$ 376,791	\$ 391,999	\$ 373,227
Dr. Ronald Chapman, Vice-President, Medicine	\$ 272,474	\$ -	\$ 13,196	\$ 24,431	\$ -	\$ 310,101	\$ 264,197	\$ 253,814
Michael McMillan, Chief Operating Officer, Northern Interior	\$ 220,409	\$ -	\$ 12,833	\$ 19,763	\$ -	\$ 253,005	\$ 252,933	\$ 246,139
Dr. Suzanne Johnston, Vice President, Clinical Programs & Chief Nursing Officer	\$ 213,255	\$ -	\$ 11,973	\$ 19,165	\$ -	\$ 244,393	\$ 245,428	\$ 238,371
Jane Lindstrom, Vice President, Human Resources	\$ 211,146	\$ -	\$ 12,009	\$ 18,933	\$ -	\$ 242,088	\$ 241,768	\$ -

Summary Other Compensation Table at FISCAL, 2014

Name and Position <sup>(a)</sup>	All Other Compensation	Severance (f)	Vacation payout (g)	Leave payout (h)	Vehicle / Transportation Allowance (i)	Perquisites / other Allowances (j)	Other (k)
Catherine Ulrich, President & CEO	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Dr. Ronald Chapman, Vice-President, Medicine	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Michael McMillan, Chief Operating Officer, Northern Interior	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Dr. Suzanne Johnston, Vice President, Clinical Programs & Chief Nursing Officer	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Jane Lindstrom, Vice President, Human Resources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

**Notes:**

Dr. Ronald Chapman, Vice-President, Medicine	Dr. Chapman assumed the VP Medicine role on March 4, 2013. Previously held the position of Chief Medical Health Officer; annualized base salary was \$230,627. Dr. Chapman also provides clinical services as a Medical Health Officer. Additional payments are disclosed in Northern Health's Statement of Financial Information report as required under the Financial Information Act.
Retirement Allowances	Certain employees with ten or twenty years of service and having reached a certain age are entitled to receive special payments upon retirement or as specified by terms and conditions of employment or collective agreements. These payments are based upon accumulated sick leave credits and entitlements for each year of service. Credits are paid out at the time of leaving the workforce provided the person leaves on or after age 55 upon retirement, termination, death or disability. No payout is made in the event that the employee is dismissed with just cause.