

#### **DIRECTION:**

The Minister of Finance has the legislative authority to direct this policy under the *Public Sector Employers Act* (the Act). The Act provides the Minister responsible with the authority to direct public sector employers to prepare compensation plans consistent with the Minister's direction and requires that employee compensation plans be approved by the Minister prior to implementation.

Effective August 31, 2020, public sector employers currently subject to compensation plans will be required to amend their plans to indicate there will be no compensation increases or adjustments for executives for the 2020/21 performance year. The amended plans will be submitted to the Public Sector Employers' Council Secretariat for approval.

The executive compensation freeze policy applies to Crown agency CEOs, Vice Presidents, and comparable executive roles within the organization.

**This policy is effective immediately, and Board Chairs must submit their amended compensation plans to the PSEC Secretariat by October 31, 2020.**

#### **TECHNICAL FAQS:**

##### **1. What is the executive compensation freeze policy?**

The policy is direction from the Minister of Finance that public sector employers will not provide compensation increases or adjustments to executive-level employees for the 2020/21 performance year. In cases where executives are covered by individual contracts, Boards must acknowledge that no performance increases will be actioned with respect to the 2020/21 performance year.

##### **2. Who is included in this freeze?**

This policy applies to executives at public sector organizations with approved compensation plans for excluded management employees. This includes the public service, Crown agencies, research universities, post-secondary institutions, health and K-12 education sectors. It also applies to employers' associations.

The policy specifically applies to the CEOs, Vice Presidents, and equivalent senior executive roles within the organization with an annualized salary of \$125K or greater.

In the BC Public Service, the policy will apply to all members of corporate executive. Additionally, the Deputy Ministers' Council has voluntarily declined to receive compensation adjustments for the 2019/20 year.

The policy does not apply to positions below the Deputy Minister, Assistant Deputy Minister, or Executive Lead Level.

The policy applies to all forms of increases or adjustments, including salary, benefit improvements, pension adjustments and any other form of compensation.

### **3. Who is defined as an executive level-employees?**

In the context of this policy, all CEOs, Vice Presidents, or comparable executive leadership positions. Public sector employers should contact the PSEC Secretariat with any questions as to how this definition applies to their organization.

### **4. Who isn't covered by the policy?**

Community social services agencies and small Crown agencies where the base salaries for executive-equivalent positions do not exceed \$125,000 per year are not covered by the policy.

Under the *Public Sector Employers Act*, Boards of Education are responsible for setting and adjusting the compensation for school district Superintendents. Boards of Education are encouraged to mirror the Province's policy and apply the freeze to compensation decisions for Superintendents.

### **5. What comprises the B.C. public sector?**

This policy applies to organizations that meet the definition of a public sector employer under the *Public Sector Employers Act* and where the Minister responsible for the Act has previously approved a compensation plan for excluded employees.

### **6. When does the policy take effect, and when does it end?**

This policy is effective August 31, 2020 and covers the performance year 2020/21. For additional clarity, this does not impact in-range salary increases related to the 2019/20 performance year that have not yet been implemented.

**7. What does this policy mean to my organization?**

The compensation paid to executives with respect to the 2020/21 performance year is now frozen. The compensation plans for executive-level employees will be amended to indicate they will not receive any increases or adjustments to salary or other base compensation for the 2020/21 performance year.

This policy does not impact the ability of employers to continue adjusting or “ageing” the executive salary ranges. Consistent with PSEC Secretariat’s prior direction, employers may adjust the minimum and maximum salary ranges in their compensation plans in line the General Wage Increases under the Sustainable Services Negotiating Mandate.

**8. How does this affect reclassifications of positions?**

Employers may not use organizational restructuring or reclassification of positions in order to avoid the purpose of the freeze and the intent of this policy. Any legitimate exemptions would need to be approved by the Minister through an amendment to the organization’s compensation plan.

**9. Can a contract be renewed that will result in an increase to any element of compensation?**

No. During the 2020/21 performance year when the freeze policy is in effect, employers may not renew contracts that will result in a compensation increase or adjustment.

**10. Can new retention bonuses be added to ensure key executives do not resign from the organization during this freeze policy?**

No. A retention bonus is not acceptable under the terms of the policy as it would be considered a compensation increase.

**11. Can an executive be rehired to a more highly paid position if they resign from the previously held job?**

Employers may not circumvent the intent of the policy by rehiring existing executives at a higher rate of pay.

**12. What if a contract stipulates that a time-based increase/bonus/merit or performance/holdback be paid to an executive?**

Organizations should consult with PSEC Secretariat there are contracts that include required compensation adjustments.

**13. Under what authority is this freeze being directed?**

The legislative authority for this policy is the *Public Sector Employers Act*. The Act requires that employee compensation plans be approved by the Minister responsible for the Act prior to implementation of those plans and provides the Minister with the authority to direct public sector employers to prepare compensation plans consistent with the Minister's direction.

**14. Why is this compensation freeze policy being applied to executives in the public sector?**

As government moves forward on economic recovery, it is important to demonstrate leadership and understanding of the significant challenge in the months and years ahead. All British Columbians will need to contribute to our economic recovery in different ways. This measure is a way for employees who earn the highest compensation at public sector organizations to contribute to that recovery.

**15. What should a public sector employer do if there is an exceptional circumstance and they require assistance?**

The PSEC Secretariat will work with employers to resolve issues in a manner that is consistent with this policy's intent.