



## MIDDLESEX-LONDON HEALTH UNIT

REPORT NO. 026-14FFC

TO: Chair and Members of the Finance & Facilities Committee

FROM: Christopher Mackie, Medical Officer of Health

DATE: 2014 May 1

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### SICK LEAVE RESERVE FUND BALANCE

#### **Recommendation**

*It is recommended that the Finance & Facilities Committee make recommendation to the Board of Health to transfer \$110,000 from the Sick Leave Reserve Fund to the Funding Stabilization Reserve for reasons described in Report No. 000-14FFC "Sick Leave Reserve Fund Balance".*

#### **Key Points**

- The Sick Leave Reserve Fund was set up with municipal funds to pay for unused sick leave benefits for eligible employees hired prior to January 1, 1982.
- The number of sick days and the employee's income are two variables that can change the amount of the liability prior to a payout.
- The value of the reserve fund is higher than the liability by \$127,339 as of the end of 2013.

#### **Background**

The Sick Leave Reserve Fund was set up using municipal funds when Ontario Municipal Employee Retirement Savings (OMERS) experienced a rate holiday. Unused sick leave can accumulate and employees may become entitled to a cash payment of up to a maximum of 6 months salary when they leave the Middlesex-London Health Unit's employment. This plan applies to employees hired prior to January 1, 1982. Currently there are 7 employees eligible for payment under this plan, with a current obligation of \$179,975. The reserve fund balance is \$307,314, which is \$127,339 more than required for the liability. This difference accumulated over the years when the Ministry paid their share of the sick leave payouts. Since 2009, the Ministry's grant has been insufficient to fund its portion of the Mandatory Programs and therefore has not contributed to the payment of these benefits.

#### **Reserve Fund Policy**

In May 2013, the Board of Health approved Policy 4-015, "[Reserve /Reserve Fund Policy](#)". The policy governs the establishment, maintenance, and use of Reserves and Reserve Funds. According to the new policy, the maximum contributions to a reserve fund shall be the amount required to fulfil the specific requirement or obligation. The value of the requirement is calculated at the end of each operating year and is disclosed in the Health Unit's financial statements. For the sick leave liability, the value may change from year to year depending on the # of sick days each employee has, the change in wage rates, and of course if there are any retirements for the year.

The Sick Leave Reserve Fund is currently over funded by roughly \$127,339. It is anticipated that the reserve fund will only be required for another 5 years or so, as by then, all eligible employees are expected to have retired into OMERS.

**Conclusion**

Given the Sick Leave Reserve Fund is currently over funded and the new policy states that reserve funds should have a maximum contribution of the amount required to meet the specific obligation, it is recommended to transfer \$110,000 out of the Sick Leave Reserve Fund and into the Funding Stabilization Reserve. The Funding Stabilization Reserve is a general contingency reserve and according to policy is subject to a maximum cumulative contribution of 10% gross Health Unit revenues. If approved this will leave \$197,314 in the Sick Leave Reserve Fund which is more in-line with the future requirements.

Mr. John Millson, Director, Finance & Operations, will be in attendance at the May 1<sup>st</sup> meeting to answer any questions the Committee members may have.

This report was prepared by Mr. John Millson, Director, Finance & Operations.

A handwritten signature in black ink, appearing to read 'C. Mackie', is positioned above the printed name of the Medical Officer of Health.

Christopher Mackie, MD, MHSc, CCFP, FRCPC  
Medical Officer of Health