



# Summarized Proposal on Board Remuneration for Calgary Co-op Board of Directors

Prepared by AON Consulting



# Director Pay in the Co-operative Sector

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- Surveys at Aon's disposal on the Co-operative sector in Canada indicate that the vast majority of Co-op Directors receive remuneration for their service on the Board and are moving away from the traditional volunteer/ community service model
- In large Canadian Co-ops similar to Calgary Co-op levels of Director pay are compared to General Industry & Retail Competitors
- In light of the recent economic crisis boards are seeking to strengthen themselves by attracting board members with specific financial expertise and other specialized skills necessary to ensure a high performing Board and ensure that business, financial and organizational risks are minimized
- Much like Executive Compensation the compensation of Directors varies based on the size of the organization that they are supporting.
- Specialized committees on Boards (i.e. Audit & Compensation Committees) are spending up to 100% more time on board work due the increased oversight requirements.
- There has been no increase to Directors' fees since 2007 while the market has increased 20% in that time.
- On average Calgary Co-op Directors spend between 300 and 400 hours per year on Co-operative business...the Board Chair spends over 1000 hours



# Recommendations

## Overview

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- ↳ Bring the level of pay for Directors to a competitive level while taking into account "Co-operative" practices
- ↳ Follow market practice of paying a retainer plus additional fees for committee chairs
- ↳ Continue current practice of reimbursing out of pocket expenses incurred
- ↳ Continue to provide a "technology allowance" to provide Directors with the tools necessary to perform in their roles
- ↳ Continue current practice of providing Directors with a training & development budget so that they can keep current with emerging trends & skills.
- ↳ Set Director retainers at 50% of the average of General Industry and competitive Retailers. This approach strikes an appropriate balance between the retail industry sector and the more voluntary nature of the Co-op sector.



# Recommendations

## Board Fees

- Transition to a "single / fixed fee" retainer for Board members effective immediately.

	2009 Retail Industry Fees	2009 General Industry Fees	Current Board Fees	2010 Fee	2011 Fee	2012 Fee
Director	\$55,000	\$65,000	\$18,600 - \$35,400	\$30,000	\$34,000	\$38,000
Board Chair	\$195,000	\$135,000	\$76,000	\$76,000	\$85,000	\$95,000



# Recommendations

## Committee Fees

→ Implement the following additional fees for committee of the Board.

	2009 Retail Industry Fees	2009 General Industry Fees	Current Board Fees	Recommend 2010 Fees	Recommend 2011 Fees	Recommend 2012 Fees
Audit Committee Chair	\$16,600	\$12,700	\$2,500	\$5,000	\$7,000	\$10,000
Audit Committee Member	\$5,000	\$6,200	\$0	\$2,500	\$3,750	\$5,000
Committee Chair	\$6,200	\$7,500	\$1,600	\$3,000	\$4,500	\$6,000
Committee Member	\$3,400	\$4,300	\$0	\$1,500	\$2,250	\$3,000
Vice Chair	\$12,000	\$11,200	\$2,500	\$5,000	\$7,000	\$10,000
Board Secretary	\$3,000	N/A	\$1,600	\$1,500	\$2,250	\$3,000
ACCA Representative	-	-	N/A	\$1,500	\$2,250	\$3,000

# Commentary on Proposed Approach

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- ↳ Brings Director pay in to line with competitive practice over time which is moving aggressively.
- ↳ Retainer approach simplifies time spent on administration and is consistent with best practices.
- ↳ Prepares the Board for the future growth of Calgary Co-op.
- ↳ Enables the Board to attract high calibre members.
- ↳ Total additional cost of approximately \$120,000 in year 1.
- ↳ Recognizes Board Committee members for their additional time and responsibilities.

