

May 8, 2016

Christina Zacharuk  
President and CEO  
Public Sector Employers' Council Secretariat  
Suite 210, 880 Douglas Street  
Victoria, BC V8W 2B7



Re: *Attestation letter for Executive Compensation – British Columbia Lottery Corporation, Fiscal Reporting Period 2015/16*

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Kamloops, BC V2C 1E2

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I have read the Public Sector Executive Compensation Reporting Guidelines as prepared by the Public Sector Employer's Council Secretariat and understand it is my responsibility as Board Chair to be aware of executive compensation paid as reported by British Columbia Lottery Corporation (BCLC) management.

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I hereby attest that, the executive compensation transactions, as reported by BCLC for the fiscal period 2015/16, in all material respects, were within approved compensation plans<sup>1 2</sup>.

Yours truly,

A handwritten signature in black ink, appearing to read 'Bud Smith', is written over a horizontal line.

Bud Smith  
Chair, Board of Directors

Enclosure(s)

<sup>1</sup> The approved compensation plans referenced in this attestation letter are comprised of the following:

- a) The British Columbia Lottery Corporation Compensation Plan, which was presented to and approved by BCLC's Board of Directors on December 10, 2012 and approved by PSEC on February 6, 2013;
- b) The British Columbia Lottery Corporation Compensation Plan approved by BCLC's Board of Directors on October 29, 2015 and approved by PSEC on January 26, 2016, and
- c) The CEO Offer of Employment dated March 31, 2015, signed by both the Board Chair and the CEO.

<sup>2</sup> The base salary for executives in place as at August 13, 2012 was adjusted on April 1, 2014 to reflect the transition to the Holdback Incentive model.

# Public Sector Executive Compensation Reporting Form

**British Columbia Lottery Corporation  
Reporting for Fiscal Year 2015/16**

***Statement of Executive Compensation***

**May 2016**

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# Statement of Executive Compensation

## 1.1 PURPOSE

BCLC is required to disclose all compensation provided to the Chief Executive Officer and the next four highest paid executives for the services they have provided to the organization. This document outlines the design, provisions and total value of executive compensation for the fiscal year ending March 31, 2016 for the British Columbia Lottery Corporation (BCLC).

## 2.1 COMPENSATION DISCUSSION AND ANALYSIS

### 2.1.1 Compensation Philosophy

BCLC's compensation philosophy and plan is aligned to a common compensation philosophy for the B.C. Public Sector and has embodied the following four core principles:

- Performance – Compensation programs support and promote a performance-based organizational culture.
- Differentiation – Differentiation of salary is supported where there are differences in the scope of the position within an organization, and/or due to superior individual team contributions.
- Accountability – Compensation decisions are objective and based upon a clear and well documented business rationale that demonstrates the appropriate expenditure of public funds.
- Transparent – Compensation programs are designed, managed and communicated in a manner that ensures the program is clearly understood by employees and the public while protecting individual personal information.

## BCLC's Guiding Principles for Reward and Compensation

1. **Merit-based compensation** – We will differentiate compensation and rewards for high performing employees.
2. **Externally competitive** – We strive to pay base salaries at median (50<sup>th</sup> percentile) of a role's market rate.
3. **Internally equitable** – High-performing employees will progress through the range at a faster pace than accomplishing employees as performance achievement is taken into account for movement through the range.
4. **Relevant comparators** – The market will be based on comparable crown corporations and national jurisdictions, with the exception of “special market” roles which will include specific private sector organizations (aligned by role, market, and geography).
5. **A “total rewards” perspective** – We will communicate a holistic view of rewards to staff and leadership that includes base compensation (salary, holdback, benefits) along with development, recognition, and other quantifiable rewards that are provided to employees.
6. **Transparent and accountable** – Practices will be transparent and accountable to employees, leadership, the Board of Directors, and key public sector stakeholders.

### Total Rewards Overview

The compensation program includes both a base pay and holdback incentive component. The holdback incentive is applicable to management and executive. All management and executive employees have a portion of their salary at risk, payable subject to the achievement of corporate and individual objectives.

Equity is achieved through a formalized job evaluation system that evaluates jobs and level of compensation on the basis of complexity. Employees progress through a salary range based on individual performance and mastery of the job.

The Benefits and Work/Life balance component of the Total Rewards package is designed to provide competitive and comprehensive coverage for employees and their families and to recognize the importance of work life balance in being a contributor to a high performance culture.

Any Total Rewards offered must be in compliance with any government regulations and guidelines in place.

## 2.1.2 Governance

The Board of Directors and the Human Resources and Compensation Committee (HR&C) have oversight of BCLC's executive compensation. The terms of reference (as it pertains to total compensation) are outlined below:

### Board of Directors

- Monitor and, at least annually, review the CEO's performance against agreed upon annual objectives;
- Approve the CEO's compensation
- Review compensation plans for senior management including salary, incentive, benefit and pension plans;
- Approve certain matters relating to all employees, including:
  - The Corporation's broad compensation strategy and philosophy;
  - New benefit programs or material changes to existing programs; and
  - Material changes to the employee pension plans;

### Human Resource and Compensation Committee

- Annually review and recommend to the Board for approval the Total Compensation philosophy and principles, ensuring they meet applicable Government requirements
- Annually review and approve the salary plan (including, if applicable, merit increase budget) for the upcoming fiscal year;
- Annually review and approve the resource plan (proposed FTE) for the upcoming fiscal year;
- Review and recommend to the Board for approval any material changes to benefit programs; and
- For purposes of administering the CEO/Executive/Management incentive holdback plans, review and recommend to the Board for approval:
  - The corporate goals for the next fiscal year
  - The CEO goals for the next fiscal year; and
  - The incentive holdback plan payout after fiscal year-end results are confirmed
- Review and make recommendations to the Board respecting the terms and conditions of the pension plans of which BCLC is an administrator.
- Review the performance incentive plan and make recommendations to the Board regarding approval.

### 2.1.3 Forms of Compensation

Total compensation for the Executive includes base salary, holdback incentive, benefits, pension, supplementary pension, and vacation. Following is a description of each total compensation element.

#### **Base Pay**

BCLC's compensation plan is market-based and salary ranges are reflective of the 50<sup>th</sup> percentile of the market.

Salaries are allocated through a formal job evaluation process and within approved salary bands.

Annual salary increases for the Executive are determined based on individual performance.

The salary freeze for management and executive employees announced September 12, 2012 remains in effect. Therefore, no performance-based salary increases were implemented in fiscal 2015/16.

#### **Holdback Incentive**

BCLC's Holdback Incentive is aimed at directly linking employee performance to pay, ensuring that accountability cascades down through the organization. Success is measured on the achievement of both corporate objectives and individual objectives, aligning employee contributions to the strategic priorities of the organization.

BCLC's Holdback Incentive is earned each year based on the achievement of a financial trigger, corporate objectives and individual objectives. The holdback incentive plan is not remunerated (corporate or individual) if the financial trigger is not achieved.

The process is as follows:

- The HR&C Committee of the Board reviews and recommends to the Board, the appropriate corporate objectives and targets.
- The Service Plan, which is approved by the Ministry, and the business plan, which is approved by the Board of Directors drives the overall corporate and individual goals set for the Executive.
- The CEO's goals are approved by the Board of Directors.
- The CEO's goals are cascaded to the Executive team and all goals established directly link to the corporate strategic priorities.
- The HR&C Committee reviews the attainment of corporate goals at the end of the fiscal year and recommends to the Board the level of achievement.

#### Fiscal Year 2015/16 Targets

Corporate Goals	Threshold	Target
Net Income before taxes (millions)	1,242	1,269
Net Win (millions)	-	2,240

#### Benefit Plan

BCLC provides a flexible benefit program, which gives employees the flexibility to choose medical, extended health, dental, AD&D, and life insurance. Long Term Disability premiums are paid for by the employee.

#### Vacation

Twenty days of vacation is provided for executive upon joining BCLC, unless otherwise negotiated as part of the employment contract. Annual rate of vacation accrual increases at established years of service until the maximum accrued vacation rate is met. The maximum accrued vacation provided to Executive is 35 days. Thirty days' vacation is provided to the CEO.

#### Registered Pension Plan (RPP)

BCLC provides a defined benefit pension plan which is a shared cost between the employee and the Corporation. Employees contribute 4.4% of their monthly earnings that are less than or equal to the Year's Maximum Pensionable Earnings (YMPE) and 6.0% of their annual earnings that are in excess of the YMPE. The Corporation contributes additional amounts necessary to pay for the promised pension. An actuary who is certified in the determination of pension funding requirements calculates the amount of the Corporation's contribution.

#### Supplemental Registered Pension Plan (SRP)

BCLC has a Supplemental Registered Plan for Vice-Presidents. The SRP provides a pension payable at retirement on or after age 55. The pension is calculated using the formula from the RPP, without *Income Tax Act* maximum pension limits imposed on the RPP. The excess over the RPP is payable from the SRP. In other words, the SRP provides the pension that the *Income Tax Act* will not allow to be paid from the RPP. The SRP is simply a mirror of the RPP, with two exceptions: The Vice Presidents do not have to contribute to the SRP. If a Vice President terminates employment before age 55, no benefit is payable from the SRP.

#### Supplemental Registered Pension Plan (CEO)

The CEO Supplemental Registered Pension is similar to the SRP for Vice Presidents with one exception; the CEO receives 1.5 years of pensionable service credit for each year of eligible service.

## ITEM 3 - SUMMARY COMPENSATION TABLE

Summary Compensation Table

Name and Position (a)	Salary (b)	Holdback Incentive (c)	Benefits (d)	Pension (e)	All Other Compensation	2015/16 Total	Previous Two Years Totals	
							2014/15	2013/14
Jim Lightbody, President and CEO	\$ 274,700	\$ 30,522	\$ 13,357	\$ 67,100	\$ 8,645	\$ 394,324	\$ 386,965	\$ 321,715
Kevin Gass, Vice President, Lottery Gaming	\$ 216,629	\$ 38,229	\$ 11,917	\$ 29,500	\$ 2,480	\$ 298,754	\$ 301,368	\$ 309,353
Lynette DuJohn, Chief Information Officer	\$ 204,945	\$ 36,167	\$ 12,454	\$ 14,800	\$ -	\$ 268,366	\$ 276,495	\$ 295,934
Bradley Desmarais, Vice President, Casino and Community Gaming	\$ 198,144	\$ 22,047	\$ 12,351	\$ 17,100	\$ 9,802	\$ 259,443	\$ 247,717	\$ 229,551
Susan Dolinski, Vice President, Social Responsibility and Communications	\$ 190,563	\$ 33,731	\$ 9,521	\$ 8,400	\$ -	\$ 242,216	\$ 221,391	\$ 234,464

Summary Other Compensation Table

Name and Position (a)	All Other Compensation	Severance (f)	Vacation payout (g)	Leave payout (h)	Vehicle / Transportation Allowance (i)	Perquisites / other Allowances (j)	Other (k)
Jim Lightbody, President and CEO	\$ 8,645	\$ -	\$ 8,645	\$ -	\$ -	\$ -	\$ -
Kevin Gass, Vice President, Lottery Gaming	\$ 2,480	\$ -	\$ 2,480	\$ -	\$ -	\$ -	\$ -
Lynette DuJohn, Chief Information Officer	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Bradley Desmarais, Vice President, Casino and Community Gaming	\$ 9,802	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,802
Susan Dolinski, Vice President, Social	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -



## ITEM 3.1 – SUMMARY COMPENSATION TABLE DISCUSSION

A	<b>Name and Principal Position</b>	<ul style="list-style-type: none"> <li>Jim Lightbody became President &amp; CEO effective April, 2014.</li> </ul>	
B	<b>Base Salary</b>	<ul style="list-style-type: none"> <li>Payroll system limitations restrict salary reporting to whole pay periods. The salary reported is for the pay periods of March 22, 2015 – March 19, 2016.</li> </ul>	
C	<b>Holdback Incentive Compensation Earned</b>	<ul style="list-style-type: none"> <li>Holdback incentive compensation reported above is for the achievement of fiscal 2015/16 objectives and paid in fiscal 2016/17. The amounts currently provided are estimated. Holdback is calculated for Executive at 10% of total potential salary, with the exception of Kevin Gass, Lynette DuJohn and Susan Dolinski, who are grandfathered at 15% of total potential salary.</li> </ul>	
D	<b>Benefits</b>	<ul style="list-style-type: none"> <li>Total includes employer contributions for MSP, Benefit Credits, Dental, Extended Medical, Basic and Optional AD&amp;D, Basic Life Insurance, and employers share of Statutory Benefits (WCB, EI and CPP).</li> </ul>	
E	<b>Pension</b>	<ul style="list-style-type: none"> <li>The total includes both Registered Pension and Supplemental Pension amounts.</li> <li>The calculated pension amounts are established using the actuarial assumptions for plan funding purposes.</li> </ul>	
F	<b>All Other Compensation</b>	<p><b>Perquisite Allowance</b> – Effective January 1, 2013 all eligible CEOs and Executive received notice of plan termination and were provided with 18 months' notice. All perquisite allowance payments ceased on June 30, 2014.</p> <p><b>Vacation Paid</b> – Unused vacation time accrued in calendar year 2013, not used by March 31, 2015. <b>Other</b> – Acting Pay</p>	
G	<b>Total</b>	Jim Lightbody	Notable changes in total compensation from previous reporting year: <ul style="list-style-type: none"> <li>Vacation payout</li> <li>Pension – Retroactive adjustment for interim acting CEO position in Fiscal 2014/15</li> </ul>
		Lynette DuJohn	Notable changes in total compensation from previous reporting year: <ul style="list-style-type: none"> <li>Vacation payout</li> </ul>
		Bradley Desmarais	This is the first year that Mr. Desmarais has been reported on the Executive Compensation Disclosure. <ul style="list-style-type: none"> <li>Base Salary – PSEC-approved increase in base salary due to additional scope of responsibility in move to Vice President, Casino and Community Gaming.</li> <li>Other compensation – Mr. Desmarais has been carrying out the duties of Vice President, Human Resources until June 22, 2015 and Vice President, Corporate Security and Compliance from June 1, 2015 to September 19, 2015 in addition to his regular responsibilities and has received 10% acting pay as compensation for the additional scope.</li> </ul>

		Susan Dolinski	This is the first year that Ms. Dolinski has been reported on the Executive Compensation Disclosure <ul style="list-style-type: none"><li>• Base Salary – PSEC-approved increase in base salary due to additional scope of responsibility</li></ul>
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