



# PROPOSED EXECUTIVE COMPENSATION PROGRAM FOR THE RAINY RIVER DISTRICT SCHOOL BOARD



November 29, 2017

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## Cover Letter

Dear Community Member,

In 2014, the Government of Ontario began the process of developing public sector compensation frameworks to ensure a transparent and consistent approach to executive compensation. The *Broader Public Sector Executive Compensation Act of 2014* (“BPSECA” or “the Act”), introduced by the Ontario Government, applies to all Ontario public sector designated employers, including universities, colleges, hospitals, and school boards. This includes the Rainy River District School Board.

In compliance with the *Act*, Ontario Regulation 304/16 – *Executive Compensation Framework*, and Ontario Regulation 187/17 (“*the Regulations*”), all 72 Ontario public sector school boards collaboratively developed a comprehensive proposed Executive Compensation Program to support executive compensation management across the Province. This work was completed in consultation with Mercer (Canada) Limited, an independent consulting firm that specializes in executive compensation. The proposed Executive Compensation Program sets out a rational compensation approach for executive positions across all school boards, including those in our Board. The school boards are committed to meeting the intent and goals of the Ministry of Education and Treasury Board Secretariat to ensure responsible and transparent executive compensation management in the Ontario broader public sector.

In the education sector, a competitive, fair, and responsible Executive Compensation Program is vital for attracting and retaining the talented, innovative leadership required to ensure continued progress in student achievement and success. Compensation inequities across the province are increasing challenges for school boards to attract and retain the innovative and talented leadership needed to ensure continued progress in student achievement and well-being. The potential for salary inversion and/or compression is an ongoing concern, as other employee groups have received salary increases due to collective bargaining, while executive salaries have remained frozen.

Our Board’s Executive Compensation Program submission includes a business case that assesses the unique challenges encountered regarding issues such as the retention and attraction of senior staff, the potential for salary inversion and/or compression when compared to other boards within the sector, and other relevant information, specifically, the Rainy River District School Board’s geographic complexity and numerous community partnerships. Thus, the Executive Compensation Program looks to a movement in levels, from Level 1 to Level 2, in order to balance the need to manage compensation costs with the need to attract and retain the executive talent we seek.

Key sections in our proposed Executive Compensation Program include:

- Executive Compensation Philosophy
- Executive Accountability & Complexity Matrix
- Proposed Comparator Organizations
- Proposed Executive Compensation Framework
- Executive Pay Envelope and Proposed Maximum Rate of Increase

As part of the Government Regulations, all Ontario broader public sector employers are required to conduct a 30-day public consultation on their proposed Executive Compensation Program. Following consultation and review of the input, the final Executive Compensation Program will be posted. All feedback on the Program

must be received in writing to Sandra Ward, Executive Assistant to the Director of Education, [sandra.ward@mail.rrdsb.com](mailto:sandra.ward@mail.rrdsb.com), including the name of the respondent and email/phone contact information. We will be accepting public input until 30 days from the date this program is posted on our website. All feedback is appreciated and will be kept on record.

Sincerely,

Dianne McCormack, Rainy River DSB Chair

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## Background Information

The 72 Ontario school boards of the four publicly funded education systems worked through a Steering Committee to develop a Province-wide sector-based proposed Executive Compensation Program for Directors of Education, Associate Directors, Supervisory Officers, and other executive positions, as per the Act and the Government Regulations.

The Steering Committee was comprised of leadership from the following groups:

- Association des conseils scolaires des écoles publiques de l'Ontario ("ACEPO")
- Association des gestionnaires de franco-ontarienne ("AGEFO"),
- Association franco ontarienne des conseils scolaires catholiques ("AFOCSC"),
- Conseil ontarien des directrices et des directeurs de l'éducation de langue française ("CODELF")
- Council of Ontario Directors of Education ("CODE")
- English Catholic Council of Directors of Education ("ECCODE")
- Ontario Catholic School Trustees' Association ("OCSTA")
- Ontario Catholic Supervisory Officers Association ("OCSOA")
- Ontario Public School Boards' Association ("OPSBA")
- Ontario Public Supervisory Officers Association ("OPSOA")
- Public Council of Ontario Directors of Education ("PCODE")

The school boards across the province including the Rainy River District School Board are committed to supporting and ensuring the goals of the Act are met, including:

- Standardization - providing a consistent, evidence-based approach to setting compensation, based on research and consultation;
- Balance - managing compensation costs while allowing the school boards to attract and retain the talent necessary to deliver high quality public services; and,
- Transparency - enhancing the transparency of executive compensation decisions through public consultation and posting.

The proposed Executive Compensation Program developed for all Ontario school boards is intended to be transparent, evidence-based, and meets the requirements of the Act and the Government Regulation. At the Rainy River District School Board, the proposed Executive Compensation Program applies to the following designated executives:

Designated Executive	Executive Class
Director of Education	Director of Education
Superintendent of Education/School Effectiveness	Executive
Superintendent of Education/Student Success	Executive
Superintendent of Business	Executive

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## Key Considerations

The school boards considered the following in the development of the proposed Province-wide Executive Compensation Program, including the proposed Executive Compensation Philosophy and the proposed Executive Compensation Framework:

- The need for common, rational compensation tools and executive management compensation principles that provide consistency / fairness in executive compensation and guidance for individual school boards to make reasonable compensation management decisions
- In order to reduce the compression and attract employees to executive positions, the Rainy River District School Board needs to address compression and inversion between the executive minimum and maximum Principal salaries, as the Principal salaries negotiated through collective agreements continued to increase during the executive compensation freeze, making it difficult to attract individuals to take on executive level accountabilities.
- The need to keep pace with the evolving Ontario market and remain competitive
  - During the public sector executive compensation freeze, Canadian salaries typically increased by 2% - 3% annually and pay structures or grids typically increased by 1% - 2% annually, as per Mercer's Compensation Planning Surveys.
  - Based on information from Mercer, over the past five years, salaries in Ontario have also increased by approximately 2% - 3% annually.
  - Over the past five years, there has been over a 5% change in the consumer price index and an annual inflation rate of greater than 1.3%.
- The need for external comparisons with the market to attract and retain high quality executive talent.
- The need for internal equity and a common Framework across the 72 Ontario school boards, in particular, between the Rainy River District School Board, the Northwest Catholic District School Board, the Keewatin-Patricia District School Board, and the Kenora-Catholic District School Board, as well as other Level One and Two school boards in the region and the province.
- The need to apply standards of accountability and complexity when determining the appropriate level of each school board, using a Province-wide Accountability & Complexity Matrix with a set of Core and Non-Core factors (*see section 6: Executive Accountability & Complexity Matrix*).
- The need for a balanced approach between affordability and attraction / retention needs.
- The need for individual school boards to have the flexibility and accountability to determine the placement of their specific executives within the base salary range.

Moreover, the compression between Principals and Superintendents, combined with the extensive responsibilities under each supervisory officer's portfolios, has significantly strained the Board's executive recruitment efforts. In addition to supervising families of schools and areas of the Board, each Superintendent is responsible for multiple portfolios, each with its own reporting, budgeting, and implementation requirements, including travel regionally and provincially, as required by the funding agreements. The limited number of central resource staff, the competing demands of each portfolio with respect to timelines and prioritization, and the breadth of responsibilities require these Executives to take on significant oversight for the system.

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## Key Development Steps

Based on the identified key considerations and using common compensation design principles, the Steering Committee, working together with Mercer consultants, developed the Province-wide sectoral proposed Executive Compensation Program.

The development process involved the following steps:

1. Formation of a Steering Committee with representatives across each of the types of school boards (e.g., Public, Catholic, English, French)
2. Collection of organization, job, and compensation information from Directors of Education, Associate Directors, Supervisory Officers, and other executives through the use of an Excel / online questionnaire
3. Development of a consensus-based Executive Accountability & Complexity Matrix, taking into consideration analysis on the data collected
4. Development of a consensus-based proposed Executive Compensation Philosophy through experiences from the Steering Committee as well as past recruitment practices
5. Development of a consensus-based proposed Executive Compensation Framework, using common compensation design practices and constructs

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## Executive Compensation Philosophy

### Executive Talent Needs

The school boards require highly skilled and highly principled leaders to lead the organization in providing, promoting, and enhancing publicly funded education. Student achievement and success is a critical public service and requires innovative leadership to further advance the current public education system, taking into consideration technology advances that can assist with student learning. In their leadership capacity, executives are required to work and communicate with a variety of unique community groups, Government, and other stakeholders, understanding and taking into consideration the school board's population diversity when making decisions (i.e., spoken languages, socio economics, and differing abilities of students, parents, and other community members).

Directors of Education and Academic Supervisory Officers are typically recruited from the education sector (often within the school boards). Recently, there has been difficulty attracting and retaining executive talent at the school boards, due to the compensation compression resulting from executive compensation freezes and increasing Principal and Teacher salaries through collective bargaining. There have also been challenges attracting and retaining Business Supervisory Officers and other executives, who often have increased opportunity for alternative employment. These executive jobs are typically recruited from a variety of broader public sector organizations, as well as private sector organizations.

Recent efforts to attract and retain aspiring leaders at the principal/vice principal level have been challenging. While a Principal/Vice Principal pool occurred in the fall of 2015 and again in the spring of 2017, all but one of the nine P/VP Pool candidates has been placed as a school administrator. Most recently, we had an aspiring leader leave, after 17 years with the Board, to take on a system role with our co-terminus board.

With 5 school administrator retirements occurring within the year, the Board will have seen 13 out of 20 school administrator positions change since January 2016. This is significant as it takes several years before school administrators within the Board can become qualified and be ready to take on a system leadership position. Previous to this fall, the Supervisory Officer Qualification Program (SOQP) was only offered in the Greater Toronto Area. This required experienced principals from the region to not only put forward significant monies to enrol in this program, but to also spend a considerable amount on travel and accommodations to participate in this program. As a result, there is a limited number of supervisory officer candidates within the region to support executive leadership for eight school boards. Most recently, the Board hired an experienced principal from the Greater Toronto Area to the role of Superintendent of Education.

Due to the extended leave of our Manager of Finance and the retirement of our Manager of Human Resources, the Board had to advertise across and beyond the province. These positions also required repeated postings and finally, increased salary/benefits, to attract qualified individuals. The Manager of Finance is a role within the succession plan for the Superintendent of Business. However, both positions demonstrate the challenges in attracting leadership for several reasons. First, these positions are recruited from both public and private sector organizations. The closest post-secondary institutions offering degree and diploma programs in Human Resources, Accounting, and Business Administration are located approximately four hours east or west from the District. All of these examples illustrate how the Board will have to be very competitive to attract and retain high quality executive talent from the region and the province.



In order to reduce the compression and attract employees to executive positions, the Rainy River District School Board needs to address compression and future inversion between the executive minimum and maximum Principal salaries. Currently, some Principals at the Rainy River District School Board receive a salary of approximately \$130,000 and some Superintendents receive a salary of approximately \$149,000. The new salary ranges for supervisory officers/executives need to reduce this compression, in order to attract employees to executive positions. In light of the geographic complexity, the many community partnerships, and the significant responsibilities within each role, this compression between Principals and Supervisory Officers is significantly impacting the Board's executive recruitment efforts.

Furthermore, the executives at the Rainy River District School Board have increased responsibility due to the large and remote geographic area that the Board covers, the number of municipalities, First Nation communities, and regions that the Board serves, and the breadth of each executive's responsibilities in a smaller Northwestern Ontario school board. The demands of these roles further hamper recruitment efforts, and must be considered when determining executive compensation going forward.

### **Compensation Elements**

The school boards provide maximum compensation for executives up to the 50th percentile of the selected external comparator organizations, as per the Government Regulations. Compensation for school board executives consists of base salaries, pensions, and benefits. Each component of compensation plays an important role in the attraction, retention, reward, and recognition of the executives needed to carry out the school board's mission.

**Base Salaries:** Base salaries provide regular compensation to executives for their contributions to the organization. The proposed Provincial Program outlines a base salary range for school board executives. Individual base salaries may vary across executives considering their tenure, experience, relative accountabilities, and relative scope within the organization and across school boards.

**Pension and Benefits:** Consistent with the Government Regulations, our school board provides similar pension and benefits arrangements to those provided to non-executive managers in our board. Additional coverage or elements are only provided to executives if there is a critical business need and / or it is needed for the effective performance of the executive's job.

## Executive Accountability & Complexity Matrix

An Accountability & Complexity Matrix was developed to systematically group the school boards into seven levels. This Matrix uses a set of five Core and two Non-Core factors to rate, rank, and review each school board based on accountabilities, size, and other complexity criteria.

The table below presents the five Core factors:

Core Factor Dimensions	Levels						
	1	2	3	4	5	6	7
	P1 < P20	P20 < P40	P40 < P60	P60 < P80	P80 < P99	P99 +	P99 ++
Projected Operating Budget (\$Millions)	\$1 - \$60	\$61 - \$140	\$141 - \$230	\$231 - \$380	\$381 - \$1,500	\$1,501 - \$2,500	\$2,501 +
# Schools	1 - 20	21 - 35	36 - 50	51 - 85	86 - 200	201 - 400	401 +
Projected Enrolment	1 - 4,700	4,701 - 9,700	9,701 - 17,900	17,901 - 33,900	33,901 - 99,550	99,551 - 200,000	200,001+
# Full-Time Equivalent Teachers	1 - 290	291 - 660	661 - 1,180	1,181 - 2,220	2,221 - 7070	7,071 - 10,000	10,001 +
# Superintendents	1 - 2	3 - 4	5 - 6	7 - 9	10 - 20	21 - 25	26 +

The number of levels was determined using an initial quintile (five level) approach with additional Levels 6 and 7 added to capture the further accountabilities and complexities of the largest school boards (that significantly differed from those in level 5). The number of levels was also tested using Mercer's proprietary job evaluation system, International Position Evaluation.

The table below presents the two Non-Core factors that may have been used to modify the school board level.

<b>Geographic Complexity</b>	Takes into consideration the size of the board (i.e. square kilometres), but more so the complexities that typically arise from having to manage a broad set of differences/complications across a geography. This also relates to interacting with multiple municipalities, townships, or community groups, as well as the potential requirement to effectively interact with stakeholders in multiple languages or with significant cultural differences.
<b>Community Partnerships</b>	Takes into consideration the typical nature of the relationships and associations with First Nations bands or other community partners within a board's geography/mandate; and the added diversity and complexities that can be associated with multiple First Nations' and/or community partnerships.

Based on the Accountability and Complexity Matrix, with the Board having a minimum of 3 of the 5 Core Factors within 33% of Level 2, as well as having both Geographic Complexity and a significant number of Community Partnerships, the Board looks to a movement from Level 1 to Level 2.

## **Geographic Complexity**

The Rainy River District School Board covers an area of approximately 10,522 square kilometres. The Board is considered geographically complex under Regulation 412/00 as we receive additional funding under the Board Governance and Administration Grant and have a geographic adjustment factor in our funding.

The Board also has one central Education Centre with the furthest school being 150 km away, and the regional Education office four hours away. A one-day meeting in Toronto can mean up to three days away due to travel. Further complicating the Board's executives' long drives is the fact that in some areas, that distance is without cellular service. Due to the short summer season, the lengthy travel is further complicated by inclement, dangerous, and unpredictable weather, which creates treacherous driving conditions over remote, single-lane highways.

## **Community Partnerships**

In addition to the immense scope of our jurisdiction, the Board also works with a total of 15 municipalities and unorganized areas, and the 10 First Nation communities of lower Treaty Three, each with its own governing council. The Board also works with two distinct Métis communities. Presently, the Board's voluntary student self-identification rate is at 40 percent indigenous. As such, the Board serves the unique needs of its communities by offering instruction in English, French, and Ojibwe. This further increases the complexities arising from managing a broad set of differences across our large geography. It is challenging for the Board and its executives to effectively liaise with so many distinct communities over so large a geographic area.

The Board has two Section 23 Facilities, Ge Da Gi Binez, a youth correctional facility that has oversight by the 10 First Nations of lower Treaty Three, and Ganawendaasowin, a care and treatment facility run by Weechi-it-te-win Family Services. Furthermore, the Board works with multiple police partners: two regional Ontario Provincial Police detachments, Treaty Three Police, and the CN Police service. The Board also works with a 4 children's aid societies and family agencies, 2 Native Friendship Centres, a health unit and the Rainy River District Social Services Administration Board across our District.

In its work to build partnerships across the District in support of its schools, the Board has entered into partnership agreements with 5 education institutes and 11 facility partnerships.

## Proposed Comparator Organizations

The Government Regulations stipulate that a minimum of eight comparators must be used in the Comparative Analysis and development of the Executive Compensation Framework. In addition, all comparator organizations must be comparable with respect to three or more of the following factors:

- A. The scope of responsibilities of the organization's executives
- B. The type of operations the organization engages in
- C. The industries within which the organization competes for executives
- D. The size of the organization
- E. The location of the organization

Comparable positions generally include those that are similar with respect to essential competencies (knowledge, skills, and abilities), relative complexity, and the level of accountability associated with the position. The Director of Education executive class is compared to the head of an organization (e.g., President or Chief Executive Officer) and the Executive or Superintendent class is compared to the Vice President level at comparator organizations.

A set of proposed comparator organizations was developed taking into consideration the factors outlined above, the markets that the school boards compete for executive talent, and the size and complexity of the school boards in each level. There are nine comparators for each school board level and a total of 41 comparators, with an approximate 78% weighting on education-focused organizations. While of the factors outlined above are important, size is a key consideration when doing compensation comparisons and was used in the selection of all comparators. The table below outlines the comparator organizations in our level. In addition to these comparators, the school boards conducted a series of internal analyses and the current compensation levels and practices at all 72 school boards were considered in the development of the proposed Framework. Each school board was compared to every other school board through the Executive Accountability & Complexity Matrix.

Market Segment		Level 2 External Comparators (N=9)
Education (N = 7)	(N=7)	Confederation College
		Loyalist College
		Trent University
		St. Clair Catholic District School Board
		Ontario Arts Council
		Science North
		Education Quality and Accountability Office
Broader Public Sector (N = 2)	(N=2)	Ontario Government Executive
		City of Cambridge

## Proposed Executive Compensation Framework

The proposed Executive Compensation Framework sets the base salary ranges for each of the school board's designated executives and was developed using common compensation management principles as well as the proposed external comparators identified in section 7, Potential Comparator Organizations.

The base salary range maximums are less than the 50<sup>th</sup> percentile compensation cap. As per the Government Regulations, the compensation cap was calculated using the maximum total cash compensation provided to comparable positions at the proposed external comparator organizations. The base salary range minimums were developed using a relatively common percentage range spread from the minimum to the maximum of the range. The base salary ranges for the Directors of Education are slightly larger as it is considered a "career range", the top position within the school board where an executive may stay within the position for many years. The executive ranges increase across the seven levels as there is increasing job variability.

While the *Act* and Government Regulations do not specifically require the development of ranges, base salary ranges were developed, so executives can be differentiated and paid appropriately, considering internal equity and consistency, as well as other individual characteristics, such as tenure, experience, and their relative accountabilities. Therefore, executives may be paid at different levels within the range based on these criteria.

The base salary ranges were developed taking into consideration the Principal salary grids (up to the end of the 2017/2018 school year). In order to reduce the compression and attract school board employees to executive positions, we strive to maintain approximately a 5% differential between the executive minimum and the maximum Principal salaries. As a result, the proposed Executive Compensation Framework may need to be revisited based on future collective bargaining or changes to collective agreements related to Teacher and Principal compensation.

The table below details the base salary range minimums and maximums for the Directors of Education, Associate Directors, and other executives (including Supervisory Officers).

*Base salaries are presented in CAD \$000's*

School Board Level	1	2	3	4	5	6	7
Directors	\$166 - \$198	\$176 - \$218	\$192 - \$237	\$208 - \$257	\$224 - \$277	\$239 - \$296	\$255 - \$316
Associate Directors	\$158 - \$166	\$167 - \$176	\$183 - \$192	\$198 - \$208	\$213 - \$224	\$228 - \$239	\$243 - \$255
Executives	\$140 - \$157	\$140 - \$166	\$140 - \$176	\$140 - \$185	\$140 - \$194	\$140 - \$204	\$140 - \$213

Our Board is accountable for determining the appropriate placement of our designated executives within the base salary range. The following criteria will be considered when determining their placement in the base salary range:

- The scope of the executive work, including the accountabilities and complexities of the position;
- External public sector comparators and internal school board comparators (at the same level as well as the levels directly above and below); and,
- The tenure, experience, and other individual characteristics (often a composite) of incumbents.

The table below details the Director of Education, Associate Director, and Executive base salary ranges for Level 2 school boards, as our Board is requesting a movement from Level 1 to Level 2:

<b>Director of Education</b>	<b>\$176,000 - \$218,000</b>
<b>Executives</b>	<b>\$140,000 - \$166,000</b>

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## Executive Pay Envelope and Proposed Maximum Rate of Increase

The Government Regulations requires the calculation of a pay envelope (total of all actual base salaries paid to executives) and an annual maximum rate of increase. The table below outlines the pay envelope at the Rainy River District School Board and the proposed maximum rate of increase.

Envelope	Proposed Maximum Rate of Increase
\$629,996	5%

### Proposed Grids:

Role	Year 1	Year 2	Year 3	Year 4
Director of Education	\$192,000	\$194,000	\$198,000	\$203,000
Executive	\$153,000	\$157,000	\$161,000	\$166,000

Actual annual increases paid to executives may be less than the proposed maximum rate of increase and individuals may receive more or less than the proposed maximum rate of increase, considering a variety of criteria, including their tenure in the designated executive position. Increases will not be provided beyond the range maximum of 5% per the envelope per year. Upon implementation of the Framework, the envelope may be prioritized for executives below the minimum of the range or executives in other unique circumstances.

As outlined earlier, there is a significant compression between Principal and Superintendent compensation which is inconsistent with the Board's recruitment needs. The Rainy River District School Board needs to increase its envelope at a higher rate so as to reduce the gap, rectify the inequity, and support succession planning into the future.

The table below details the rationale for the proposed maximum rate of increase relative to the factors outlined in the Government Regulations.

Factor	Proposed Maximum Rate of Increase
The financial and compensation priorities of the Ontario Government	<p>The Government has identified a need to take a balanced approach to managing public sector compensation, recognizing the need to maintain a stable, flexible and high-performing public-sector workforce that supports the government's transformational priorities and at the same time ensuring that public services continue to remain affordable. For executives, the Government wants to ensure that broader public-sector organizations are able to attract and retain the necessary talent to deliver high-quality public services while managing public dollars responsibly.</p> <p>Being a smaller school board, all executives take on many responsibilities and oversight, to ensure the fulfilment of the Strategic Plan goals. The Rainy River District School Board has worked on its Strategic Plan, aligning it with the government's transformational priorities. Strong leadership is a requirement to maintain this focus and to achieve enhanced student achievement and well-being.</p> <p>The Board is a leader in the region and the province. A significant focus is on building relationships with Indigenous communities as demonstrated through the MERL Project (Modernize, Expand, Revitalize, Localize Ojibwe Language), partnership with the 10 First Nation communities, Seven Generations Education Institute, and the Ministry of Education, and most recently, the Ojibwe Language Strategy seeks to build student pathways and future Ojibwe language speakers, teachers, and Early Childhood Educators. With increased government priorities with limited support staff to assist in achieving these objectives, such as the requirement to provide before and after school programming for school-aged children, the demands upon executives to fulfil the goals of the government and the Board are increased.</p>
Recent Executive Compensation Trends	<p>The school boards closely considered both executive compensation trends within the broader public sector as well as the sectors from which the school boards attract executive talent. The following trends reflect the findings of Mercer's most recent compensation planning study:</p> <ul style="list-style-type: none"> <li>- Canadian broader public sector average executive compensation increases are projected to be 2.6%; and,</li> <li>- Canadian services (non-financial) average executive compensation increases are projected to be 2.8%.</li> </ul>
Comparison of Percentage of Operating Budget for Executive Salaries between our Board and its Comparators	<p>The school boards regularly review the appropriateness of their executive organizational structures and staffing and believe that they are appropriate given the complexity of the organization, and do not warrant an overall reduction in the annual maximum increase to the pay envelope.</p>
The Effect on the Ability to Attract and Retain Talent	<p>The school boards have difficulty attracting and retaining executive talent as Principal and Teacher salaries continued to increase, resulting in significant salary compression. The proposed maximum rate of increase must consider increases for represented jobs within the organization, as they are an important source for attracting talent to future executive positions. The proposed maximum rate of increase must provide the flexibility required to balance affordability with the need to avoid long-term pay compression, or inversion, between layers of management and between management and the bargaining units.</p>
Any Significant Expansion that is Not a Result of Restructuring	Not applicable