



APEX
20^{ans}_{years}
Excellence
en *Leadership*



Presentation to the
Advisory Committee
on Senior Level Retention
and Compensation

January 30, 2004



Overview of APEX Positions

- The Performance Management Program is - and should remain - a central element of executives' total compensation system
- Support among executives for performance-based pay has remained steady since PMP's implementation



What needs changing?

- Executives acknowledge problems with application, but have noted improvements
- Real abuses are relatively rare and should not drive program decisions
- With design adjustments and greater accountability, PMP could be an effective performance management tool
- It should also be used as a planning and development tool



What has already changed?

- The program is being taken more seriously today than even 2 years ago – assessment process is being better handled within most departments
 - More transparent
 - More timely
- Slight improvements in ratings distribution patterns
- However, APEX agrees there is still much room for improvement



APEX's proposals

- PMP rating guidelines must reflect importance of leadership competencies:
 - A balance between the 'what' and the 'how', supported with basic management skills
- Individual and organizational performance should be linked
 - COSO should monitor and deal with excesses
 - Small agency network could perform similar oversight function



APEX's proposals

- Focussing attention on highs and lows of evaluation spectrum would be an effective and efficient use of resources
 - new Agency should do annual monitoring of 'exceeds' ratings to ensure justification
 - developmental/remedial plan must be prepared for those not meeting or only partially meeting expectations
 - two successive ratings of 'not met' triggers demotion, release or other appropriate action



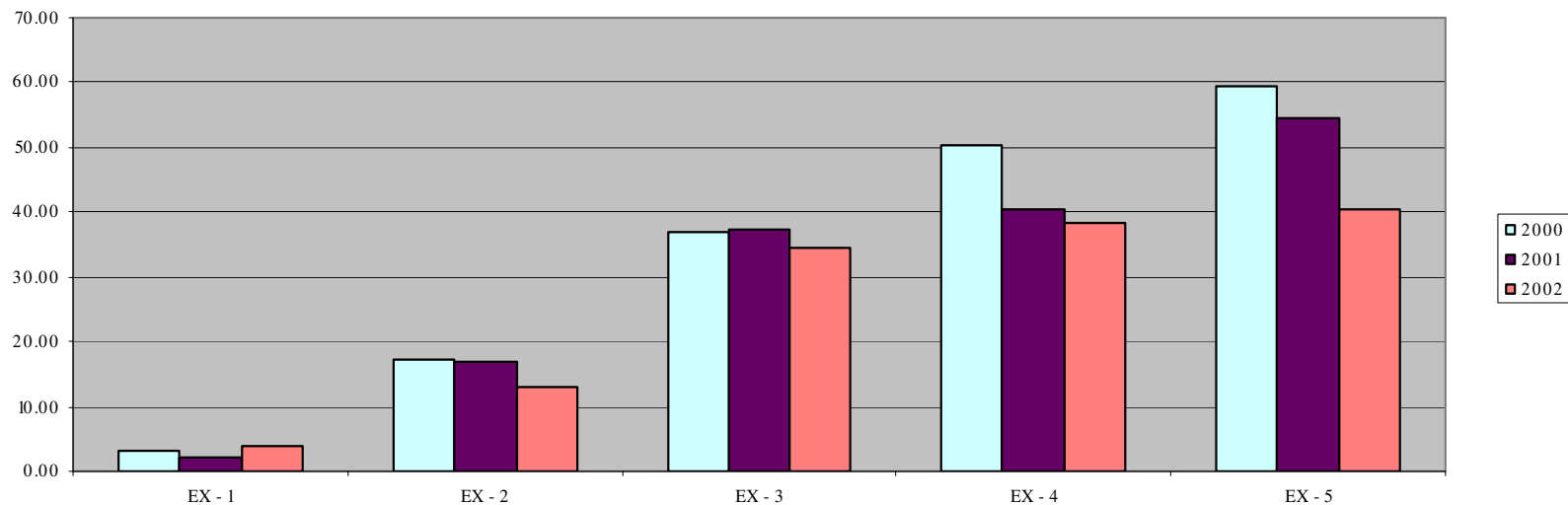
APEX's proposals

- A five-point rating scale should be adopted to provide greater flexibility to supervisors at the top and bottom of scale



Closing the gap for EX-3s

Percentage Difference In Executive Total Compensation
2000 to 2002



1) In 1998 no comparisons were made because the increases of 1998 were to last for two years.

2) In 1999 no comparisons on a total compensation basis were done, only total cash comparisons. This was done since the Advisory Committee felt that benefits generally were about equal between the sectors.

Note: The growing gap at the EX-1 level is due to the reduction of 1% compared to the Hay comparator group.



Closing the gap for EX-3s

- To recognize the relative lack of progress on EX-3 compensation:
 - the performance pay ceiling for EX-3s should be raised to 12.5 %;
 - in order not to adversely affect the at-risk pay available for the EX-1 and EX-2 levels, the overall PMP pay envelope should be adjusted accordingly.



Proposed distribution

- Has not met commitments (0-5% of executives)
 - receive economic increase only; no in-range movement or access to lump sum
- Partially met commitments (5-15% of executives)
 - EX-1 to 3 receive economic increase and up to 3% increase through in-range movement and/or lump sum
 - EX-4 and 5 receive economic increase and up to 5% increase through in-range movement and/or lump sum



Proposed distribution

- Met commitments (50-60% of executives)
 - EX-1 and 2 receive economic increase and 3-5% increase through in-range movement and/or lump sum
 - EX-03 receive economic increase and a 3-6% increase through in-range movement and/or lump sum
 - EX-4 and 5 receive economic increase and a 3-7% increase through in-range movement and/or lump sum



Proposed distribution

- Met and exceeded some commitments (10-20% of executives)
 - EX-1 and 2 receive economic increase and 6-9% increase through in-range movement and/or lump sum
 - EX-3 receive economic increase 7-11% increase through in-range movement and/or lump sum
 - EX-4 and 5 receive economic increase and 8-14% increase through in-range movement and/or lump sum



Proposed distribution

- Exceeded commitments (5-15% of executives)
 - EX-1 and 2 receive economic increase and 10% increase through in-range movement and/or lump sum
 - EX-3 receive economic increase and 11 to 12.5% increase through in-range movement and/or lump sum
 - EX-4 and 5 receive economic increase and 14 to 15% increase through in-range movement and/or lump sum



Clear messages about PMP

- A concerted communications effort must be made both with the public and within departments
 - Explain and defend a complex system
 - Clarify expectations on quality of performance accords
 - Encourage greater transparency of review processes



Compensation anomalies

- As a fundamental principle, employees who take on the challenges of an executive position should not be penalized for so doing



Compensation anomalies

- Severance pay
 - Severance pay is intended to compensate for unclaimed overtime and unused sick leave
 - Group that claims the least amount of these benefits – executives - is granted the least amount of severance, maximum of 28 weeks vs. 30 for unionized
 - APEX proposes that executive severance pay be 1 week for every year worked



Compensation anomalies

- Annual leave
 - Entitlements depend on years served, but timing of increments not same for unionized employees and executives
 - So, for example, employees with 18 years of service who become EXs immediately lose one week of annual leave (5 weeks to 4)
 - Those who fall into this category should be ‘grand-fathered’

