

The logo for MEPCO (Municipal Employer Pension Centre Ontario) is centered on the page. It features the acronym 'MEPCO' in a large, bold, white sans-serif font. Below it, the full name 'MUNICIPAL EMPLOYER PENSION CENTRE ONTARIO' is written in a smaller, all-caps, white sans-serif font. The background is a complex, low-poly geometric pattern of various shades of teal and blue, creating a modern, abstract look.

MEPCO

**MUNICIPAL EMPLOYER
PENSION CENTRE ONTARIO**

Annual Report 2015

www.mepco.ca

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Letter from the MEPCO Chair and President

2015 was a productive and busy year for the Municipal Employer Pension Centre of Ontario (MEPCO) Board with our attention focused on improving OMERS Plan sustainability and continuing to strengthen our relationship with OMERS.

The OMERS Pension Plan provides a valuable benefit to thousands of municipal employees. It must be strong enough to withstand economic challenges and flexible enough to accommodate changing demographics. Global markets are increasingly unpredictable. People are retiring earlier and living longer. A fully funded Plan is our best defence in the face of uncertainty.

The Plan currently has a funded ratio of 91.5%. OMERS has an investment strategy and Funding Management Strategy (FMS) to return to full funding by 2025. MEPCO continues to call for additional measures that would return the Plan to full funding faster, before another possible economic shock hits. More information on these measures is available on page 7.

In 2015 MEPCO examined the anticipated Ontario Retirement Pension Plan (ORPP) and its potential impact on municipal governments and the OMERS Pension Plan. We did research and analysis and engaged in advocacy. In the end (spring of 2016), the federal government and a majority of provincial governments reached agreement on an enhanced Canada Pension Plan, which meant that there was no longer a need for an ORPP.

We continue to strengthen our relationship with OMERS and its staff. MEPCO and AMO have a direct relationship with OMERS' CEO, the Administration Corporation (AC) Board Chair and key staff members. This ensures that municipal employer concerns are timely and heard loud and clear. We look forward to continuing these dialogues throughout 2016 and beyond.

AMO, through MEPCO, represents municipal governments at OMERS. This representation is set out by law in the OMERS Act, also known as Bill 206. That's why MEPCO exists – to try to safeguard municipal employer interests and advocate a sound Pension Plan. MEPCO provides one strong voice to the hundreds of municipal employers that contribute to OMERS. Thank you for your voluntary contributions that allow us to do this work.

We encourage you to learn more about what we do by visiting www.mepco.ca. There you will find helpful information about MEPCO, OMERS and relevant pension matters.

Sincerely,



Doug Reycraft, *MEPCO Chair*



Pat Vanini, *MEPCO President*

About MEPCO

The Municipal Employer Pension Centre of Ontario (MEPCO) is a non-profit corporation created by the Association of Municipalities of Ontario (AMO) to provide expert advice and resources to AMO's representatives on the OMERS Sponsors Corporation (SC) and Administration Corporation (AC) Boards. In 2006, the Ontario Government devolved itself from its central sponsorship role in OMERS and created a new and independent governance model. The SC now determines Plan design and contribution rate changes and the AC manages the Plan's day-to-day operations including investment strategy, plan valuation and pension benefit administration. AMO created MEPCO to provide municipal employers with support, advocacy and resources on OMERS matters that is equivalent to the level of support provided by other OMERS sponsor organizations.

Individual municipal governments have virtually no opportunity to directly influence decisions made by OMERS. Yet, an OMERS contribution rate change can have a major impact on local budgets. MEPCO provides the opportunity for municipal employers to pool resources and speak with one strong, well-informed voice.

MEPCO shares OMERS' goal to ensure a sustainable, affordable and resilient pension plan that meets the needs of municipal employers and employees.

What Does MEPCO Do?

MEPCO shares its pension, actuarial and legal expertise with municipal employer representatives to OMERS. Through AMO's SC and AC representatives, MEPCO brings that municipal perspective to OMERS-related decisions by:

- Providing advice, tools, professional actuarial and legal advice on Plan design, funding, growth and other matters.
- Analyzing the impact of pension issues on municipal employers.
- Developing OMERS Specified Plan Change (SPC) proposals.
- Evaluating every SPC proposal proposed by other Plan sponsors.
- Keeping MEPCO members informed of important OMERS developments by issuing updates and directly responding to inquiries.
- Participating in the selection process for AMO's SC and AC representatives.
- Recruiting a MEPCO Board of Directors that includes a mix of public and private sector experts and municipal officials.

Funding

MEPCO relies entirely on voluntary contributions from municipal government employers and the Province's district social services administration boards (DSSABs) to complete its work. In 2015, 87% of these organizations contributed to MEPCO.

Key Developments in 2015 and MEPCO's Work

Continuing to strengthen our relationship with OMERS

MEPCO and AMO continued our positive and productive working relationship with OMERS throughout 2015. Our key points of contact are OMERS CEO Michael Latimer and Administration Corporation Board (AC) Chair George Cooke. This significant, effective relationship allows MEPCO to raise municipal employer concerns directly with key OMERS decision makers. OMERS' CAO and AC Board Chair each delivered presentations at MEPCO Board meetings in 2015. MEPCO/AMO is committed to continuing to work together with OMERS on key matters, including improving Plan sustainability.

Monitoring the application of the Primary Plan Funding Management Strategy

Approved in 2014, the Primary Plan Funding Management Strategy (FMS) describes what will happen to benefits and contributions as the Plan moves through periods of funding deficit and surplus, and importantly, includes a cap on contribution rates and the establishment of a reserve fund. The FMS is a major step forward for employers and employees in managing budgets, because it provides greater certainty on the cost of contributing to OMERS. The adoption of the FMS is good progress, but our work is far from complete. MEPCO continues to monitor the need to implement measures set out in the FMS in order to achieve a more sustainable OMERS Plan.

Changes to the 2015 Specified Plan Change Proposal process

The OMERS Sponsors Corporation (SC) Board decided not to move forward on any Specified Plan Change Proposals in 2015. In previous years, SC Board members tabled proposed changes (SPCs) according to an annual process. With the adoption of the FMS, a new decision making process is now in effect. The SC will now make changes to benefits and contributions based on the Plan's annual actuarial valuation and according to the FMS. Stakeholders are still able to submit requests for Plan changes that are not driven by the FMS. Proposals submitted before October 1, 2015 were considered by the SC in June 2016.

Speaking up for employers throughout the development of the Ontario Retirement Pension Plan

The Ontario Government worked throughout 2015 to develop a new Ontario Retirement Pension Plan (ORPP) that would strengthen Ontario's retirement system. While MEPCO supported the Government's broad goal, it was concerned that this should not be accomplished at the expense of OMERS members and Plan sustainability. MEPCO was initially concerned that OMERS members would be forced to make additional pension contributions to ORPP, increasing costs for both employers and employees.

MEPCO called for the exemption of OMERS members from the ORPP by:

- Participating in government-led consultations on the ORPP to clarify potential impacts.
- Meeting directly with Ontario Ministry of Finance political staff to present key consequences for the OMERS Plan should it not be exempt from the ORPP.
- Publishing several updates to keep members informed.

These efforts led to a Government decision to exempt full-time OMERS members from the ORPP. In June 2016 federal and provincial Ministers of Finance reached an agreement in principle to enhance the Canada Pension Plan (CPP) and increase retirement security for Canadians. The Ontario Government supported the changes and decided not to proceed with the ORPP.

The prospect of implementing the ORPP raised the matter of part-time employees and their participation in the OMERS Plan. Some part-time employees are enrolled in OMERS and some are not. Had the ORPP been implemented, OMERS part-time members would have been required to become members of the ORPP or the OMERS Plan and municipal employers would have been faced with a decision to support inclusion of part-time members, either in the OMERS Plan or the ORPP, based on the relative costs of each option and OMERS Plan sustainability considerations. While the ORPP is no longer a concern, the challenge of managing part-time employees' inclusion in OMERS remains.

Keeping you informed

MEPCO continues to work directly with the municipal community to increase understanding of complicated pension matters and ways to meet challenges. Individual municipal councils, as well as individual employees, have virtually no opportunity to directly influence decisions made by OMERS. However, an OMERS contribution rate change can have a major impact on local budgets. One of MEPCO's key priorities is to communicate regularly with members and improve overall understanding of how OMERS can impact municipal employers.

In 2015, MEPCO kept members informed by:

- Regularly answering individual inquiries from members.
- Providing regular updates and analysis on OMERS developments and on developments in the public sector pension environment.
- Sponsoring an information session at the 2015 AMO Conference in Niagara Falls that offered attendees the opportunity to meet AMO's representatives to the OMERS Boards and learn more about OMERS sustainability.
- Maintaining our website, www.mepco.ca, that includes key information and resources for municipal employers.
- Sharing updates and news through Twitter: @theMEPCO.

A Sustainable and Affordable OMERS Pension Plan

Thousands of people rely on the OMERS Pension Plan for their retirement income. It is also an important attraction and retention tool in the development of effective municipal workforces. The Plan must be able to fulfil its promise to retirees, while also remaining affordable for contributing members, employers and taxpayers. Improving Plan sustainability continues to be one of MEPCO's key priorities.

Like any large pension plan, OMERS has faced significant challenges over the past decade. In the years since the 2008 economic collapse, OMERS has slowly increased its funded ratio to 91.5% and reduced its deficit to \$7 billion.

What is being done now to improve Plan sustainability?

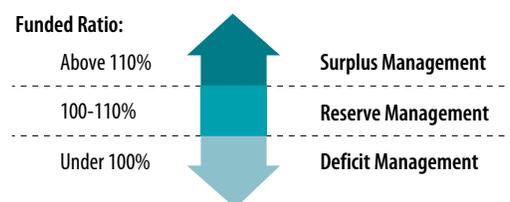
Adopting the Funding Management Strategy

In 2014, the Sponsors Corporation (SC) approved a new Primary Plan Funding Management Strategy (FMS). The FMS describes what will happen to benefits and contributions as the Plan moves through periods of funding deficit and surplus, including a cap on contribution rates and the establishment of a reserve fund. The FMS is a major step forward for employers and employees in managing budgets, because it provides greater certainty on the cost of contributing to OMERS.

Investment Strategy

Investment returns also play a significant role in strengthening the Plan. However, the path to full funding will surely be affected by other factors, including economic pressures.

Funding Management Strategy



MEPCO's role in OMERS sustainability

MEPCO continues to call for the implementation of additional measures that would improve Plan sustainability. While the FMS is a major step forward, there is still significant work to be done. The Plan must be better able to weather future economic shocks in order to preserve and improve current funding levels. Municipalities have limited property tax revenue to pay for increased pension contributions. Taxpayers are generally not supportive of paying higher taxes to fund the pensions of municipal employees, especially when many have no pension coverage themselves.

Municipalities deliver services that many people rely on each day. This includes building and maintaining local infrastructure, public transit, winter road maintenance, delivering clean drinking water, managing waste, recreation services, local parks and much more. They make our communities great places to live and work and many municipal governments simply cannot afford to divert funding away from core services to fund higher pension contributions.

Conditional indexing

MEPCO supports conditional indexing as a tool that would strengthen Plan sustainability now without raising contribution rates. Right now, benefits are fully indexed to the Consumer Price Index (CPI). A temporary reduction in the indexation level, in the current low inflationary environment, would help the Plan reach full funding, faster.

MEPCO's Objectives and Priorities for 2016

Achieving a more sustainable OMERS Pension Plan

Improving Plan sustainability continues to be a top MEPCO priority. While the adoption of the Funding Management Strategy (FMS) is a major step forward in improving Plan health, it's very likely that OMERS will have to weather more economic storms in the future. In addition, MEPCO continues to advocate for a strong risk management focus in both the OMERS investment strategy and the OMERS organization.

The Plan faces a \$7 billion deficit. OMERS' plan to eliminate it relies heavily on continued positive returns that meet investment benchmarks. However, we can't predict the future. Returning to full funding will help ensure that the Plan can withstand future challenges, such as an economic downturn.

Implementing conditional indexation would improve the Plan's funded status. Right now, benefits are fully indexed to the Consumer Price Index (CPI). A temporary reduction in the indexation level would help the Plan reach full funding, faster, making it better prepared for the future challenges that it bound to face. Similar public sector pensions have implemented conditional indexation to improve Plan health. It would be a temporary measure that would lead to long-term benefits.

2016 Work Plan

Each year MEPCO staff create a Work Plan to set priorities and guide the Centre's activities. Highlights for 2016 include:

- Monitor the implementation of the Funding Management Strategy.
- Analyze how OMERS' initiatives, including the investment strategy, impact the ability for the Plan to return to full funding.

- Monitor the performance of the OMERS' investment strategy.
- Continue regular dialogue and a productive working relationship with OMERS President and CEO, the OAC Board Chair and OMERS staff.
- Develop a new MEPCO communications plan.
- Continue to support the resolution of MEPCO member concerns with OMERS as they arise.
- Monitor developments in the public sector pension environment, including the design of the Ontario Retirement Pension Plan (ORPP), expansion of the Canada Pension Plan (CPP) and their potential impacts on the OMERS Plan and municipal employers.

Continue to Educate and Engage with Members

MEPCO staff will continue to share information with members by:

- Issuing updates through email, the AMO Watch File and on www.mepco.ca.
- Using social media to communicate with members and other stakeholders and share relevant media coverage. Follow us on Twitter @theMEPCO.
- Hosting a pension education session at the 2016 AMO Annual Conference.
- Answering your inquiries by phone and email.

Pension-related resources are available any time at www.mepco.ca. We encourage you to visit our website and learn more.

MEPCO Board of Directors

2015/2016 MEPCO Board of Directors



MEPCO Chair, Doug Reycraft served as AMO President from 2006-2008 and on AMO and the Federation of Canadian Municipalities' Boards. A retired teacher, Reycraft formerly served as Mayor of Southwest Middlesex and as Councillor for the County of Middlesex.



MEPCO Vice Chair, Peter Hume is a former Councillor for the City of Ottawa. He is a past President of AMO and served in that role for most of the August 2008 – August 2011 term. Mr. Hume was a long serving member of AMO's Board of Directors and a member of the Hydro Ottawa Board. He is also a former Board Member of Waste Diversion Ontario (WDO) and former chair of the Municipal Property Assessment Corporation (MPAC).



Manon Harvey (CPA, CA, ICD.D) is Vice President of Finance and Corporate Services for the Canada Foundation for Innovation. She was previously Director of Finance for the Children's Hospital of Eastern Ontario. A Chartered Professional Accountant and Certified Director, Ms. Harvey is a member of the RCMP Departmental Audit Committee and served on the Retirement Plan Committee of Universities Canada (previously the Association of Universities and Colleges of Canada (AUCC) until 2012 and retired from the Board of Directors for Hydro Ottawa in June 2014 after 10 years of service.



Jacques Héту (FCGA, FCPA) served as the Mayor of the Town of Hawkesbury for six years. During that time he was also President of the Association of Francophone Municipalities of Ontario (AFMO) and a member of AMO's Board. A Certified General Accountant, he is the former National Treasurer of CGA Canada and a former Member of the Board of the Municipal Property Assessment Corporation (MPAC).



Barbara Hume-Wright (B.A., B.Ed., M. Sc., C. Dir.) is the former Executive Director of the Ontario Association of Police Services Boards and is a former AMO staff member with substantial experience in the municipal sector. She also served on the former Joint Employer Steering Committee on OMERS Governance.



Patrick Moyle has more than 30 years of experience serving municipalities. He is a former AMO Executive Director and has served as the CAO of several Ontario municipalities, including Halton Region, the City of Burlington, the Town of Aurora, the Town of Orangeville and the Town of Huntsville. Mr. Moyle was the Chair of the former Joint Employer Steering Committee on OMERS governance.



Gretchen Van Riesen is a pension and benefits consultant with GVR Consulting. In November 2007, she retired from her role as Vice President Global Pension and Benefits at CIBC, where over 17 years she was responsible for benefits policy and design, and pension investment and governance for CIBC's \$3.5 billion pension plan. In 2008-09, she completed a one-year contract as interim Head of M&A and Global Pensions and Benefits at RBC.



James C L Clark (CPA, CA, CFA) is the President of Dunhelm Consulting and has more than 25 years of broad pension experience in pension fund management, investment consulting, marketing, sales and client service. A former manager of a \$1 billion pension plan with the Bank of Montreal, he currently provides investment and communication consulting services to institutional investors and investment managers. He serves on the University of Ottawa's Treasury Committee and on several other boards and committees dealing with investment and portfolio management issues. He has lectured for York University's MBA program and contributed to numerous pension industry publications.



Janet G. Downing (LL.B.) has more than 25 years of experience providing legal consulting services to public and private sector clients about pension, benefit and human resource matters. Working for Willis Towers Watson, she also provided Canadian support to the corporation's General Counsel's office. Ms. Downing is past Chair of the International Pension and Employment Benefits Lawyers Association Steering Committee and the Ontario Bar Association Institute Conference Committee. She contributes to many legal and industry publications and is an active speaker at numerous Canadian and international law-related conferences.



Rick Goldring is the Mayor of the City of Burlington. He took his oath of office for his second term in 2014. Prior to being sworn in as Mayor in 2010, he served as Ward 5 City & Regional Councillor for four years. As Mayor, Rick is a member of the Halton Regional Council, is on the Board of Directors for the Burlington Economic Development Corporation and Burlington Hydro, and is Chair of the Association of Ontario Municipalities (AMO) Large Urban Caucus. Rick is also a member of the Big Cities Mayor Caucus of Ontario and Chair of its Subcommittee on Emergency Services.



John Skorobohacz is a seasoned municipal administrator. He is the Chief Administrative Officer (CAO) of the Town of Midland and is past CAO for the Town of Innisfil and the City of Windsor. A proven strategic and creative problem solver, Mr. Skorobohacz currently serves on the Board of the Ontario Municipal Leadership Institute. He is also a member of the Board of the United Way of Greater Simcoe County/Muskoka.

AMO's Representatives on the OMERS Sponsors Corporation



Marianne Love (LLB) is Co-Chair of the OMERS Sponsors Corporation and also Co-Chairs the OMERS Joint Council. She is a Senior Consultant for Gallagher McDowall Associates, specializing in governance practice, job evaluation, pay equity, and compensation and performance management systems. Marianne was a Member of the OMERS Board from 1999 to 2006. She has a Law Degree from Osgoode Hall Law School, York University and a Bachelor of Arts Degree from the University of Windsor. She has more than 25 years of experience working and consulting in municipal government.



Barry Brown (LLB) has more than 30 years of experience as a leading labour and employment lawyer. He was a partner at Hicks Morley LLP, a firm dedicated to representing employers on human resources law and advocacy issues. Mr. Brown was consistently recognized as one of the best lawyers in Canada by both the Canadian Legal Expert Directory and The Best Lawyers in Canada. He has been a member of the Sponsors Corporation since January 2015.

AMO's Representatives on the OMERS Administration Corporation



Penny Somerville (FCPA, ICD.D) is a retired senior executive with more than 25 years of experience in Canada's financial services sector. She spent 27 years with BMO Financial Group holding various executive positions with wide-ranging responsibilities, including Executive Vice President and Treasurer. Ms. Somerville is currently a member of Cidel Bank Canada's Board and Chair of its Audit Committee, University of Toronto's Audit Committee and Runnymede Healthcare Centre's Board and Finance Committee. In 2011, she became a Fellow of the Institute of Chartered Professional Accountants of Ontario.

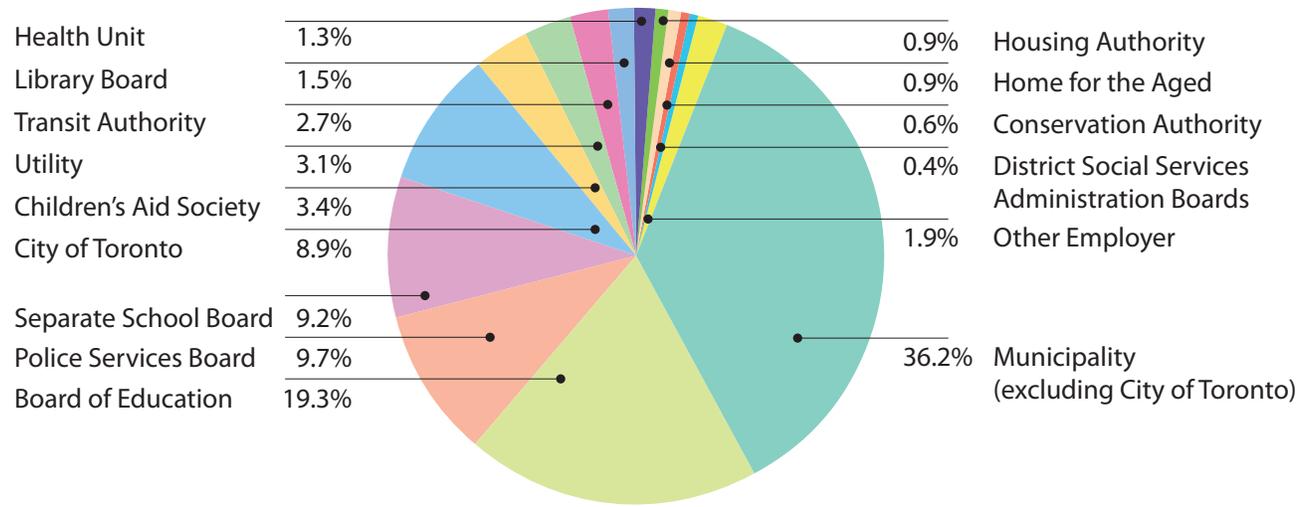


Michael Fenn (MA, AMCT) works as a management consultant. He was an Ontario Deputy Minister under three Premiers, following which he served as CEO of several Crown agencies. His municipal career included being City Manager of Burlington and later CAO of Hamilton-Wentworth Region. He has been profiled with a chapter in Professor David Siegel's new book "Leaders in the Shadows." Mr. Fenn has written extensively on investment in public infrastructure. In 2010, he was one of two Ontarians named to the Association of Municipalities of Ontario's Honour Roll.

Facts About OMERS

The Ontario Municipal Employees Retirement System (OMERS) was created in 1962 as the pension plan for municipal government employees in Ontario. It now has \$77 billion in net investment assets and serves nearly 1,000 employers and 461,000 active members, retirees and survivors.

Employers Affiliation (as of December 31, 2015, OMERS Statistics)



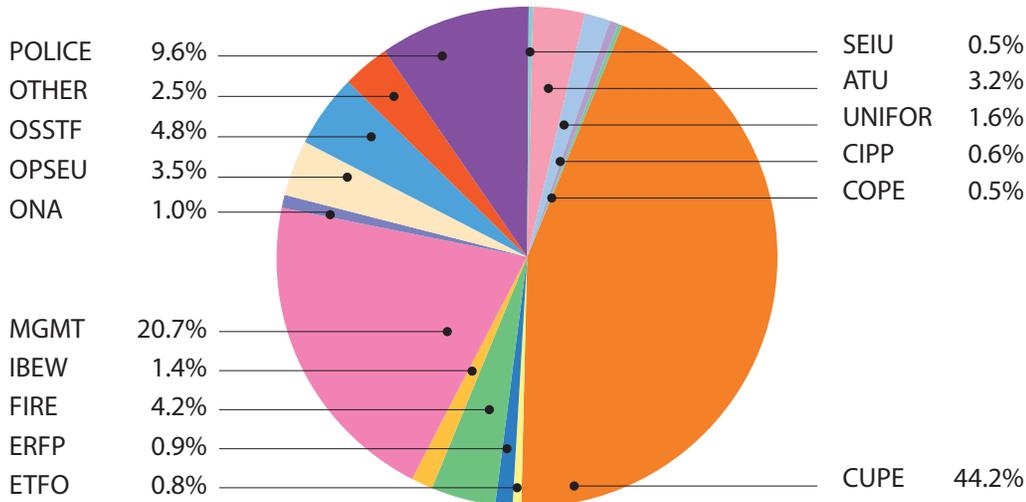
Number of Active Members in OMERS Employer Groups

EMPLOYER CATEGORY	Active Members	% of Active OMERS Members
Municipality (excluding City of Toronto)	98,066	36.2%
Board of Education	52,218	19.3%
Police Services Board	26,204	9.7%
Separate School Board	24,839	9.2%
City of Toronto	24,272	8.9%
Children's Aid Society	9,112	3.4%
Utility	8,470	3.1%
Transit Authority	7,384	2.7%
Library Board	3,977	1.5%
Health Unit	3,579	1.3%
Housing Authority	2,401	0.9%
Home for the Aged	2,387	0.9%
Conservation Authority	1,719	0.6%
Social Services Administration Boards	1,083	0.4%
Other Employer [†]	5,066	1.9%
Total Active Members (excluding members on disability waiver)	270,777	100%

[†]These include, for example, local boards of municipalities, economic development corporations and associations representing OMERS members.

Source: www.OMERS.com

Members Affiliation (as of December 31, 2015, OMERS Statistics)



Member Affiliation Breakdown

EMPLOYER CATEGORY	Active Members	% of Active OMERS Members
CUPE - Canadian Union of Public Employees	119,606	44.2%
MGMT/NON-UNION - Management/Union Exempt/Non-Union	55,936	20.7%
POLICE - Police Associations of Ontario	25,963	9.6%
OSSTF - Ontario Secondary School Teachers' Federation	13,137	4.8%
FIRE - Ontario Professional Fire Fighters Association	11,344	4.2%
OPSEU - Ontario Public Service Employees Union	9,490	3.5%
ATU - Amalgamated Transit Union	8,716	3.2%
UNIFOR - Auto, Communications, Energy and Paper Workers Union	4,253	1.6%
IBEW - International Brotherhood of Electrical Workers	3,785	1.4%
ONA - Ontario Nurses Association	2,700	1.0%
ERFP - Educational Resource Facilitators of Peel	2,416	0.9%
ETFO - Elementary Teachers' Federation of Ontario	2,277	0.8%
CIPP - Civic Institute of Professional Personnel	1,770	0.6%
SEIU - Service Employees International Union	1,460	0.5%
COPE - Canadian Office and Professional Employees Union	1,275	0.5%
OTHER - Employee affiliations with fewer than 1,000 members each	6,649	2.5%
Total Active Members	270,777	100%

Source: www.OMERS.com

OMERS Plan Governance

In 2006, the Ontario Municipal Employees Retirement System Act, 2006 (the OMERS Act or Bill 206) came into effect and changed the way OMERS was governed. The Ontario Government removed itself from its role as Plan sponsor, a process known as devolution. The OMERS Sponsors Corporation (SC) and OMERS Administration Corporation (AC) replaced the former OMERS Corporation. The SC is now responsible for Plan design, including changes to benefits and contribution rates and setting compensation levels.

The AC is responsible for the Plan's day to day operations, including managing investment strategy, Plan valuation and benefit administration.

Both corporate boards are made up of employee and employer representatives. AMO is represented on the Sponsors Corporation by Marianne Love (Co-Chair) and Barry Brown, and on the Administration Corporation by Michael Fenn and Penny Somerville. MEPCO is the key resource and advisor to AMO's representatives.

2015/2016 Sponsors Corporation Board of Directors

Employer Representatives	Plan Employee Representatives
Marianne Love (Co-Chair) Association of Municipalities of Ontario (AMO)	Frank Ramagnano (Co-Chair) Ontario Professional Fire Fighters' Association (OPFFA)
Frederick Biro Ontario Association of Police Services Boards (OAPSB)	Dan Axford Police Association of Ontario (PAO)
Barry Brown Association of Municipalities of Ontario (AMO)	Paul Bailey Retiree - Police Pensioners Association of Ontario (PPAO)
Charlie Macaluso Electricity Distributors Association (EDA)	Diana Clarke Ontario Public Service Employees Union (OPSEU)
Mary McConville Ontario Association of Children's Aid Societies (OACAS)	Tim Maguire Canadian Union of Public Employees (CUPE) Local 79
Wayne McNally Ontario Catholic School Trustees' Association (OCSTA)	Brian O'Keefe Canadian Union of Public Employees (CUPE) Ontario
Joe Pennachetti City of Toronto	Sandra Sahli Ontario Secondary School Teachers' Federation (OSSTF)

2015/2016 Administration Corporation Board of Directors

George Cooke (Chair)

Employer Representatives	Employee Representatives
Monty Baker Ontario Association of Police Services Boards (OAPSB)	Bill Aziz (Vice Chair) Ontario Professional Fire Fighters Association (OPFFA)
David M. Beatty City of Toronto	Charlene Mueller Canadian Union of Public Employees Ontario (CUPE)
William (Bill) Butt Electricity Distributors' Association (EDA)	Laurie Hutchinson Ontario Public Service Employees Union (OPSEU)
Michael Fenn Association of Municipalities of Ontario (AMO)	Eugene Swimmer Police Association of Ontario (PAO)
Cliff Inskip Ontario Catholic School Trustees' Association (OCSTA) and the Ontario Public School Boards' Association (OPSBA)	David Tsubouchi Retiree Organization
Jim Phillips Ontario Association of Children's Aid Societies (OACAS)	Sheila Vandenberg Ontario Secondary School Teachers' Federation (OSSTF)
Penny Somerville Association of Municipalities of Ontario (AMO)	John Wetherup Canadian Union of Public Employees Ontario (CUPE)



Financial Statements

Municipal Employer Pension Centre of Ontario

December 31, 2015

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Independent Auditor's Report

To the Members of
Municipal Employer Pension Centre of Ontario

We have audited the accompanying financial statements of Municipal Employer Pension Centre of Ontario, which comprise the statement of financial position as at December 31, 2015 and the statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Municipal Employer Pension Centre of Ontario as at December 31, 2015 and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Toronto, Canada
May 25, 2016

Grant Thornton LLP

Chartered Professional Accountants
Licensed Public Accountants

Municipal Employer Pension Centre of Ontario Statement of Operations

Year ended December 31

	2015	2014
Revenue		
Municipal contributions	\$ 601,109	\$ 605,267
Interest earned	<u>14,840</u>	<u>16,791</u>
	<u>615,949</u>	<u>622,058</u>
Expenses		
Administration (Note 4)	419,446	421,001
Consultants expense	62,318	29,741
Board expense	85,436	83,974
Communications expense	24,155	18,758
OMERS Sponsor Corporation Board Member Allowance	<u>66,339</u>	<u>76,788</u>
	<u>657,694</u>	<u>630,262</u>
Deficiency of revenue over expenses	<u>\$ (41,745)</u>	<u>\$ (8,204)</u>

Municipal Employer Pension Centre of Ontario Statement of Changes in Net Assets

Year ended December 31

	<u>Internally restricted</u>			Total	Total
	Arbitration and Mediation Reserve	Wind-Up Reserve	Unrestricted	2015	2014
Balance, beginning of year	\$ 495,548	\$ 321,893	\$ 297,559	\$ 1,115,000	\$ 1,123,204
Deficiency of revenue over expenses	-	-	(41,745)	<u>(41,745)</u>	<u>(8,204)</u>
Balance, end of year	<u>\$ 495,548</u>	<u>\$ 321,893</u>	<u>\$ 255,814</u>	<u>\$ 1,073,255</u>	<u>\$ 1,115,000</u>

See accompanying notes to the financial statements.

Municipal Employer Pension Centre of Ontario Statement of Financial Position

December 31

2015

2014

Assets

Current

Cash	\$ 68,839	\$ 59,796
Investments (Note 3)	1,009,359	1,065,420
Accounts receivable (Note 7)	9,617	1,927
Prepaid expenses	<u>4,747</u>	<u>2,875</u>
	\$ 1,092,562	\$ 1,130,018

Liabilities

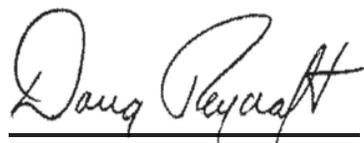
Current

Accounts payable and accrued liabilities	\$ 16,900	\$ 12,249
Due to AMO (Note 4)	<u>2,407</u>	<u>2,769</u>
	19,307	15,018

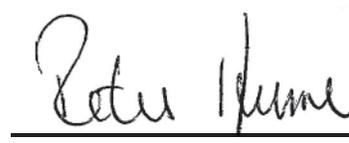
Net assets

Internally restricted (Note 6)		
Arbitration and Mediation Reserve	495,548	495,548
Wind-Up Reserve	321,893	321,893
Unrestricted	<u>255,814</u>	<u>297,559</u>
	1,073,255	1,115,000
	\$ 1,092,562	\$ 1,130,018

On behalf of the Board of Directors



Director



Director

See accompanying notes to the financial statements.

Municipal Employer Pension Centre of Ontario Statement of Cash Flows

Year ended December 31

	2015	2014
Increase (decrease) in cash		
Operating		
Deficiency of revenue over expenses	\$ (41,745)	\$ (8,204)
Change in non-cash working capital		
Accounts receivable	(7,690)	7,897
Prepaid expenses	(1,872)	3,866
Accounts payable and accrued liabilities	4,651	(27,024)
Due to AMO	<u>(362)</u>	<u>1,173</u>
	(47,018)	(22,292)
Investing		
Investments	<u>56,061</u>	<u>56,273</u>
Net change in cash	9,043	33,981
Cash, beginning of year	<u>59,796</u>	<u>25,815</u>
Cash, end of year	<u>\$ 68,839</u>	<u>\$ 59,796</u>

See accompanying notes to the financial statements.

Municipal Employer Pension Centre of Ontario

Notes to Financial Statements

December 31, 2015

1. Nature of operations and basis of presentation

Municipal Employer Pension Centre of Ontario (MEPCO) is a not-for-profit organization incorporated on August 1, 2007 under letters patent under provisions of Part II of the Canada Corporations Act. MEPCO became operational on January 1, 2008. The mandate of MEPCO is to fulfill the obligations of the Association of Municipalities of Ontario (AMO) and others under the Ontario Municipal Employees Retirement Systems Act, 2006.

2. Summary of significant accounting policies

These financial statements have been prepared in accordance with accounting standards for not-for-profit organizations. Accounting standards for not-for-profit organizations require entities to select policies appropriate for their circumstances from choices provided in the specific standards. The following are details of the choices selected by MEPCO and applied in these financial statements.

Use of estimates

In preparing MEPCO's financial statements, management is required to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the year. Actual results could differ from these estimates.

Financial instruments

MEPCO considers any contract creating a financial asset, liability or equity instrument as a financial instrument, except in certain limited circumstances.

MEPCO's financial instruments comprise cash, investments, accounts receivable, accounts payable and due to AMO which are initially measured at fair value and subsequently measured at amortized cost.

Revenue recognition

MEPCO follows the deferral method of accounting for externally restricted contributions whereby contributions are deferred and recognized as revenue in the period to which the fees relate or the expenses are incurred. All other contributions are recognized in the period received.

Investment income is recognized as revenue in the period it is earned.

Municipal Employer Pension Centre of Ontario

Notes to Financial Statements

December 31, 2015

3. Investments

	<u>2015</u>	<u>2014</u>
One Investment High Interest Savings Account (HISA) bearing interest at bank prime less 1.7% (2015 - 1.0%)	\$ 502,401	\$ -
BMO Guaranteed Investment Certificate (GIC), bearing interest at 1.10%, due March 2016	506,958	-
BMO GIC, bearing interest at 1.25%, matured March 2015	-	201,973
BMO GIC, bearing interest at 1.25%, matured April 2015	-	357,962
BMO GIC, bearing interest at 1.81%, matured July 2015	<u>-</u>	<u>505,485</u>
	<u>\$ 1,009,359</u>	<u>\$ 1,065,420</u>

4. Related party transactions

Included in administration expense is \$390,426 (2014 - \$390,406) for administration and occupancy costs charged by AMO. These transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Amounts due to related parties are unsecured, repayable on demand and are non-interest bearing.

5. Capital management

The capital structure of MEPCO consists of internally restricted funds (Note 6) and unrestricted net assets. The primary objective of MEPCO's capital management is to provide adequate funding to fulfill the obligations of AMO and others under the Ontario Municipal Employees Retirement Systems Act, 2006.

The purpose of the internally restricted funds is to provide (a) arbitration and mediation services to support its members' interests should mediation / arbitration be required through the OMERS conflict resolution process; and (b) for the eventual wind-up of MEPCO.

Unrestricted net assets are funds available for future operations and preserved so MEPCO can have financial flexibility should opportunities arise in the future.

Municipal Employer Pension Centre of Ontario

Notes to Financial Statements

December 31, 2015

6. Net assets internally restricted

Arbitration and Mediation Reserve

The Board of Directors (“Board”) has allocated certain amounts to be used specifically for arbitration and mediation. These funds are not available for general purposes and require the approval of the Board prior to use.

Wind-Up Reserve

The Board has set aside funds for the eventual wind-up of MEPCO. Each year, management will reassess the necessary reserve and based on that assessment, transfer an amount to the reserve subject to the surplus available. The Board has approved that this transfer would be based on management’s assessment.

7. Financial instruments

Transactions in financial instruments may result in an entity assuming or transferring to another party one or more of the financial risks described below. The required disclosures provide information that assists users of financial statements in assessing the extent of risk related to financial instruments.

Interest rate risk

Interest rate risk is the risk that the fair value on, or future cash flows from, a financial instrument will fluctuate because of market changes in interest rates.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. MEPCO’s main credit risks relate to its receivable from its members in the normal course of its operations. At December 31, 2015, the allowance for doubtful accounts is \$Nil (2014 - \$Nil).

Liquidity risk

Liquidity risk is the risk that MEPCO will encounter difficulty in meeting the obligations associated with its financial liabilities. MEPCO is exposed to this risk mainly in respect of its accounts payable and the amount due to AMO. MEPCO reduces exposure to liquidity risk by ensuring that it maintains adequate cash reserves to pay creditors.

It is management’s opinion that MEPCO is not exposed to significant interest rate, credit or liquidity risk arising from its financial instruments.

MEPCO
MUNICIPAL EMPLOYER
PENSION CENTRE ONTARIO

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