

May 8, 2015

Christina Zacharuk  
Interim President & 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 2014/15*

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I have read the Public Sector Executive Compensation Reporting Guidelines as prepared by the Public 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 2014/15, in all material respects, were within approved compensation plans<sup>1 2</sup>.

Yours truly,

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:

1. The British Columbia Lottery Corporation Compensation Plan Submission, draft 3 – updated January 25, 2013, which was presented to and approved by BCLC's Board of Directors on December 10, 2012; and
2. 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 2014/2015**

***Statement of Executive Compensation***

**May 2015**

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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, 2015 for the British Columbia Lottery Corporation (BCLC).

## 2.1 COMPENSATION DISCUSSION AND ANALYSIS

### 2.1.1 Compensation Philosophy

In order to become the Employer of Choice with a high performance workforce passionately driving the success of our business, British Columbia Lottery Corporation's Total Rewards value proposition to employees encompasses the following:

- Compensation for individual and team performance through pay for performance which contributes to the overall strategic transformation and growth of the organization.
- Ability to attract and retain the best possible people by ensuring salaries are competitively benchmarked against the 50<sup>th</sup> percentile of the marketplace.
- Ensure internal and pay equity through a formalized job evaluation/classification system and "equal pay for work of equal value".
- Allow for differentiation of salary where there is superior performance or an increased scope of the position within applicable salary range guidelines.
- Reward and recognize competencies and behaviours that support the Corporation's values and high performance values as those are integral to how we conduct business.
- Promote and support a healthy workplace through competitive and comprehensive benefits and work life balance programs.
- Value and appreciate staff through both informal and formal corporate recognition programs.
- Provide a workplace environment that fosters innovation, creativity, flexibility and adaptability.
- Provide a culture of continuous improvement, learning and growth – both personally and professionally.

Positions are compared against the marketplace on a regular basis to ensure they are competitive and meet the needs of the organization. Adjustments to salary levels are approved by the Board of Directors and the Public Sector Employers Compensation Secretariat (PSEC).

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 within the organization's ability to pay and be approved at the Senior Executive level, as well as 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**

- Develop and review a pay for performance Compensation philosophy consistent with the corporate strategy (includes the benefit plan and the annual salary planning plan).
- Review and recommend annual objectives for the President and Chief Executive Officer and, when approved ensure the process is implemented.
- Review and recommend the CEO's compensation, including holdback incentive, benefit and retirement plans, to the Board for approval.
- .
- 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.

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

### **2.1.3 Forms of Compensation**

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

#### **Base Pay**

Base pay is established at the median based on external benchmarking data and is designed to neither lead nor lag the market. 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 salary range.

The salary freeze for management and executive employees announced September 12, 2012 remains in effect. Therefore, no performance-based salary increases were awarded in fiscal 2014/2015.

#### **Holdback Incentive**

To align BCLC compensation with the July 2012 government policy on executive compensation, the variable incentive program previously available to all employees was discontinued. In its place a salary holdback incentive plan was implemented for all executive and managerial staff. The plan was effective for managerial staff and new executive on April 1, 2013. Previously existing executive transitioned on April 1, 2014. BCLC's Holdback Incentive Program 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, formalizing how each employee directly contributes to the successful delivery of the objectives 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 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 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.

## Fiscal Year 2014/15 Targets

Corporate Goals	Threshold	Target	Stretch
Net Income before taxes (millions)	1,167.67	1,246.00	1,263.76
Net Win (millions)	2,009.12	2,143.90	2,174.45

### Benefit Plan

BCLC provides a flexible benefit program, which gives employees the flexibility to choose 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.*

### Vacation

Twenty days of vacation is provided for management staff, including the Vice Presidents, upon joining BCLC. Employees' 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 management and Executive is 35 days. Thirty days' vacation is provided to the CEO.

### Registered Pension Plan (RPP)

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 Registered Pension Plan (SRP)

BCLC has a Supplemental Registered Plan for its 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 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 Vice President does not have to contribute to the SRP. And, 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 pension credit for each year worked.

### Perquisite Allowance

Effective January 2013, the perquisite allowance was eliminated from the compensation for all executives. Eligible executives were given 18 months' notice and the perquisite allowance was phased out as of June 30, 2014.

#### **2.1.4 New Policies, Actions or Decisions**

Effective April 1, 2014, Vice Presidents who were in their position as at August 14, 2012 transitioned to the new Holdback Incentive Plan from the previous Variable Incentive Program. Under the previous plan, Vice Presidents were eligible for a variable incentive payment with a target payout of 20% of base salary. Vice Presidents who transitioned to the new program are now eligible for a holdback incentive to a maximum of 15% of their total potential salary. Vice Presidents hired after August 14, 2012 can earn a holdback incentive up to 10% of their total potential salary.

### ITEM 3 - SUMMARY COMPENSATION TABLE

Name and Position (a)	Salary (b)	Bonus and / or Incentive Plan Compensation (c)	Benefits (d)	Pension (e)	All Other Compensation (f)	2014/15 Total (g)	Previous Two Years Totals	
							2013 / 14	2012 / 13
Jim Lightbody President and CEO	\$ 274,536	\$ 30,522	\$ 12,639	\$ 49,500	\$ 19,767	\$ 386,965	\$ 321,715	\$ 344,796
Kev in Gass Vice President, Lottery Gaming	\$ 216,548	\$ 38,214	\$ 11,528	\$ 31,800	\$ 3,277	\$ 301,368	\$ 309,353	\$ 318,757
Tom Williamson Vice President, Finance & Corporate Services & Chief Financial Officer	\$ 109,749	\$ -	\$ 3,299	\$ -	\$ -	\$ 113,048	\$ 301,160	\$ 326,644
Lynette DuJohn, Chief Information Officer	\$ 204,896	\$ 36,158	\$ 11,738	\$ 18,400	\$ 5,304	\$ 276,495	\$ 295,934	\$ -
Jervis Rodrigues Vice President, Finance & Corporate Services & Chief Financial Officer	\$ 203,000	\$ 22,556	\$ 11,943	\$ 13,000	\$ -	\$ 250,498	\$ 243,734	\$ -
Peter Charlton Vice President, Human Resources	\$ 194,180	\$ 30,854	\$ 10,979	\$ 24,000	\$ 19,604	\$ 279,618	\$ 281,528	\$ -
Bradley Desmarais Vice President, Corporate Security & Compliance and Interim Vice President, Human Resources	\$ 189,300	\$ 21,033	\$ 12,078	\$ 13,000	\$ 12,305	\$ 247,717	\$ 229,551	\$ -



**Summary Other Compensation Table**

Name and Position	All Other Compensation	Severance	Vacation payout	Leave pay out	Vehicle / Transportation Allowance	Perquisites / other Allowances	Other (k)
Jim Lightbody Vice President, Casino and Community Gaming	\$ 19,767	\$ -	\$ 16,490	\$ -	\$ -	\$ 3,277	\$ -
Kev in Gass Vice President, Lottery Gaming	\$ 3,277	\$ -	\$ -	\$ -	\$ -	\$ 3,277	\$ -
Tom Williamson Vice President, Finance & Corporate Services & Chief Financial Officer	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Lynette DuJohn, Chief Information Officer	\$ 5,304	\$ -	\$ 2,027	\$ -	\$ -	\$ 3,277	\$ -
Jervis Rodrigues Vice President, Finance & Corporate Services & Chief Financial Officer	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Peter Charlton Vice President, Human Resources	\$ 19,604	\$ -	\$ 16,327	\$ -	\$ -	\$ 3,277	\$ -
Bradley Desmarais Vice President, Corporate Security & Compliance and Interim Vice President, Human Resources	\$ 12,305	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,305

## 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 23, 2014 – March 21, 2015.</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 2014/15 objectives and paid in fiscal 2015/16.</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 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 Registered 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 NEOs 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 2012 for use in calendar year 2013.</p>	
G	<b>Total</b>	Jim Lightbody	<p>Mr. Lightbody became President &amp; CEO effective April 1, 2014.</p> <p>Notable changes in total compensation from previous reporting year:</p> <ul style="list-style-type: none"> <li>Salary – increase due to promotion.</li> <li>Incentive Plan – decrease as a result of transitioning to new holdback incentive plan.</li> <li>Vacation payout – unused vacation time accrued in calendar year 2012 for use in calendar year 2013 – increased amount of unused time over previous year.</li> <li>Perquisite Allowance – decrease as discontinued June 30, 2014.</li> </ul>
		Kevin Gass	<p>Notable changes in total compensation from previous reporting year:</p> <ul style="list-style-type: none"> <li>Incentive Plan – decrease as a result of transitioning to new holdback incentive plan.</li> <li>Perquisite Allowance – decrease as discontinued June 30, 2014.</li> </ul>

	Tom Williamson	Mr. Williamson left BCLC on April 1, 2013. Notable changes in total compensation from previous reporting year: <ul style="list-style-type: none"> <li>Severance – decrease as Mr. Williamson received severance payments until October 13, 2014.</li> </ul>
	Lynette DuJohn	Notable changes in total compensation from previous reporting year: <ul style="list-style-type: none"> <li>Incentive Plan Compensation – decrease as a result of transitioning to new holdback incentive plan.</li> <li>Perquisite Allowance – decrease as discontinued June 30, 2014.</li> </ul>
	Jervis Rodrigues	Mr. Rodrigues left BCLC March 31, 2015. <ul style="list-style-type: none"> <li>Pension – increase as member of pension plan for full year.</li> </ul>
	Peter Charlton	Mr. Charlton left BCLC July 28, 2014. <ul style="list-style-type: none"> <li>Severance – Mr. Charlton will receive severance payments for 12 months, ending July 27, 2015. The amount to be paid in Fiscal 2015/16 is \$67,993.20.</li> <li>Vacation payout – unused vacation time accrued in calendar year 2012 for use in calendar year 2013</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>Other compensation – Mr. Desmarais has been carrying out the duties of Vice President, Human Resources in addition to his regular responsibilities and has received 10% acting pay as compensation for the additional scope.</li> </ul>