



Minutes

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Finance Committee **April 10, 2013**

Finance Committee

Minutes of a meeting of the Finance Committee (FIC) held in the offices of the association, 40 Sheppard Avenue West, North York, Ontario, on April 10, 2013 commencing at 4:00 pm.

In attendance:

Finance Committee Members:

Denis Dixon, P.Eng., President (Ex-officio) (via conference)
Annette Marie Bergeron, P.Eng., (Ex-officio)

Robert Willson, P.Eng.,
Jason Green, CMA, MBA, P.Eng.(via conference)
Michael Wesa, P.Eng.

Staff: Michael Price, MBA, P.Eng., FEC, Acting CEO/Registrar
Maria Cellucci, CA, Controller
Lucy Capriotti, Administrative Assistant

Guests: Don Scott, CA
Ernie Toperczer, F.C.A.

Regrets: Santosh Gupta, P.Eng., (Vice Chair)
Danny Chui, P.Eng.

1. Approval of Agenda

MOTION

A motion was made to accept the agenda.

Moved by M. Wesa and seconded by A. Bergeron.

MOTION CARRIED

2. Approval of Minutes from March 20, 2013

MOTION

A motion was made to approve the minutes of the March 20, 2013 meeting.

Moved by D. Dixon and seconded by M. Wesa.

MOTION CARRIED

A. Bergeron followed up on J. Green's comments under section 4 of the minutes (2012 Financial Statements) in which he indicated that notes 2b and 8 were unclear. M. Cellucci advised that she had contacted PEO's Auditors and reviewed both notes at issue. The decision was made to leave the notes as is for 2012 since they had already been approved by the Audit Committee and there was no time to make changes before going to Council. Note 2b would no longer be required in 2013. Note 8 was consistent with prior years but an improvement would be made in 2013 so that it was clearer. The note cannot be removed because it is still required GAAP to disclose the amount invested in assets.

3. 40 Sheppard Working Group Recommendations

D. Dixon, member of the 40 Sheppard Working group, walked committee members through key highlights of the recommendations to Council. Council approved consolidating staff on the 6th floor from the 2nd floor. By so doing, PEO is able to rent out more space and increase revenue. There are various options for future work on the building. Some of the difficulties going forward are that PEO working group is unsure when tenants are leaving, and are making

assumptions that Tyco will leave by end of January, 2014, however, they have the ability to extend the lease another six months. This makes it difficult to plan execution of major capital work and to plan appropriately. D. Dixon said the building working group have done their best to plan and he thinks they will have a reasonable reserve all the time. This is dependant to a large extent on what our tenants do, this is beyond our control.

A. Bergeron clarified that Council approved the additional short term spending for this year's (2013) budget and Council received the five year Business Plan (to 2018). R. Willson mentioned that page 4 contains the recommendations of 2013 of the Briefing note Appendix A. The four items noted from 1 to 4 were approved at Council and this work will go ahead in this fiscal year. The recommendations had been put forward and were accepted as recommendations by Council. This means dropping some of the higher profile projects on the ground floor, Museum, Auditorium, Fitness Centre and Engineer's Lounge and the others will go ahead if and when we have the opportunity to implement them with the approval of Council and the appropriate time frame. These were not approved specifically.

The five year Business Plan will probably have to change when Tyco leaves. When Tyco leaves and vacates all three floors at one time PEO will have to rectify these areas, update the building and rent the space as quickly as possible. There will be enough reserves to do this as long as no serious, unplanned emergencies happen to PEO/ the building in the meantime.

M. Cellucci mentioned that while our capital budget is increasing by \$461k for 2013, based on Council approved additional capital work, we revised the 2013 forecast based on the fact that Tyco is no longer leaving and PEO's actual cash reserve at the year-end for 2013 is higher than what was originally presented to the FIC, it is now \$6.7M.

E. Toperczer indicated that the FIC approved a minimum cash balance requirement of \$4.5M yet at the December 31, 2012 it was up to approximately

\$6.5M and is now forecast to be \$6.7M at December 31, 2013. E. Toperczer suggested the FIC review the minimum cash reserve amount for next year and, if deemed appropriate, increase the amount. The current process is that the policy must be reviewed by FIC and recommended to Council for approval, yearly. R. Willson mentioned they will review the minimum requirement and also explore the possibility of having a maximum cap as well and this would help FIC with decisions around fees.

4. Update on Pension Plans' Oversight

R. Willson met with D. Dixon and A. Bergeron before the Council plenary and agreed that a sub-committee of three with one representative nominated by FIC, Human Resources Committee (HRC) and staff (subcommittee of multiple committees) should be created to manage the Pension Plans. M. Cellucci asked if they would be the ones making the decisions on the plan and who they would report to. A. Bergeron responded by saying that the subcommittee does the research, review and make recommendations to be brought back to each of their respective committees. The final decisions will be made by the FIC. The current terms of reference mandate the HRC (not FIC) to manage the employee pension plans. M. Price indicated that if the role were to be moved to the FIC, then Council would need to approve this.

E. Toperczer said what he sees is that the investment policies are approved by FIC not HR Committee therefore pension plan responsibility should lie with FIC. The Pension Financial Statements and the Investment Policy should rest with the Finance Committee. A. Bergeron preferred the recommendation that it fall under Finance, it puts a lot of onus on the President, President elect, past President or Vice President to be responsible for the Pension Plan because they happen to sit on both committees. A. Bergeron said she doesn't have a comfort level with this. A. Bergeron proposed looking up the Terms of Reference and bringing it back to Council in June as all the new committees get started and bring it to Council as where they want this sub-committee to report in to. Both the terms of reference for the HRC and FIC will need to be modified to reflect

sub-committee process. Finance modifying HRC's Terms of Reference as well brings the responsibility for ultimate approval to FIC.

MOTION

A motion was made that Council revisit the Terms of Reference of HRC with respect to the responsibility for pension oversight with consideration to move responsibility to the FIC.

Moved by A. Bergeron and seconded by M. Wesa

MOTION CARRIED

5. Expense Reimbursement Policy

M. Cellucci recapped status of policy for the Committee: The policy was approved by both CLT and the Audit Committee in the last quarter of 2012. The policy was presented to the FIC at its December meeting and some comments were received. Many members had not had opportunity to review the policy hence the decision was made to circulate post meeting and asked members to provide written comments.

The objective for today was to review comments received from FIC members, agree on policy changes and approve the policy for recommendation to Council at its June meeting.

M. Cellucci reviewed the comments she received:

D. Dixon requested to have laundry services remain in the policy and that limits for meals may not always work for the President or CEO.

M. Cellucci indicated that she had spoken to M. Taylor after the last FIC meeting regarding drafting a paragraph which stipulates that there are specific special circumstances for the President and CEO which must be approved.

J. Green suggested putting a cap on these expenses (incidental category of dry cleaning, etc.) to a maximum of \$1,000 per year.

R. Willson suggested adding another paragraph in the miscellaneous section to identify that the President or Registrar may, on trips exceeding certain duration, claim for reasonable expenses. Committee members agreed to these recommendations.

Various suggestions from committee members to change wording of Appendix D as it is confusing.

M. Cellucci indicated that R. Willson suggested that actual dollar meal limit amounts should not form part of the policy but stay in a separate section. The reason for this is so that every time a limit is changed, there would be no requirement to reissue and reapprove the policy itself. R. Willson said the policy could state that the FIC would set these limits on an annual basis and then at the first meeting of the FIC this would be one of the activities. M. Price indicated that since this would be the first year with an overhauled Expense Reimbursement Policy, it would be prudent to review within one year from date policy is approved, and revise based on experience of appeals committee, etc. Committee members agreed to this recommendation. Therefore, policy would remain as is but review date would be set for one year from date of approval.

M. Cellucci indicated that M. Wesa asked about partner expenses and he mentioned that partners may want to travel with volunteers and stay in hotel when no additional expenses are incurred except where allowed if the President/CEO invite partners. After some discussion, members agreed that the policy should only speak to volunteers' expenses. The policy does not need to explicitly state that partners may travel with volunteers when no additional expenses are incurred.

Regional Councillors – M. Wesa said that Regional Councillors should not be charging for any events within their own Chapter. It was agreed by Members to stipulate under page 5 “Non-reimbursable expenses” that Regional Councillors should not be charging travel/meal/event expenses for attending a home chapter event.

Timeframe for submitting paperwork is 3 months for expenses incurred up to October 1. Suggestion by M. Wesa to reduce timeframe to 2 months so it gets volunteers in the habit of submitting earlier, as well, extending the period for submitting expenses incurred after October 1 but before December 31 to January 15 of the following year (as opposed to last day of the year incurred). All members agreed to this recommendation.

Airline flight and train change charges – nothing specific in policy. The committee recommended that under section “Air Travel” - Appendix A page 7, the following words should be added (bolded and underlined) after the following sentence: Travellers are encouraged to book 7 or 14 days in advance to minimize costs. **(Change fees are covered).**

A. Bergeron agreed with J. Green that it would be interesting to have a look at what PEO’s volunteer expenses are. M. Cellucci indicated that there is a line on the income statement which shows Volunteer expenses as \$869k. She also indicated that the Audit Committee tasked the Deloitte auditors to review a sample of employee and volunteer expenses paid on credit card as part of this year’s audit and the results were excellent: no deviations were found. E. Toperczer indicated that neither the FIC or AUC should be privy to review volunteer or staff expense claims and that the correct way of reviewing this information is as has been done in the past – i.e. request the external auditors to review.

M. Cellucci will be incorporating the comments provided by members at today’s meeting and the revised Expense Reimbursement Policy will be presented to Council on June 10th.

MOTION

A motion was made to approve the Expense Reimbursement Policy subject to changes and will be reviewed by the FIC meeting before the AGM meeting on April 27, 2013.

Moved by M. Wesa and seconded by D. Dixon.

MOTION CARRIED

****Action:** This will be sent to the current FIC before the AGM.

6. Other Business

No other business was discussed.

7. Date of Next Meeting

The next meeting date was noted tentatively as May 22, 2013

8. Adjournment

Meeting adjourned at 5:47 p.m.