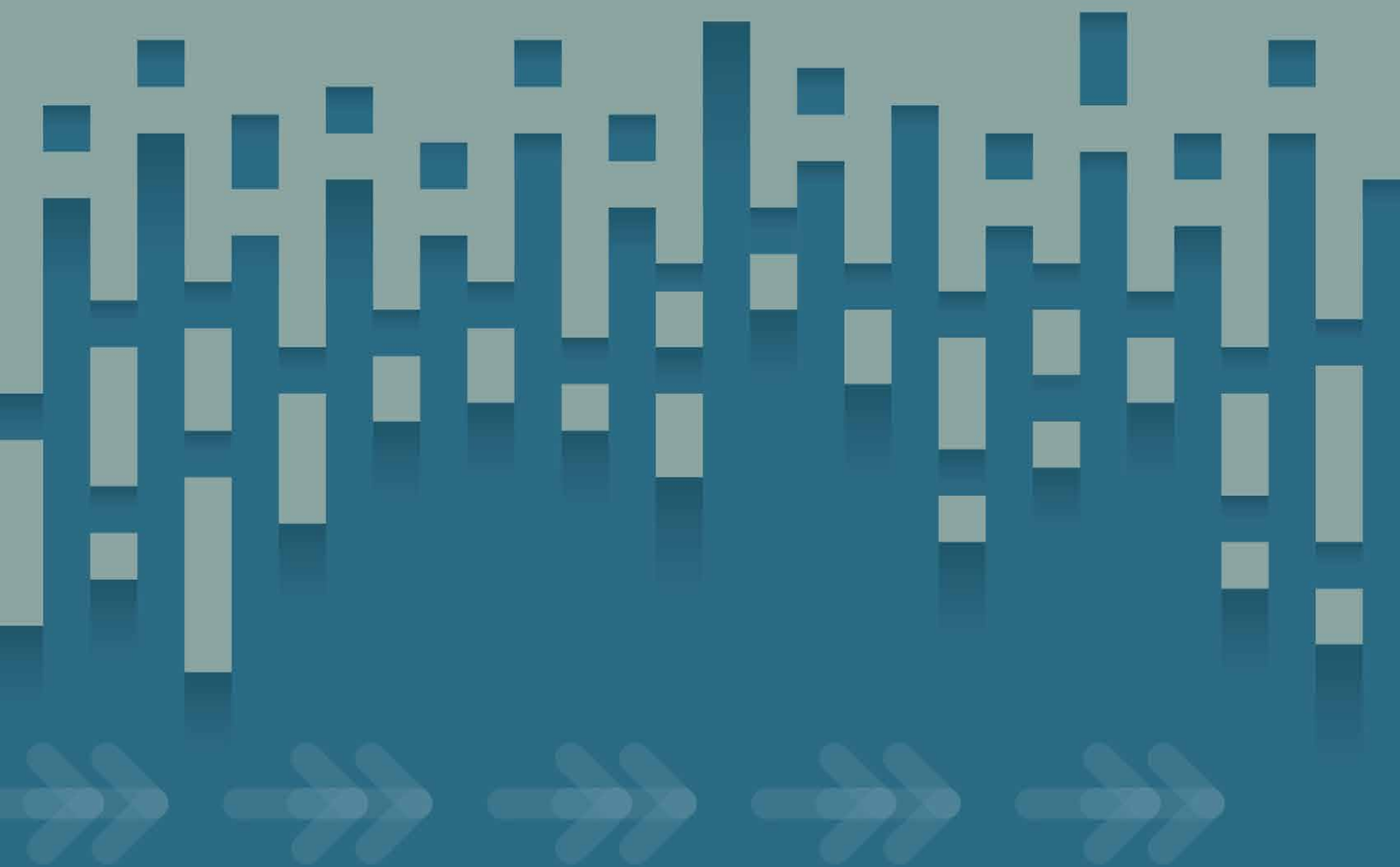




MEPCO

MUNICIPAL EMPLOYER
PENSION CENTRE ONTARIO



ANNUAL REPORT 2021

Table of Contents

Letter from the MEPCO Chair and President	3
About MEPCO	4
About OMERS	5
Key Developments in 2021 and MEPCO's Work	6
Looking Ahead to 2022	9
MEPCO Board of Directors	10
OMERS Plan Governance	11
Financial Statements	12



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Letter from the MEPCO Chair and President

AMO Member municipal governments are OMERS' largest employer group representing more than a third of active Plan members. Municipalities rely on OMERS to help attract and retain staff, and of course, thousands of municipal employees count on the Plan for retirement.

As a Plan statutory sponsor, AMO's job is to ensure it appoints highly qualified members to the OMERS Boards that determine Plan design and manage its benefit administration and investments. MEPCO provides AMO's appointees with the expertise and analysis they need to fulfil their governance responsibilities in a way that is fully informed by the unique realities and aspirations of Ontario's municipal employers. To do this work, MEPCO recruits a Board with expertise in pensions, finance, law, and municipal government. In 2021 and 2022 we welcomed five new Directors, each with unique and valuable skillsets. Visit www.mepco.ca to learn more about our Board.

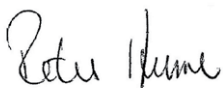
MEPCO shares OMERS' goal of achieving a healthy, sustainable pension Plan that can meet members' needs now and in the future. The onset of the pandemic in 2020 rocked global markets and contributed to poor Plan investment results. Understandably, investment performance in 2020 sparked concern amongst Plan sponsors, including AMO. In 2021 OMERS reported very good results with a net investment return of 15.7%. This is encouraging.

We know the Plan will continue to face challenges. People are living longer – spending less of their lives working and more time retired. That is a good thing, but it puts pressure on pension plans that were designed under different circumstances. Major global events, including the pandemic and climate change, continue to impact financial markets.

While much of our work happens behind the scenes, MEPCO keeps members informed about pension developments through our website, www.mepco.ca, by issuing regular newsletters, answering calls and emails from members, and delivering education sessions. In August 2022, AMO will deliver its first in-person conference since 2019 and pensions will be a key topic. MEPCO and OMERS plan to deliver a main-stage presentation to hundreds of municipal delegates. If you're attending, be sure to check it out.

Finally, we would like to thank municipal members for contributing to MEPCO. It's through these contributions that MEPCO can do its work advocating for municipal employer interests and promoting a sustainable OMERS Plan that can deliver on its pension promise.

Sincerely,



Peter Hume,
MEPCO Chair
(as of May 2021)



Brian Rosborough,
MEPCO President

About MEPCO

The Municipal Employer Pension Centre of Ontario (MEPCO) is a non-profit corporation that provides advice and resources to the Association of Municipalities of Ontario's (AMO) appointees to the OMERS corporate boards. MEPCO allows AMO to fulfil its statutory obligations as a Sponsor of the OMERS Pension Plan.

Employers and employees have a shared interest in protecting the long-term health and sustainability of the OMERS Plan. As many employee members are well represented by employee organizations, MEPCO provides the opportunity for municipal employers to pool resources and speak with one strong, well-informed voice. AMO's member municipal governments are OMERS' largest employer group, representing more than 36% of active members.

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 and resources with AMO's appointees to the OMERS Sponsors Corporation (SC) and Administration Corporation (AC) Boards. MEPCO brings the municipal perspective to OMERS-related decisions by:

- Analyzing the impact of pension issues on municipal employers.
- Evaluating every proposed Plan change.
- Providing AMO's appointees 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 appointees.
- Recruiting a strong MEPCO Board membership with a broad spectrum of expertise, including a mix of public and private sector experts and municipal officials.

Funding

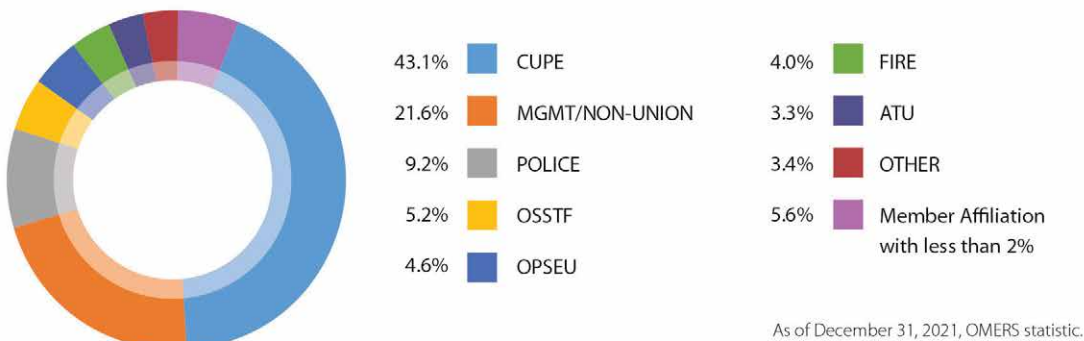
MEPCO relies entirely on voluntary contributions from municipal government employers and Ontario's district social services administration boards (DSSABs) to complete its work. All OMERS member municipalities benefit from MEPCO's work so it is reasonable to expect that they all contribute. In 2021, 343 of these organizations contributed to MEPCO.

About OMERS

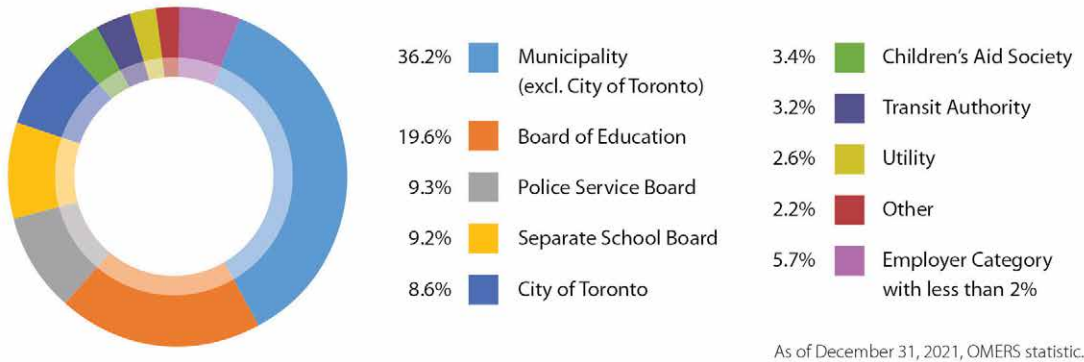
The Ontario Municipal Employees Retirement System (OMERS) is the Pension Plan for more than half a million active and retired municipal employees from communities across the province. OMERS has generated more than \$121 billion in net assets as of December 31, 2021, making it one of the largest defined benefit pension plans in Canada.

AMO's member municipal governments are OMERS' largest employer group, representing more than 36% of active Plan members in 2021¹. 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. More information about OMERS is available at www.omers.com.

Affiliation of Active OMERS Members in 2021



Employer Category of Active OMERS Members in 2021



¹ Municipal governments, excluding the City of Toronto, represented 105,958 active OMERS Plan members in 2021.

Key Developments in 2021 and MEPCO's Work

Changes to the MEPCO Board

In late 2020, the Board approved updates to the MEPCO Board of Directors Governance Policies and Procedures, including changes to the appointment process and the introduction of term limits for Directors. As a result of these updates, term limits for several members expired in 2021 and early 2022:

- Chair Doug Reycraft
- Manon Harvey
- Gretchen Van Riesen
- Barbara Hume-Wright (2022)
- Pat Moyle (2022)

These Directors served the Board since its inception, and each played a pivotal role in MEPCO's evolution. Their expertise, insight and leadership will be missed.

In February 2022 Peter Hume took on the role of Chair after more than a decade serving as Vice-Chair. As a past president of AMO, Mr. Hume knows the municipal sector well.

MEPCO welcomed five new members to the Board in 2021 and early 2022:

- Aubrey Basdeo, Head, Canadian Fixed Income at Guardian Capital LP.
- Lynn Dollin, Mayor of the Town of Innisfil and former AMO President.
- Deborah Dubenofsky, former Vice President of Finance & Administration at Wilfrid Laurier University, and former CAO at the City of Brampton.
- Fareed Amin, former Deputy Minister for several Ontario ministries, including Municipal Affairs, and former Deputy City Manager at the City of Toronto.
- Mo Lewis (CPA, CA), former CAO of the Town of Lakeshore and former interim CAO for the City of Brampton and Niagara Region.

Our new members bring unique skills and experience from the municipal and financial sectors and are strong additions to the MEPCO Board. Each was appointed for a three-year term

For more information about MEPCO's Board of Directors, including detailed bios, visit www.mepco.ca.

Investment results and OMERS Plan Governance

OMERS reported a 2021 net investment return of 15.7%, exceeding the benchmark return of 6.6%. OMERS net assets grew to \$121 billion as of December 31, 2021. These results demonstrate a significant improvement over 2020 results which reflected a net loss of 2.7%.

While the year over year improvement is encouraging, losses in 2020 sparked concerns about investment performance and plan stability. Long-term Plan investment performance is a key driver of contribution rates and pension benefits, and fluctuating results highlight the fact that positive returns one year do not guarantee positive returns the next.

In addition to market instability, Plan maturity and demographic changes remain key challenges. AMO and MEPCO have confidence in the Administration and Sponsors Corporation Boards' ability to meet these challenges and ensure that the OMERS Plan remains affordable, sustainable, and meaningful in the decades ahead. We are committed to working with all OMERS Plan sponsors to achieve this goal.

Shared Risk Indexing

Approved by the Sponsors Corporation in 2020, **Shared Risk Indexing** (SRI) gives the SC Board the ability, based on its annual assessment of the Plan's health, to assess the Plan's capacity for inflationary increases to benefits earned after December 31, 2022 and make changes as appropriate. SRI does not impact benefits earned before this date. Prior to this change, benefits were guaranteed to be fully indexed to inflation regardless of the financial impact for the Plan.

AMO and MEPCO support SRI as it provides the Plan with a sustainability lever to respond to challenges, as needed, while allowing the impact of changes to indexation levels to be shared broadly across Plan members.

Shared Risk Indexing will come into effect in 2023.

OMERS commits to sustainable investing

Climate change is a significant global challenge with major impacts on the environment, human health, and the economy. Municipal governments are often at the forefront of climate change adaption and mitigation efforts, investing in sustainable infrastructure and ensuring preparedness for extreme weather events that result in floods and other damage.

With \$121 billion in net assets globally, OMERS has the potential to make a significant contribution to a low-carbon economy. In November 2021 OMERS committed to achieving net-zero greenhouse gas emissions across its total portfolio by 2050. OMERS will build on its initial goal of 20% reduction in carbon intensity by 2025 and establish successive five-year reduction goals. To help achieve this goal, members of the AC Board receive regular reporting on OMERS sustainable investing practices and education sessions on carbon accounting, the transition to net-zero, and climate-related investment opportunities.

More details about OMERS sustainable investing practices are available in its **2021 Annual Report**.

Public Sector Accounting Board's Exposure Draft

In fall 2018, the Public Sector Accounting Board proposed revisions to accounting guidance that could require public sector employers to state their proportionate share of the net assets of pension plans in which they participate. MEPCO has been actively monitoring these proposed changes and engaging with the Public Sector Accounting Board (PSAB), OMERS, and other affected employers and unions.

With the release of the July 2021 Exposure Draft, PSAB has included provisions that MEPCO believes recognize that municipal employers participating in OMERS do not have the ability to reflect their share of liabilities and assets on their financial statements. MEPCO strongly endorses the inclusion of paragraphs .033-.035, which outline scenarios in which a public sector entity may not be able to identify its share of the pension obligation with sufficient reliability. It is our expectation that municipal employers will continue to account for their pension obligations according to the guidance for defined contribution plans.

Looking Ahead to 2022

Enrolment for non-full-time employees

On January 1, 2023, non-full-time employees will become eligible to join the Plan. In 2022, municipal employers will need to work closely with OMERS to offer enrolment to these employees. Throughout 2022 and into the future, MEPCO will work closely with OMERS to ensure that municipal employers have the resources they need to fulfill their obligations.

Keeping members informed

MEPCO will continue to keep members informed of important developments in the sector and our work throughout the year. MEPCO issues a regular e-newsletter, maintains the www.mepco.ca website, and responds to individual municipal inquiries by phone and email.

The 2022 AMO Conference will be held in Ottawa in August. Due to the COVID-19 pandemic, this is the first in-person AMO Conference since 2019. OMERS will deliver a main stage presentation, reflecting the importance of the Plan to hundreds of municipal employers in Ontario. More details will be shared as they become available.

MEPCO Board of Directors



Peter Hume
MEPCO Chair
(as of May 2021)



Deborah Dubenofsky



Fareed Amin
(appointed in May 2022)



Rick Goldring
CFP, CLU, CH.F.C.



Aubrey Basdeo
MBA



Barbara Hume-Wright
B.A., B.Ed., M. Sc., C. Dir.
(term expired in May 2022)



James C L Clark
CPA, CA, CFA



Maurice (Mo) Lewis
CPA, CA
(appointed in May 2022)



Lynn Dollin
Mayor, Town of Innisfil



Patrick Moyle
(term expired in May 2022)



Janet G. Downing
LL.B



John Skorobohacz

OMERS Plan Governance

The Ontario Municipal Employees 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 appointees from both employee and employer sponsor organizations. AMO appoints two members to each Board. MEPCO provides AMO's appointees with key resources, advice and expertise.

Sponsors Corporation Board of Directors

Employer Representatives	Employee Representatives
Barry Brown (Vice Chair) Association of Municipalities of Ontario (AMO)	Frank Ramagnano (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)	Giulia Volpe Ontario Public Service Employees Union (OPSEU)
Mary McConville Ontario Association of Children's Aid Societies (OACAS)	John Weatherup Canadian Union of Public Employees (CUPE) Local 79
Pete Derochie Ontario Catholic School Trustees' Association (OCSTA)	Sandra Sahil Ontario Secondary School Teachers' Federation (OSSTF)
Joe Pennachetti City of Toronto	Scott Marks (Appointed January 1, 2022) Retiree
Max Canazi (Appointed January 1, 2022) Electricity Distributors Association	Paul Bailey (Until December 31, 2021) Retiree
Charlie Macaluso (Until December 31, 2021) Electricity Distributors Association	

Administration Corporation Board of Directors

George L. Cooke (Chair)

Employer Representatives	Employee Representatives
Monty Baker Ontario Association of Police Services Boards (OAPSB)	Kevin Skerrett (Appointed January 1, 2022) Canadian Union of Public Employees Ontario (CUPE)
John Armstrong (Appointed January 1, 2022) City of Toronto	Paul Elliot Ontario Secondary School Teachers' Federation (OSSTF)
William (Bill) Butt Electricity Distributors' Association (EDA)	Laurie Hutchinson Ontario Public Service Employees Union (OPSEU)
Michael Fenn Association of Municipalities of Ontario (AMO)	Charlene Mueller Canadian Union of Public Employees Ontario (CUPE)
Debbie Fischer Ontario Association of Children's Aid Societies (OACAS)	Rajiv Silgado Ontario Professional Fire Fighters Association (OPFFA)
Cliff Inskip Ontario Catholic School Trustees' Association (OCSTA), and the Ontario Public School Boards' Association (OPSBA)	David Tsubouchi Retiree Organization
Penny Somerville Association of Municipalities of Ontario (AMO)	Yung Wu Police Association of Ontario (PAO)
David M. Beatty (Until December 31, 2021) City of Toronto	Darcie Beggs* (Until December 31, 2021) Canadian Union of Public Employees Ontario (CUPE)

*AMO and MEPCO express sincere condolences to the family, friends and colleagues of the late **Darcie Beggs**, a two-term member of the OMERS AC Board of Directors, who passed away in January 2022.

**Municipal Employer Pension Centre of
Ontario**
Financial Statements
For the year ended December 31, 2021

	Contents
Independent Auditor's Report	13 - 14
Financial Statements	
Statement of Financial Position	15
Statement of Operations	16
Statement of Changes in Net Assets	17
Statement of Cash Flows	18
Notes to Financial Statements	19 - 21

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, 2021, and the statements of operations, changes in net assets and cash flows for the year then ended, and notes to the financial statements including 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, 2021, and results of its 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.

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.

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.



Auditor's Responsibilities for the Audit of the Financial Statements (continued)

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
Oakville, Ontario
May 9, 2022

Municipal Employer Pension Centre of Ontario

Statement of Financial Position

December 31	2021	2020
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Assets

Current

Cash	\$ 49,336	\$ 5,546
Investments (Note 3)	916,959	936,474
Accounts receivable	21,245	21,172
Prepaid expenses	12,321	6,919
Due from Association of Municipalities of Ontario (Note 6(a))	2,071	-
	\$ 1,001,932	\$ 970,111

Liabilities and Net Assets

Current

Accounts payable and accrued liabilities (Note 6(c))	\$ 45,097	\$ 37,387
Due to Association of Municipalities of Ontario	-	5,759
	45,097	43,146

Net assets

Internally restricted funds		
Arbitration and Mediation Reserve (Note 5)	445,548	445,548
Wind Up Reserve (Note 5)	321,893	321,893
Unrestricted	189,394	159,524
	956,835	926,965
	\$ 1,001,932	\$ 970,111

On behalf of the Board:

Peter Hume Director

Lynn Dollin Director
Lynn Dollin (May 24, 2022 18:38 EDT)

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	2021	2020
Revenue		
Municipal contributions	\$ 641,303	\$ 629,228
Interest income	5,323	14,729
	<u>646,626</u>	<u>643,957</u>
Expenditures		
Administrative (Note 6(b))	498,026	498,729
Board expense	80,062	79,928
Communications expense	17,743	12,122
Consultants expense	20,925	11,781
	<u>616,756</u>	<u>602,560</u>
Excess of revenue over expenditures	\$ 29,870	\$ 41,397

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

	Internally Restricted				
	Arbitration and Mediation Reserve	Wind-Up Reserve	Unrestricted	Total 2021	Total 2020
Balance, beginning of year	\$ 445,548	\$ 321,893	\$ 159,524	\$ 926,965	\$ 885,568
Excess of revenue over expenditures	-	-	29,870	29,870	41,397
Balance, end of year	\$ 445,548	\$ 321,893	\$ 189,394	\$ 956,835	\$ 926,965

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	2021	2020
Cash provided by (used in)		
Operating activities		
Excess of revenue over expenditures	\$ 29,870	\$ 41,397
Changes in non-cash working capital balances		
Accounts receivable	(73)	(14,183)
Prepaid expenses	(5,402)	988
Accounts payable and accrued liabilities	7,710	(8,646)
Due to/from Association of Municipalities of Ontario	(7,830)	5,759
	24,275	25,315
Investing activity		
Redemption (purchase) of investments	19,515	(40,182)
Increase (decrease) in cash during the year	43,790	(14,867)
Cash, beginning of year	5,546	20,413
Cash, end of year	\$ 49,336	\$ 5,546

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

Municipal Employer Pension Centre of Ontario

Notes to Financial Statements

December 31, 2021

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.

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.

Municipal Employer Pension Centre of Ontario

Notes to Financial Statements

December 31, 2021

3. Investments

	2021	2020
One Investment High Interest Savings Account (HISA) bearing interest at bank prime rate less 1.735% (2020 - bank prime rate less 1.535%).	\$ 916,959	\$ 936,474

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.

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 from AMO are unsecured, due on demand and are non-interest bearing.
- b) Included in administration expense is \$466,704 (2020 - \$466,744) 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 \$22,962 (2020 - \$23,245).

Municipal Employer Pension Centre of Ontario

Notes to Financial Statements

December 31, 2021

7. Financial Instruments Risks

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, amounts due from AMO and investments.

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. 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.

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