

Broader Public Sector Compensation: Changes and a new freeze

August 14, 2018

Effective immediately, all designated employers in the broader public sector are restricted from providing executive compensation increases until the government completes a regulatory review of the compensation program.

On August 13, 2018, the Ontario government filed [Regulation 406/18](#) (the "**New Regulation**"), and revoked **Regulation 304/16**, under the **Broader Public Sector Executive Compensation Act, 2014** ("BPSECA"). The New Regulation replaces the recent executive compensation programs with strict restraint measures similar to those under predecessor legislation. The effect of the New Regulation is that Part II.1 of the **Broader Public Sector Accountability Act, 2010**, the legislation that has operated since 2012, is no longer in effect and is instead replaced by the compensation framework under the New Regulation. All designated employers are now subject to the compensation framework set out in the New Regulation, including those who had compensation frameworks approved and those who did not. All compensation frameworks developed under Regulation 304/16 are effectively null and void to the extent they provide for compensation increases that are inconsistent with the New Regulation.

The New Regulation applies to the same designated employers (such as public hospitals, school boards, colleges and universities) and designated executives (executive-level managers earning \$100,000 or more) as the BPSECA and Regulation 304/16. It replaces the recent compensation framework – including the comparator-based individual pay caps and incrementally increasing pay envelope – with the following key provisions, which are effective immediately as of August 13, 2018:

- **The salary provided to each designated executive position must be less than or equal to the amount provided to the person occupying that position on the effective date of August 13, 2018 (or, if the position is vacant on that date, the amount provided to the most recent incumbent).** "Salary" means the salary actually being earned by the executive, and not any raises that would have happened after that date nor any other amount in the position's salary range.
- The employer's "**performance-related pay envelope** " must be less than or equal to the total performance-related pay disbursed to designated executives during

the most recent pay year before the effective date, and must be reduced or increased on a pro-rated basis when executive positions are vacated, eliminated, filled, or created.

- **Employers may not provide any new other element of compensation** (such as car allowances or lieu payments) for a designated executive position as of August 13, 2018. Additionally, other elements of compensation are capped at what they were on August 13, 2018 and may not be increased. However, it is not considered an "increase" if a benefits plan is amended for "all or most of the employees of the employer", or if there is an increased cost for providing the same benefits.
- **Newly-hired executives** must be paid the same or lower salary as the prior incumbent, the increase to the employer's performance-related pay envelope must be less than or equal to what was provided to the prior incumbent, and the new hire may not be provided with other elements of compensation beyond those provided to the prior incumbent.
- **For newly-created positions** where there was no prior incumbent, compensation is limited to that provided to the "most similar position at the designated employer".
- **The prohibitions on certain elements of compensation from the prior regulation** remain in place. Employers may not provide designated executives with the following:
 - Payments or other benefits provided in lieu of perquisites;
 - Signing bonuses;
 - Retention bonuses;
 - Cash housing allowances;
 - Insured benefits not generally provided to non-executive managers;
 - Termination pay, including pay in lieu of notice of termination and severance pay, in excess of 24 months' base salary;
 - Termination pay that is payable in the event of termination for cause;
 - Paid administrative leave, with limited exception for certain executives at colleges or universities; and
 - Payments in lieu of administrative leave.

The government's August 13, 2018 memorandum provides that the government may request employers to report on compliance with the New Regulation.

The government has committed to reviewing the New Regulation by June 7, 2019. The review will evaluate the effectiveness of the New Regulation in furthering the purpose of the BPSECA.

The government's August 13, 2018 memorandum also stated that "opportunities will be available for [employers], other stakeholders and interested parties to provide input as part of this review."

If you have questions about this important legislative update, please contact a member of the Labour & Employment group.

By

[Robert Weir](#)

Expertise

[Labour & Employment](#), [Health Law](#)

BLG | Canada's Law Firm

As the largest, truly full-service Canadian law firm, Borden Ladner Gervais LLP (BLG) delivers practical legal advice for domestic and international clients across more practices and industries than any Canadian firm. With over 800 lawyers, intellectual property agents and other professionals, BLG serves the legal needs of businesses and institutions across Canada and beyond – from M&A and capital markets, to disputes, financing, and trademark & patent registration.

blg.com

BLG Offices

Calgary

Centennial Place, East Tower
520 3rd Avenue S.W.
Calgary, AB, Canada
T2P 0R3

T 403.232.9500
F 403.266.1395

Ottawa

World Exchange Plaza
100 Queen Street
Ottawa, ON, Canada
K1P 1J9

T 613.237.5160
F 613.230.8842

Vancouver

1200 Waterfront Centre
200 Burrard Street
Vancouver, BC, Canada
V7X 1T2

T 604.687.5744
F 604.687.1415

Montréal

1000 De La Gauchetière Street West
Suite 900
Montréal, QC, Canada
H3B 5H4

T 514.954.2555
F 514.879.9015

Toronto

Bay Adelaide Centre, East Tower
22 Adelaide Street West
Toronto, ON, Canada
M5H 4E3

T 416.367.6000
F 416.367.6749

The information contained herein is of a general nature and is not intended to constitute legal advice, a complete statement of the law, or an opinion on any subject. No one should act upon it or refrain from acting without a thorough examination of the law after the facts of a specific situation are considered. You are urged to consult your legal adviser in cases of specific questions or concerns. BLG does not warrant or guarantee the accuracy, currency or completeness of this publication. No part of this publication may be reproduced without prior written permission of Borden Ladner Gervais LLP. If this publication was sent to you by BLG and you do not wish to receive further publications from BLG, you may ask to remove your contact information from our mailing lists by emailing unsubscribe@blg.com or manage your subscription preferences at blg.com/MyPreferences. If you feel you have received this message in error please contact communications@blg.com. BLG's privacy policy for publications may be found at blg.com/en/privacy.

© 2026 Borden Ladner Gervais LLP. Borden Ladner Gervais LLP is an Ontario Limited Liability Partnership.