

MEPCO

MUNICIPAL EMPLOYER
PENSION CENTRE ONTARIO



ANNUAL REPORT 2019

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Letter from the MEPCO Chair and President

We are writing this 2019 Annual Report in 2020, in the middle of a global pandemic that has already had such a profound impact on all our lives. Clearly, the world has changed and, at the time of writing, we're not sure when things will return to the way they were before – if ever. However, it has given us a chance to reflect on MEPCO's work in 2019 and to recognize our successes.

Keeping members informed of any changes affecting the Ontario Municipal Employees Retirement System (OMERS) Plan is a key part of MEPCO's role. In 2019, the MEPCO Board held four meetings, and at each one we met with Association of Municipalities of Ontario (AMO) representatives on the OMERS Sponsors Corporation (SC) and OMERS Administration Corporation (AC) boards and OMERS senior leadership. We also issued three member updates in the form of our newsletters, and hosted an educational insight event at the 2019 AMO Conference. This event, which gave an overview of how MEPCO promotes the interests of municipal employers, was very well attended.

The event also helped to further communicate the results of 2018's OMERS Comprehensive Plan Review (CPR). MEPCO has been clear in its position that the results of the CPR were disappointing. In 2019, MEPCO continued to advocate that the OMERS SC Board re-visit these plan changes and we are pleased that in 2020, the SC adopted shared risk indexing effective January 21, 2023, which is a tool the OMERS SC Board can use to assess the plan's capacity for inflationary increases to benefits.

Another success to report from 2019 is that, for the seventh year in succession, the funding status of the OMERS Plan increased. While this is indeed good news, our focus will not shift from our goal of ensuring that all OMERS sponsors work together to address challenges in a way that protects long-term Plan health.

MEPCO bid farewell to Pat Vanini in 2019. Pat had served as MEPCO President since 2007 and was instrumental in establishing MEPCO, largely as a response to the Province's decision to pass responsibility for the OMERS Plan to its members. Over the years, Pat helped MEPCO to grow into the organization it is today – allowing municipal employers to speak with one strong, well-informed voice on OMERS matters. We are grateful for her service and wish her all the best in her retirement.

Looking ahead to 2020, there is some uncertainty. Be assured that MEPCO will continue to be a strong advocate for municipal employer interests and ensure that plan sustainability remains the key focus for OMERS during the challenging months and years ahead. The voluntary contributions from our members will continue to enable MEPCO to do our important work in supporting your interests. All municipal employers benefit from MEPCO's expertise, so it's critical that all municipal employers contribute to our drive to improve Plan sustainability and create a healthier pension plan for many years to come.

Sincerely,



Doug Reycraft, *MEPCO Chair*



Brian Rosborough, *MEPCO President*

About MEPCO

The Municipal Employer Pension Centre of Ontario (MEPCO) is a non-profit corporation that provides expert advice and resources to the Association of Municipalities of Ontario's (AMO) representatives on the OMERS Sponsors Corporation (SC) and Administration Corporation (AC) Boards. MEPCO was created in 2007 to ensure that AMO is meeting its statutory obligations as a sponsor of the OMERS Pension Plan.

Individual municipal governments, like individual employees, have virtually no opportunity to directly influence decisions made by OMERS. 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, and ensures that municipal concerns are heard and that the municipal voice is represented in all OMERS decision making. Through AMO's SC and AC representatives, MEPCO brings that municipal perspective to OMERS-related decisions by:

- Analyzing the impact of pension issues on municipal employers.
- Evaluating every proposed Plan change.
- Providing AMO's representatives to OMERS with advice, tools, professional actuarial and legal advice on Plan design, funding, growth and other matters.
- Keeping MEPCO members informed by issuing regular updates.
- Taking part 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. All OMERS member municipalities benefit from MEPCO's work so it is reasonable to expect that they all contribute. In 2019, 75% of these organizations contributed to MEPCO.

OMERS Plan Sustainability: MEPCO's Focus

The Comprehensive Plan Review

The OMERS Comprehensive Plan Review (CPR) was the first full review of the Plan in more than 50 years. The CPR process was a significant opportunity to improve Plan sustainability, yet the Sponsors Corporation did not have the two-thirds majority support to approve the Plan changes that were likely to improve sustainability.

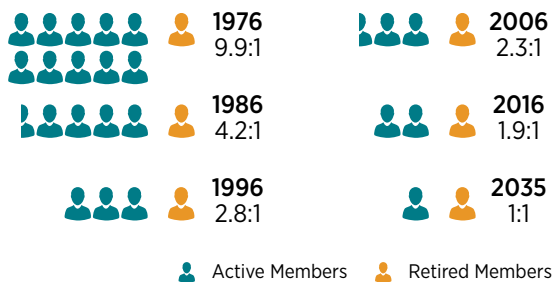
While the results of the CPR Process were disappointing for the MEPCO Board, MEPCO continued to call for the Sponsors Corporation to advance the principles of the CPR Process and implement common-sense changes to improve plan sustainability for both employers and employees.

Did You Know?

Plan Maturity

There are now fewer active members to support a growing group of retirees.

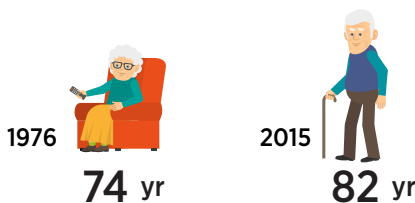
Aging Population – Decline in Ratio of Active Members



Demographic Changes and Longevity

People are living longer so they spend more years retired. The Plan will have higher liabilities and higher pension costs as it pays out pensions for longer periods of time.

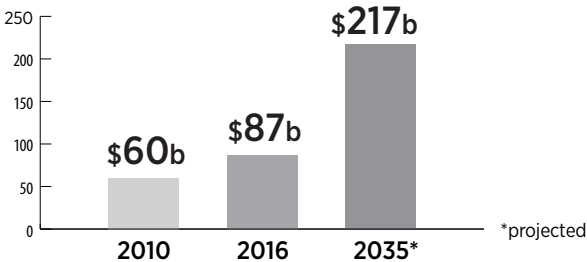
Life Expectancy – 1976 vs 2015



A Changing Workforce

OMERS active membership is likely to shrink over the next 25 years as factors such as technology, privatization and other forces impact employment trends. As the Plan matures, its liability grows. Based on current projected costs, the Plan is on track to face a \$300 billion liability.

OMERS Plan Liability Over Time



It's for these reasons that MEPCO continues to call for changes to the OMERS Plan, such as: conditional indexing for future service, and full integration of OMERS with the Canada Pension Plan (CPP).

MEPCO's Work in 2019

Promoting Municipal Employer Interests

All municipal OMERS employers benefit from MEPCO's expertise, advocacy and research. In 2019, we provided value for our members by:

- Continuing to promote the municipal employer perspective by providing expert advice to AMO's OMERS representatives at four Board meetings.
- Providing extensive input and advice to AMO's SC representatives throughout the CPR process and resulting changes.
- Providing four detailed updates on OMERS developments, including the CPR process and OMERS' investment results. Updates are emailed to members and posted at www.mepco.ca
- Working directly with municipal staff to answer questions and provide resources.
- Maintaining key information and resources for municipal employers on our website, www.mepco.ca

Presentation at the 2019 AMO Annual Conference

Doug Reycraft, MEPCO Board Chair, and Marianne Love, then OMERS Sponsors Corporation Board Co-Chair, delivered a presentation to delegates at the 2019 AMO Conference. The session covered information on MEPCO for new and returning council members, the challenges facing OMERS, and provided information about the impacts on municipal employers of the two changes made as part of the Comprehensive Plan Review. The presentation can be viewed on [the MEPCO website](#).

MEPCO Member Newsletter

Launched in 2018, the [MEPCO Member Newsletter](#) continued to be released quarterly in 2019. The newsletter provides simple, plain language updates exclusively to MEPCO members.

MEPCO Factsheet

In 2019, a two-page document was created to provide at-a-glance facts about MEPCO. The [MEPCO Factsheet](#) can be found on the MEPCO website, and has also been shared on MEPCO's social media channels.

Ongoing dialogue with OMERS

Municipal employers are a key stakeholder in the Plan's long-term sustainability. OMERS recognizes this and its staff and executives regularly attend MEPCO Board meetings to provide updates and gather feedback. In 2019, OMERS representatives attended three MEPCO Board meetings to provide updates on various OMERS matters, including one special briefing in October on proposed OMERS governance changes:

- March 2019: Annesley Wallace, Sr. Vice President, Pension Services, OMERS
- May 2019: Rodney Hill, Chief Risk Officer, OMERS
- October 2019: Barry Brown & Marianne Love, AMO Representatives to the OMERS Sponsors Corporation Board

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, Mr. 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).



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. Mr. Clark also serves on the University of Ottawa's Treasury Committee and on a number of 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 courses and conferences.



Rick Goldring (CFP, CLU, CH.F.C.) operates Goldring Financial Leadership Inc and has been providing financial and retirement income planning advice to clients since 1979. From 2010-2018, Rick served as mayor of Burlington and between 2014-2018 served on both the Board and Executive of AMO. While mayor, Rick served on the boards of the Burlington Economic Development Corporation, Burlington Hydro and the Burlington Performing Arts Centre. Currently, Rick serves on the Burlington Museums Foundation Board, the Hamilton Health Sciences Foundation Gift Planning Services Committee and is an active member of the Rotary Club of Burlington Lakeshore.



Manon Harvey (CPA,CA, ICD.D) is Director, Integrated Planning and Chief Budget Officer at the Okanagan Campus of the University of British Columbia. She was previously Vice-President of Finance and Corporate Services for the Canada Foundation for Innovation, and Director of Finance for the Children's Hospital of Eastern Ontario. A Chartered Professional Accountant and Certified Director, Ms. Harvey is a Board Member of the pharmaceutical company Medisure Inc. and is a member of the RCMP Departmental Audit Committee and served on the Retirement Plan Committee of Universities Canada until 2012 and retired from the Board of Directors for Hydro Ottawa in June 2014 after 10 years of service.



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.



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.



Gretchen Van Riesen is a pension and benefits consultant with over 40 years of pension and benefits experience. Retired in 2007 from her role as Vice President Global Pension and Benefits at CIBC, Gretchen was responsible for benefits policy and design, and pension investment and governance. Gretchen is currently a consultant to the Pension Investment Association of Canada and sits on a number of pension-related and not for profit boards, including the Board of Trustees of the Colleges of Applied Arts and Technology (CAAT) Pension Plan (2015); and the Board of the Teachers Pension Plan Corporation of Newfoundland and Labrador (2016).

AMO's Representatives to OMERS

The Ontario Municipal Retirement System (OMERS) is governed by two corporate Boards. The Sponsors Corporation (SC) is responsible for Plan design, including changes to contribution rates. The Administration Corporation (AC) is responsible for the Plan's day to day operations, including managing investment strategy, Plan valuation and benefit administration. The two Boards are made up of employee and employer representatives. AMO represented municipal employers with two members on each Board. MEPCO is the key resource and advisor to AMO's representatives.



Barry Brown (LLB) became Co-Chair of the OMERS Sponsors Corporation in 2019. He 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.



Marianne Love (LLB) is the immediate-past Co-Chair of the OMERS Sponsors Corporation (2018) and current Chair of the Sponsors Corporation Risk Oversight Committee. 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.



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 Governance and Conduct Review Committee and Chair of its 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.

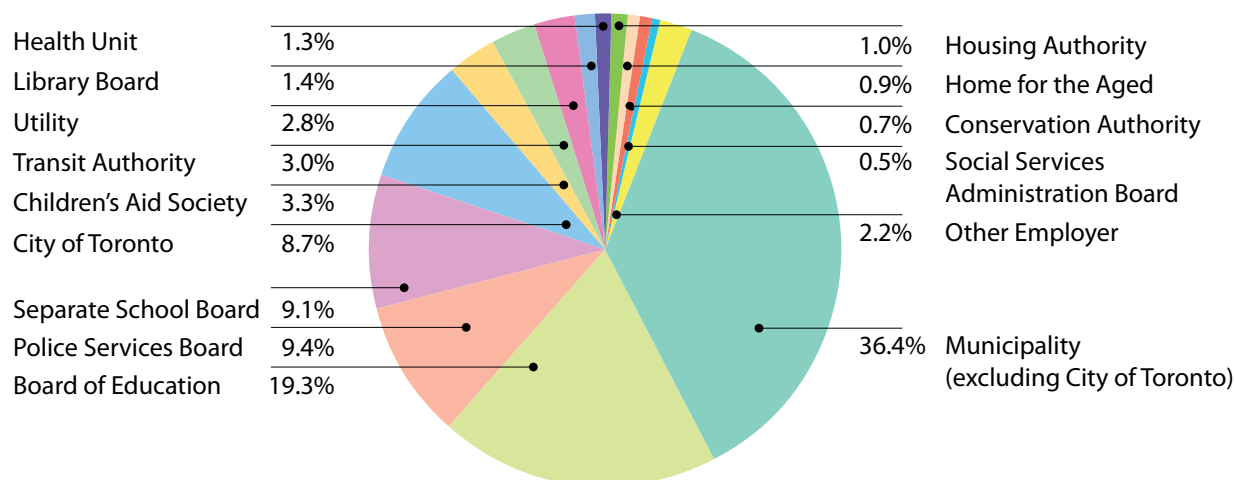


Michael Fenn (MA, AMCT) works as a management consultant. He was an Ontario Deputy Minister under three Premiers, following which he served as CEO of several Crown agencies. His municipal career included being City Manager of Burlington and later CAO of Hamilton-Wentworth Region. He has been profiled 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. On the OMERS Board, he serves on the Governance Committee and chairs the Board's Technology Committee.

Facts About OMERS

The Ontario Municipal Employees Retirement System (OMERS) was created in 1962 as the pension plan for municipal government employees in Ontario. The Plan represents close to **1,000 employers** and almost **500,000 active members, retirees and survivors**. The Plan's long-term health is fundamental to the well-being of thousands of municipal employees.

Employers Affiliation (as of December 31, 2019, OMERS Statistics)



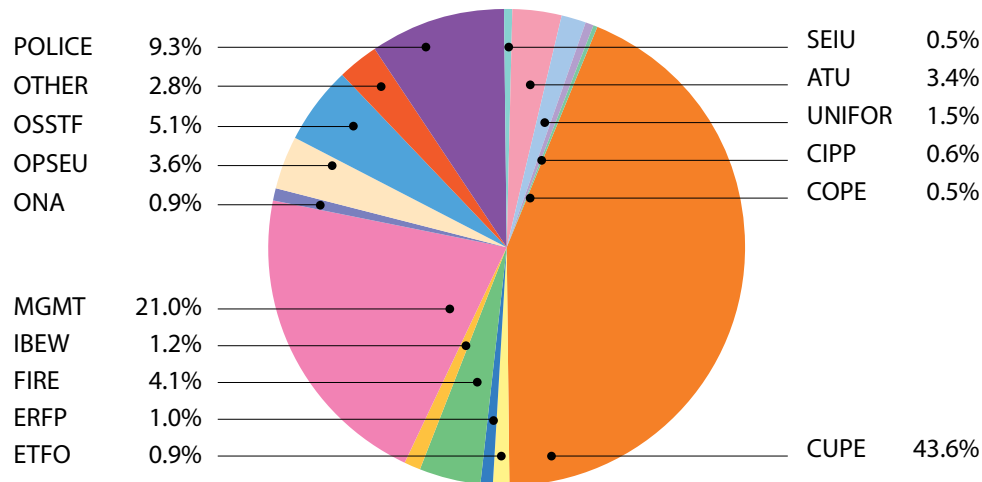
Number of Active Members in OMERS Employer Groups

EMPLOYER CATEGORY	Active Members	% of Active OMERS Members
Municipality (excluding City of Toronto)	104,016	36.4%
Board of Education	55,276	19.3%
Police Services Board	26,856	9.4%
Separate School Board	26,150	9.1%
City of Toronto	24,967	8.7%
Children's Aid Society	9,321	3.3%
Transit Authority	8,498	3.0%
Utility	8,004	2.8%
Library Board	4,029	1.4%
Health Unit	3,603	1.3%
Housing Authority	2,863	1.0%
Home for the Aged	2,464	0.9%
Conservation Authority	1,884	0.7%
Social Services Administration Boards	1,452	0.5%
Other Employer [†]	6,237	2.2%
Total Active Members (excluding members on disability waiver)	285,620	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, 2019, OMERS Statistics)



Member Affiliation Breakdown

EMPLOYER CATEGORY	Active Members	% of Active OMERS Members
CUPE – Canadian Union of Public Employees	124,552	43.6%
MGMT/NON-UNION – Management/Union Exempt/Non-Union	60,037	21.0%
POLICE – Police Associations of Ontario	26,403	9.3%
OSSTF – Ontario Secondary School Teachers' Federation	14,616	5.1%
FIRE – Ontario Professional Fire Fighters Association	11,712	4.1%
OPSEU – Ontario Public Service Employees Union	10,206	3.6%
ATU – Amalgamated Transit Union	9,707	3.4%
UNIFOR – Auto, Communications, Energy and Paper Workers Union	4,392	1.5%
IBEW – International Brotherhood of Electrical Workers	3,531	1.2%
ERFP – Educational Resource Facilitators of Peel	2,803	1.0%
ONA – Ontario Nurses Association	2,661	0.9%
ETFO – Elementary Teachers' Federation of Ontario	2,586	0.9%
CIPP – Civic Institute of Professional Personnel	1,710	0.6%
SEIU – Service Employees International Union	1,470	0.5%
COPE – Canadian Office and Professional Employees Union	1,351	0.5%
OTHER – Employee affiliations with fewer than 1,000 members each	7,883	2.8%
Total Active Members	285,620	100%

Source: www.OMERS.com

OMERS Plan Governance

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2019/2020 Sponsors Corporation Board of Directors

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

2019/2020 Administration Corporation Board of Directors

George Cooke (Chair)	
Employer Representatives	Employee Representatives
Monty Baker Ontario Association of Police Services Boards (OAPSB)	Bill Aziz Ontario Professional Fire Fighters Association (OPFFA)
David M. Beatty City of Toronto	Charlene Mueller (from April 2016) 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)	Yung Wu 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)	Paul Elliot Ontario Secondary School Teachers' Federation (OSSTF)
Penny Somerville Association of Municipalities of Ontario (AMO)	Darcie Beggs Canadian Union of Public Employees Ontario (CUPE)

**Municipal Employer Pension Centre of
Ontario**
Financial Statements
For the year ended December 31, 2019

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Independent Auditor's Report

To the Directors of Municipal Employer Pension Centre of Ontario

Opinion

We have audited the financial statements of Municipal Employer Pension Centre of Ontario ("MEPCO"), which comprise the statement of financial position as at December 31, 2019, and the statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of MEPCO as at December 31, 2019, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of MEPCO in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

The financial statements of MEPCO for the year ended December 31, 2018 were audited by another auditor who expressed an unqualified opinion on those financial statements on May 13, 2019.

Responsibilities of Management and Those Charged with Governance 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.

In preparing the financial statements, management is responsible for assessing MEPCO's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate MEPCO or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing MEPCO's financial reporting process.

BDO Canada LLP, a Canadian limited liability partnership, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms

Independent Auditor's Report (continued)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 MEPCO's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on MEPCO's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause MEPCO to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants
Mississauga, Ontario
May 11, 2020

Municipal Employer Pension Centre of Ontario

Statement of Financial Position

December 31 **2019** 2018

Assets

Current

Cash	\$ 20,413	\$ 44,230
Investments (Note 3)	896,292	867,850
Accounts receivable	6,989	1,727
Prepaid expenses	7,907	6,357
	\$ 931,601	\$ 920,164

Liabilities and Net Assets

Current

Accounts payable and accrued liabilities (Note 6)	\$ 23,940	\$ 20,952
Due to Association of Municipalities of Ontario (Note 6)	22,093	22,867
	46,033	43,819

Net assets

Internally restricted funds		
Arbitration and Mediation Reserve	445,548	495,548
Wind Up Reserve	321,893	321,893
Unrestricted	118,127	58,904
	885,568	876,345
	\$ 931,601	\$ 920,164

On behalf of the Board:

_____ Director

_____ Director

The accompanying notes are an integral part of these financial statements.

Municipal Employer Pension Centre of Ontario

Statement of Operations

For the year ended December 31	2019	2018
Revenue		
Municipal contributions	\$ 610,874	\$ 602,894
Interest income	27,031	23,525
	<u>637,905</u>	<u>626,419</u>
Expenditures		
Administrative (Note 6)	509,727	513,508
Board expense	83,214	83,256
Communications expense	23,059	24,108
Consultants expense	12,682	31,969
OMERS Sponsor Corporation Board Member Allowance	-	66,103
	<u>628,682</u>	<u>718,944</u>
Excess (deficiency) of revenue over expenditures	<u>\$ 9,223</u>	<u>\$ (92,525)</u>

The accompanying notes are an integral part of these financial statements.

Municipal Employer Pension Centre of Ontario

Statement of Changes in Net Assets

For the year ended December 31

	<u>Internally Restricted</u>			
	Arbitration and Mediation Reserve	Wind-Up Reserve	Unrestricted	Total 2019
				Total 2018
Balance, beginning of year	\$ 495,548	\$ 321,893	\$ 58,904	\$ 876,345
Excess (deficiency) of revenue over expenditures	-	-	9,223	9,223
Transfer from Arbitration and Mediation Reserve	(50,000)	-	50,000	-
Balance, end of year	\$ 445,548	\$ 321,893	\$ 118,127	\$ 885,568
				\$ 876,345

The accompanying notes are an integral part of these financial statements.

Municipal Employer Pension Centre of Ontario

Statement of Cash Flows

For the year ended December 31	2019	2018
Cash provided by (used in)		
Operating activities		
Excess (deficiency) of revenue over expenditures	\$ 9,223	\$ (92,525)
Changes in non-cash working capital balances		
Accounts receivable	(5,262)	(748)
Prepaid expenses	(1,550)	1,352
Accounts payable and accrued liabilities	2,988	(10,581)
Due to Association of Municipalities of Ontario	(774)	(1,059)
	<u>4,625</u>	<u>(103,561)</u>
Investing activity		
Redemption (purchase) of investments	<u>(28,442)</u>	<u>96,660</u>
Decrease in cash during the year	(23,817)	(6,901)
Cash, beginning of year	<u>44,230</u>	<u>51,131</u>
Cash, end of year	<u>\$ 20,413</u>	<u>\$ 44,230</u>

The accompanying notes are an integral part of these financial statements.

Municipal Employer Pension Centre of Ontario

Notes to Financial Statements

December 31, 2019

1. 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.

As a not-for-profit organization, MEPCO is exempt from income taxes provided certain requirements of the Income Tax Act (Canada) are met.

2. Significant Accounting Policies

These financial statements have been prepared in accordance with Canadian 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

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the year. Actual results could differ from those estimates.

Financial Instruments

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial instruments are reported at cost or amortized cost less impairment. Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired. Transaction costs incurred on the acquisition, sale or issue of financial instruments are expensed for those items re-measured at fair value at each statement of financial position date and charged to the financial instrument for those measured at amortized cost.

Municipal Employer Pension Centre of Ontario

Notes to Financial Statements

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2. Summary of Significant Accounting Policies (continued)

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.

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

3. Investments

	<u>2019</u>	<u>2018</u>
One Investment High Interest Savings Account (HISA) bearing interest at bank prime rate less 1.535% (2018 - bank prime rate less 1.535%).	<u>\$ 896,292</u>	<u>\$ 867,850</u>

4. Capital Management

The capital structure of MEPCO consists of internally restricted funds (Note 5) and unrestricted net assets. The primary objective of MEPCO's capital management is to provide adequate funding to fulfill the obligations of Association of Municipalities of Ontario ("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

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5. Internally Restricted Net Assets

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.

6. Related Party Transactions

- a) Amounts due to AMO are unsecured, repayable on demand and are non-interest bearing.
- b) Included in administration expense is \$468,865 (2018 - \$481,471) 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.
- c) Included in accounts payable and accrued liabilities are amounts owing to AMO of \$5,079 (2018 - \$Nil).

7. Financial Instruments Risks

On March 11, 2020, the World Health Organization declared the outbreak of the coronavirus ("COVID-19") pandemic resulting in economic uncertainties impacting MEPCO's risks. At this time, the full potential impact of COVID-19 on MEPCO is unknown.

Interest rate risk

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

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 accounts receivable from its members and investments.

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7. Financial Instruments Risks (continued)

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 accrued liabilities and amounts 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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