

Public Sector Executive Compensation Reporting Form

**British Columbia Lottery Corporation
Reporting for 07/08
June 30, 2008**

Revised July 18, 2008

Statement of Executive Compensation

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Statement of Executive Compensation

ITEM 1 – GENERAL PROVISIONS

PURPOSE

British Columbia Lottery Corporation (BCLC) must 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 in accordance with Bill 33.

For 2007-08, this statement is being made as part of a broad public sector disclosure which is being filed by June 30, 2008.

ITEM 2 - COMPENSATION DISCUSSION AND ANALYSIS

1. COMPENSATION DISCUSSION AND ANALYSIS

BCLC manages Executive compensation in accordance with the compensation policy approved by PSEC.

Our compensation philosophy is to pay total compensation at the 50th percentile of our relevant market comparator group as approved by PSEC, which considers general industry, gaming and public sector.

Compensation principles for Executive compensation include the following:

- All Executive compensation falls within the PSEC guidelines and supports a performance based culture
- Vice President's compensation is aligned and managed below the CEO terms and conditions and limitations

The Human Resource and Compensation Committee (HR&C) of the Board has the responsibility to review and make recommendations to the Board on the items detailed below, in accordance with corporate governance.

- Review and recommend the appointment of the CEO and plan succession of the CEO;
- Review and recommend the terms of reference for the CEO;
- Review and recommend, at least annually, the CEO's performance against agreed upon annual objectives;
- Review and recommend the CEO's compensation;
- Review the senior management structure including such duties and responsibilities to be assigned to officers of the Corporation;
- On the recommendation of the CEO, review and recommend the officers of the Corporation who report to the CEO;

- Review and recommend compensation plans for senior management including salary, incentive, benefit and pension plans;
- Review and recommend 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;
- Ensure succession planning programs are in place, including programs to train and develop management; and
- Provide advice and counsel to the CEO in the execution of the CEO's duties.

The Board has final approval on the above matters and the HR&C Committee then ensures processes are implemented.

- a) The objective of the compensation program is to pay competitively with the external marketplace and to neither lead or lag the market, with a total compensation philosophy to pay and reward for performance. Annual salary increases and incentive pay are based on individual, divisional and corporate performance.
- b) Total compensation for the Executive includes base and incentive pay, benefits, pension, supplementary pension, vacation, car allowance and related operating expenses.

Following is a descriptor of each:

Base Pay

Base pay is established at the median based on external benchmarking data. Based on the external data, as well as an internal job evaluation system outlining role accountabilities, jobs are valued and slotted within the appropriate salary range. Annual salary increases for the Executive is determined based on individual performance and placement in the range.

Incentive Pay

BCLC's short term incentive plan is split between 50% corporate and 50% individual goals and is a variable pay program re-earnable each year. The incentive plan does not pay out any monies (corporate or individual) if corporate triggers are not met.

The process is as follows:

- The Board and the CEO determine the appropriate corporate goals and identify threshold, target and stretch performance indicators.
- Both corporate and individual goals set for the Executive are aligned to the expected deliverables as set out in the Service Plan, which is approved by the Ministry, and the business plan, which is approved by the Board of Directors.

- The CEO's goals are determined by the Board of Directors.
- The CEO's goals are cascaded down to the Executive team and all goals established directly link to the approved business plan.
- The HR&C Committee reviews and approves the VP's goals
- The HR&C Committee reviews the attainment of corporate goals, and the individual goals for the CEO, and recommends to the Board the level of achievement against the target set at the end of the fiscal year.

Incentive pay at BCLC is pensionable.

BCLC does not have a long term incentive program.

The 3 corporate goals for 07/08 were as follows:

Corporate Financial:

Target:

- > Total net income of \$1,033 million achieved
- > Total sales revenues of \$2,495 billion
- > General operating costs of \$114.5 million

Stretch:

- > Net income of \$1,060 million met/exceeded

Bonus Trigger:

- > Net income must exceed previous year's net income plus \$5.0 million

Player satisfaction and participation ratings of the following are achieved

Target:

- > Lottery – Player satisfaction of 90% and participation increase to 62% (past month)
- > Casino – Player satisfaction of 92% and participation increase to 33% (past year)
- > Bingo – Player satisfaction of 88% (new sites) and 67% (old sites) and participation increase to 11% (past year)

To be a respected organization that has a broad base of public support.

Target:

- > Achieve public support ratings for BCLC of 65%
- > Achieve public support ratings for acceptance of gaming of 52%
- > Recognition of Social Responsibility 56%
- > Public Awareness of the Beneficiaries of Gaming 35%

Benefit Plan

The unique flexible benefit program offered at BCLC provides all employees with an opportunity to purchase benefits based on their lifestyle needs. Employees are provided with preference credits, which are used to purchase medical, extended health, dental, AD&D, Life Insurance, etc. Long Term Disability premiums are paid for by the employee.

The Executive do not have any additional perquisites in this regard.

Pension

BCLC has its own 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 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 Pension

BCLC has a Supplementary Plan for its Vice-Presidents (the "SRP"). 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 pension 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 VP does not have to contribute to the SRP. Also, if a VP terminates his employment before age 55, no benefit is payable from the SRP.

CEO Supplemental Pension

Mr. Poleschuk, former CEO of BCLC, had a Supplementary Pension Plan (the "CEO SRP"). It is similar to the SRP for Vice-Presidents with one exception. Mr. Poleschuk received 2 years of pension credit for each year worked from October 1, 1999.

Vacation

20 days of vacation is provided for management staff, including the Executive. After 5 years, 1 additional day of vacation is earned. The maximum vacation provided to management and Executive is 35 days, which is earned after 25-30 years.

Car Allowance

A car allowance is provided to the CEO and the Vice Presidents and in some cases there is some reimbursement for gas and operating expenses. Car insurance is also provided.

2. There have been no new policies, actions or decisions made since the end of the fiscal year that affect a fair understanding of the Executive compensation for 07/08.

ITEM 3 - SUMMARY COMPENSATION TABLE

Name and Principal Position	Salary	Bonus	Incentive Plan Compensation Paid ¹	Pension ⁴		All Other Compensation ⁵	Total	Previous 2 Years Totals
	(\$)	(\$)	(\$)	(\$) RPP	(\$) SRP	(\$)	(\$)	
CEO Vic Poleschuk (Former)	47,596	n/a	94,160	7,490	132,900	560,055 ²	842,201	2007/08 = \$ 2008/09 = \$ 2009/10 = \$
CEO Dana Hayden (Interim CEO) ³	208,131	n/a	n/a	n/a		49,598	257,729	2007/08 = \$ 2008/09 = \$ 2009/10 = \$
VP, Finance & Corporate Services Doug Penrose (retired April 1/08)	191,100	n/a	37,264	7,490	18,700	81,835	336,389	2007/08 = \$ 2008/09 = \$ 2009/10 = \$
VP, Lottery Gaming Jim Lightbody	191,100	n/a	37,895	7,490	19,200	28,492	284,177	2007/08 = \$ 2008/09 = \$ 2009/10 = \$
VP, Information Technology Scott Norman	183,684	n/a	39,108	7,490	16,800	34,559	281,641	2007/08 = \$ 2008/09 = \$ 2009/10 = \$
VP, Bingo Gaming Marsha Walden	174,270	n/a	34,558	7,490	17,500	30,608	264,426	2007/08 = \$ 2008/09 = \$ 2009/10 = \$

Notes:

¹ Incentive compensation payouts recorded above were paid in 07/08 for achievement of 06/07 goals. Incentive payouts for 2007/08 goals have not been paid out for the positions above. Payment is expected later in 2008.

² This also includes: severance - \$42,307.69, salary continuance - \$204,080.37, performance bonus - \$144,375.00 and a lump sum for LTD of \$19,044.00. Vic Poleschuk was terminated on June 2, 2007. This severance agreement was in accordance with Bill 66 and was a one time expense.

³ Dana Hayden was seconded from Government of BC (Office of the Premier) to BCLC as Interim President & CEO from June 8, 2007 - March 30, 2008. BCLC reimbursed the Office of the Premier for salary paid to Dana Hayden based on an annual salary of \$300,000 (she received \$208,131). She was not eligible to participate in BCLC's short term incentive program as outlined in the secondment agreement. BCLC reimbursed the Office of the Premier for employer contributions made on Dana Hayden's behalf for pension & benefits. These items were not separated in invoices received by BCLC.

⁴The following assumptions were used in Pension calculations.

Discount rate: 6.0% per year

Pensionable earnings definition: Basic salary rate plus target bonus*

Increases in pensionable earnings: 4.0%

YMPE increases: 3.5% per year

Increases in maximum pension permitted under the Income Tax Act: 3.5% per year after 2009

Consumer Price Index: 3.0% per year

Mortality: UP94 projected to year 2015

Withdrawal: None

Retirement age: Age 62

* The target bonus percentage is 20% for earnings between \$150,000 and \$200,000 and 40% for earnings over \$200,000

Vic Poleschuk's calculation for pension was based on the following:

Since Mr. Poleschuk is on salary continuance for 18 months from the date of his termination (in accordance with Bill 66), he remains a member of the RPP and the CEO SRP during this period. The service cost for fiscal 2008 is \$158,400 using the same method and assumptions that we used to determine the service cost for the Vice-Presidents. Note that this service cost does not take into consideration the actual bonus and vacation entitlement paid after his termination of employment – we have used the bonus assumption and projected current earnings to age 62.

⁵This includes vacation payout, CPP, EI, WCB, Benefits, Car Allowance, Gas, Car Repairs & Insurance costs.