



TO: Chair and Members of the Finance & Facilities Committee

FROM: Christopher Mackie, Medical Officer of Health

DATE: 2015 June 11

SICK LEAVE RESERVE FUND BALANCE

Recommendation

It is recommended that the Finance & Facilities Committee make recommendation to the Board of Health to approve a drawdown in 2015 in the amount of \$120,000 to partially fund the anticipated shortfall resulting from a retroactive payment to OMERS for past service benefits/adjustments.

Key Points

- The Sick Leave Reserve Fund was set up using savings related to the OMERS rate holiday 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 \$127,475 as of the end of 2014.

Background

The Sick Leave Reserve Fund was set up when Ontario Municipal Employee Retirement Savings (OMERS) experienced a rate holiday. This liability is related to employees hired prior to January 1, 1982, who can claim unused sick leave as a cash payment of up to a maximum of 6 months' salary when they leave the Middlesex-London Health Unit's employment. Currently there are less than 10 employees eligible for payment under this plan, with a current obligation of \$156,401. The reserve fund balance is \$283,876, which is \$127,475 more than required for the liability.

Reserve Fund Policy

In November 2014, the Board of Health [revised](#) Policy 4-015, "Reserve /Reserve Fund Policy". The policy governs the establishment, maintenance, and use of Reserves and Reserve Funds. According to the 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 number of sick days each employee has accumulated, the change in wage rates, if there are any relevant retirements in the year.

Recommended Use of the Excess Reserve Fund Balance

The Sick Leave Reserve Fund is over-funded by \$127,475 as at December 31, 2014. It is anticipated that the reserve fund will only be required for another 3-5 years and an additional \$7,475 should remain in the fund to allow for growth in the sick leave liability leaving \$120,000 remaining. It is recommended that the Finance & Facilities Committee make recommendation to the Board of Health to approve a drawdown in 2015, for this amount to partial fund the anticipated shortfall resulting from a payment to OMERS for past service benefits/adjustments. This would relieve current pressures on the 2015 operating budget and is in

keeping with the original source of funding of the reserve fund (OMERS benefits not paid during the contribution rate holiday).

Conclusion

Given the Sick Leave Reserve Fund is currently over-funded by approximately \$120,000 and the revised policy states that reserve funds should have a maximum contribution of the amount required to meet the specific obligation, it is recommended to use the excess funds to partially pay for the retroactive payment to OMERS for past service benefits/adjustments.

John Millson, Director of Finance & Operations will be in attendance at the June 11th meeting to answer any questions the Committee members may have.

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

A handwritten signature in black ink, appearing to read 'C. Mackie', is positioned above the printed name and title.

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