

# BRIEFING NOTE

**TO:** Board of Directors

**FROM:** Governance Committee

**DATE:** May 17, 2021

**SUBJECT:** 9.1(a) Content Review of Reserves Policy 2-07

For Decision

For Information

Monitoring Report

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**Purpose:**

To carry out a scheduled review of the Reserves Policy 2-07 for the purpose of determining whether any amendments are necessary.

**Background:**

It is the responsibility of the Board to develop, approve, update and evaluate implementation of its governance policies. Appendix 2 to the COO's Policy Governance Manual sets out a review schedule for all policies in the manual. The purpose of reviewing the policies on a regular basis is to ensure that they continue to be relevant and serve the function that they were implemented for.

**For Consideration:**

The Reserves Policy 2-07 was first approved by the Board on May 28, 2018 and falls within the Operational Boundaries Category. Policies in this category set out the Board's risk boundaries for the COO's operations.

The Reserves Policy 2-07 is attached in **Appendix A** below and a clean version, **Appendix B**, is also attached. The purpose of the policy

On review, the Governance Committee was of the view that the policy required minor updating to ensure that the policy language was consistent with the terminology used in the College's audited financial statements.

**Public Interest Considerations:**

The Board has recognized the importance of strong governance in order to carry out its object of regulating the profession in the public interest and has invested significant time and resources into updating its governance policies and processes. Reviewing the content of these policies ensures that policies are consistent and effective, and that the College is up to date with regulations, technology, and regulatory best practices.

**Diversity, Equity and Inclusion Considerations:**

It is incumbent on the Board to consider whether the proposed action plan is consistent with the COO's organizational values relating to diversity, equity and inclusion.

**Recommendation:**

To approve the changes to Reserve Policy 2-07 as recommended by the Governance Committee.

## POLICY TYPE: OPERATIONAL BOUNDARIES

2-07 Reserves Policy

**BACKGROUND**

The College of Opticians of Ontario (COO) Board recognizes that the COO requires reasonable financial reserves in order to mitigate the impact of potential operating and financial risks to the organization in the future. The reserve funds serve as one of the means for mitigating these risks. The establishment of reserve funds also meets financial planning best practices.

**POLICY**

The Registrar, CEO may not:

1. Operate without establishing and maintaining a reserve fund with assets which are segregated from the general operating fund (the "Reserve Fund");
2. Fail to maintain the following minimum amounts in the Reserve Fund (the "Required Reserve"):
  - (a) An amount equal to 6 months operating expenses, which shall be re-calculated annually based on the previous 12 months operating expenses (the "~~Contingency Fund~~Operating Contingency"); and
  - ~~(b)~~ (b) An amount equal to 4 times the maximum award which can be made under the *Regulated Health Professions Act* by the COO to a person in connection with allegations of sexual abuse by registrants (the "Funding for Therapy and Counselling for Sexual Abuse Fund");
- ~~2.3.~~ Fail to establish a minimum amount that must be maintained in a discretionary reserve, which shall be determined on an annual basis and reported to the Board in the annual budget (the "Discretionary Reserve"). The Discretionary Reserve may include general reserve funds as well as such other discretionary reserve funds as may be considered appropriate by the Board.
- ~~3.4.~~ Fail to specify the intended uses for the Reserve Fund, which uses shall be approved by the Board (the "Intended Uses");
- ~~4.5.~~ Utilize any of the Reserve Fund for reasons other than the Intended Uses without Board approval;
- ~~5.6.~~ Fail to make annual reports to the Board regarding Reserve Fund balances, projected contributions and planned expenditure withdrawals;
- ~~6.7.~~ Fail to report to the Board by no later than the next Board meeting where the amount in the Required Reserve has reached the following levels:
  - a. ~~Contingency Fund~~Operating Contingency: 10% or more below the minimum amount set out in section 2(a), above; and/or
  - b. Funding for Therapy and Counselling for Sexual Abuse Fund: 25% or more below the minimum amount set out in section 2(b), above;
- ~~7.8.~~ Fail to invest monies in the Reserve Fund in accordance with the COO's Investment Policy; or
- ~~8.9.~~ Without prior Board approval, use any investment income accrued in the Reserve Fund in any manner other than re-allocating it to the Reserve Fund.

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2-07 Reserves Policy

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**POLICY**

The Registrar, CEO may not:

1. Operate without establishing and maintaining a reserve fund with assets which are segregated from the general operating fund (the "Reserve Fund");
2. Fail to maintain the following minimum amounts in the Reserve Fund (the "Required Reserve"):
  - (a) An amount equal to 6 months operating expenses, which shall be re-calculated annually based on the previous 12 months operating expenses (the "Operating Contingency"); and
  - (b) An amount equal to 4 times the maximum award which can be made under the *Regulated Health Professions Act* by the COO to a person in connection with allegations of sexual abuse by registrants (the "Funding for Therapy and Counselling for Sexual Abuse Fund");
3. Fail to establish a minimum amount that must be maintained in a discretionary reserve, which shall be determined on an annual basis and reported to the Board in the annual budget (the "Discretionary Reserve"). The Discretionary Reserve may include general reserve funds as well as such other discretionary reserve funds as may be considered appropriate by the Board.
4. Fail to specify the intended uses for the Reserve Fund, which uses shall be approved by the Board (the "Intended Uses");
5. Utilize any of the Reserve Fund for reasons other than the Intended Uses without Board approval;
6. Fail to make annual reports to the Board regarding Reserve Fund balances, projected contributions and planned expenditure withdrawals;
7. Fail to report to the Board by no later than the next Board meeting where the amount in the Required Reserve has reached the following levels:
  - a. Operating Contingency: 10% or more below the minimum amount set out in section 2(a), above;and/or
  - b. Funding for Therapy and Counselling for Sexual Abuse Fund: 25% or more below the minimum amount set out in section 2(b), above;
8. Fail to invest monies in the Reserve Fund in accordance with the COO's Investment Policy; or
9. Without prior Board approval, use any investment income accrued in the Reserve Fund in any manner other than re-allocating it to the Reserve Fund.