



2022

Annual Report



MEPCO
MUNICIPAL EMPLOYER
PENSION CENTRE ONTARIO

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Letter from MEPCO Chair and President

MEPCO is the voice of Ontario's municipal OMERS employers. AMO's member municipal governments represent more than a third of active OMERS members and MEPCO brings the municipal employer perspective to OMERS-related decisions.

Pensions can be complicated. That's why MEPCO recruits a Board of Directors with expertise in pension administration, investments, human resources, pension legislation, actuary sciences, and municipal governance to represent municipal employers' perspectives on often-complex matters. With the advice and guidance of the MEPCO Board, AMO is able to appoint highly qualified members to the two OMERS governing Boards.

MEPCO's approach is to engage with the OMERS governing Boards and OMERS senior leadership so that they are fully informed of the perspectives and priorities of municipal employers as they administer the Plan. MEPCO shares OMERS' goal of achieving a pension plan that is affordable, sustainable and meaningful for both employees and employers.

In 2022, OMERS reported a net investment return of 4.2%. This is good news given global financial conditions. However, the funded status of the Plan dropped slightly so we know there are challenges ahead. OMERS has a plan to return to full funding by 2025, but inflation, interest rates, climate change and other factors will continue to impact markets. MEPCO knows that OMERS must meet its pension obligations to retired members, but it must also ensure that the Plan continues to be a meaningful and attractive benefit for municipal employers, current members, and future employees. MEPCO will continue to provide its best advice to OMERS and has confidence in OMERS' ability to meet the Plan's challenges.

2022 was an important year for Ontario's municipal employers as we began to emerge from the COVID-19 pandemic. Throughout the pandemic, Ontario's municipal workers kept communities running, delivering essential services that people rely on, even when many of us were staying home. MEPCO was proud to see Ontario's municipal workers recognized with the AMO Honour Roll Award at the AMO 2022 Annual General Meeting & Conference.

MEPCO is pleased to be aligned and connected with AMO's four-year Municipal Workforce Development Project to advance municipal workforce planning and support employee recruitment and retention. Compensation and benefits are a key factor for municipal employers in staff recruitment and retention, with the OMERS Plan being a substantial benefit offered by most municipal employers. MEPCO will work closely with AMO to ensure that OMERS' efforts to improve Plan sustainability are considered within the context of this project.

This Annual Report provides an overview of some of MEPCO's work completed in 2022. There is much more work to do in 2023 and we look forward to continuing to share updates on important pension matters.

Sincerely,



Lynn Dollin
MEPCO Chair (as of February 2023)



Brian Rosborough
AMO Executive Director & MEPCO President

The Value of MEPCO Membership

MEPCO relies on voluntary contributions from municipal governments and Ontario's district social services administration boards to complete its work. Since all OMERS-participating municipalities benefit from MEPCO's work, it is reasonable to expect that they all contribute, and most do. Your support of MEPCO is essential to the success of the OMERS Plan.

MEPCO was created in 2007 when OMERS was transitioned into a jointly-sponsored pension plan. AMO is named in the Ontario Municipal Employees Retirement System Act, 2006 as a plan sponsor on behalf of municipal employers and holds two seats on each of OMERS' governing Boards. MEPCO was established as a separate corporation to support AMO in fulfilling its statutory obligations for two key reasons:

1. Not all AMO member municipalities have employees enrolled in the OMERS Plan, so a separate structure ensures OMERS-related activities are tailored to those who are OMERS-participating employers.
2. Pension matters require technical advice and resources, so the MEPCO Board is made up of individuals with expert pension knowledge and experience.

Through MEPCO, we ensure that the municipal employer perspective influences the governance and the administration of the \$124 billion OMERS Plan. We know that OMERS is important to you and to your employees. MEPCO's top priority is to make sure the OMERS Plan is affordable, sustainable, and meaningful.

As many employee members are represented by labour unions and other employee organizations on OMERS governing Boards, MEPCO provides the opportunity for municipal employers to pool resources and speak with one strong, well-informed voice.

In 2022, 345 of these organizations contributed to MEPCO. Thank you to our members for enabling us to continue to do important work.



About MEPCO

MEPCO's job is to provide AMO's appointees to the OMERS governing boards with the pension, actuarial, legal, and municipal expertise and resource they need to fulfil their responsibilities in a way that fully considers the realities and aspirations of Ontario's municipal employers.

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.

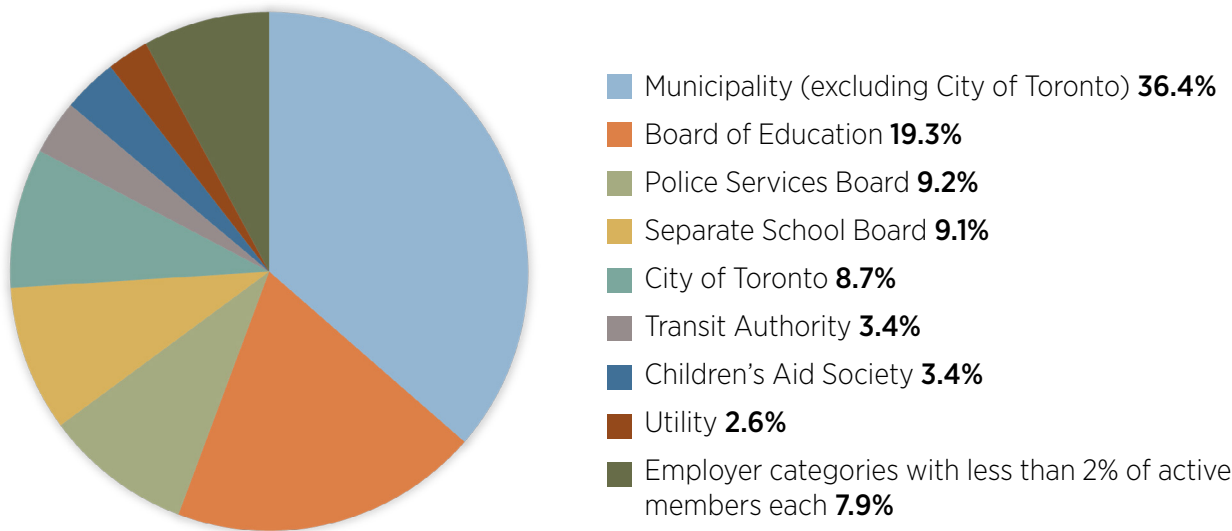


About OMERS

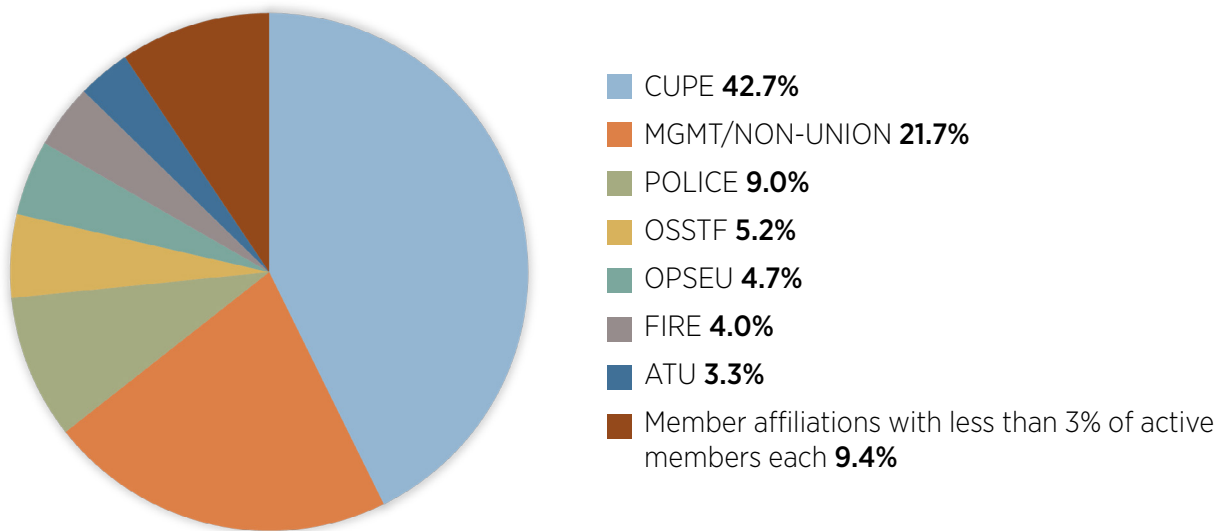
The [Ontario Municipal Employees Retirement System \(OMERS\)](#) is one of the largest defined benefit pension plans in Canada representing more than 500,000 active members, retirees, and survivors. OMERS is governed by two corporate Boards. The Sponsors Corporation (SC) is responsible for Plan design, including changes to contribution rates, and the OMERS Administration Corporation (AC) manages the Plan’s day to day operations, including investment strategy, Plan valuation, and pension 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.

AMO’s member municipal governments are OMERS’s largest employer group, representing more than 36% of active Plan members in 2022 .

Employer Category of Active OMERS Members in 2022



Affiliation of Active OMERS Members in 2022



Key Developments in 2022 and MEPCO's Work

Enrolment in the Plan for non-full-time employees

On January 1, 2023, employees who work less than a full work week, or fewer than 12 months a year – what we call “non-full-time” – became eligible to join the OMERS Plan. Previously, NFT employees were required to meet certain eligibility rules before enrolling in the OMERS Plan.

OMERS continues to share key information with municipal employers throughout the transition to NFT employee eligibility. MEPCO ensured that municipal employers were kept up to date on available resources for municipal employers, including issuing a newsletter in November 2022.

Municipal employers are encouraged to visit the [OMERS website](#) for more information about NFT enrolment, including FAQs which are updated as needed.

OMERS' commitment to sustainable investing

Climate change is a major, defining challenge for the world and municipal governments are on the front line of Canada's climate change mitigation and adaptation responses. OMERS has committed to [sustainable investing](#), a practice where environmental, social, and governance (ESG) factors are integrated into investment decisions.

On environmental factors, the climate crisis continues to pose significant challenges globally, with impacts on our planet, human health, and the economy. MEPCO understands that municipal governments are uniquely impacted by climate change, including the need to build infrastructure that can stand up to changing weather patterns, and to adapt existing infrastructure for long-term sustainability. MEPCO received several letters from municipal governments in 2022 inquiring about municipal pension investments and the climate crisis.

In 2021, OMERS announced its goal to reach net-zero greenhouse gas emissions across the total portfolio by 2050 and set an initial goal of 20% reduction in carbon intensity by 2025.

In 2022, OMERS reported that it had reduced the portfolio's carbon intensity by 32% compared to 2019 levels, surpassing the 2025 goal of a 20% reduction. OMERS has set a target of achieving a 50% reduction in greenhouse gas emissions by 2030.

AMO's appointees to the OMERS Boards provide regular updates to MEPCO related to sustainable investing progress. MEPCO will continue to keep members informed on this matter. Members are encouraged to visit [OMERS' dedicated resource on sustainable investing](#) for more information.

Enhancements to the Canada Pension Plan and OMERS

Starting in 2019, the Canada Pension Plan (CPP) is being gradually enhanced. From 2019 to 2025, a series of changes to contribution rates for employees and employers and new earnings limits will provide additional retirement benefits to Canadian workers. MEPCO believes that OMERS' benefits provisions should be reviewed against emerging trends and developments. In 2022, MEPCO analyzed the potential implications of these changes to the OMERS Plan and invited members of the OMERS governing Boards to a presentation from MEPCO's actuarial consultant to understand the options OMERS might consider as these enhancements are introduced.

OMERS CEO addresses delegates at 2022 AMO Conference

In August 2022, AMO hosted its first in-person Conference since 2019. Blake Hutcheson, President and CEO of OMERS delivered an update on the main stage. Mr. Hutcheson discussed the state of the OMERS Plan and the strategy to ensure that it remains affordable, sustainable and meaningful for the years ahead. Video of the presentation is available on [AMO's YouTube page](#).



Looking Ahead to 2024

AMO's Municipal Workforce Development Project

In late 2022, the AMO Board of Directors initiated its Municipal Workforce Development Project with a commitment of up to \$1 million. This four-year project will bring together municipal leaders with experts from other sectors to take a closer look at the needs of Ontario's municipal workforce. As the demographics of our workforce change, many sectors, including municipal governments, are feeling the impact.

This project will advance workforce planning for the municipal sector which involves analyzing, forecasting, and planning workforce needs and determining interventions to ensure that municipal employers can attract and retain employees who will continue to deliver services that residents use every day.

The Workforce Development Project will:

- Aim to understand the current and future workforce needs of Ontario's municipal employers.
- Work with municipal governments, the provincial government, and post-secondary education partners to create training and education programs that support municipal workforce needs.
- Work with municipal employers to implement recruitment and retention initiatives.

AMO will work closely with MEPCO and OMERS on this project. The demographic challenges facing OMERS in its goal to improve Plan sustainability also apply to municipal employers. For OMERS, this represents a challenge to meet benefits obligations with fewer contributing members. For municipal employers, a large cohort of employees are eligible to retire over the coming years and municipalities are faced with an impending leadership, knowledge, and skills gap.

Stay tuned for updates as this project progresses over the next three years.

OMERS Plan risk assessment

The OMERS SC regularly reviews the OMERS Plan to see if changes are needed or wanted by the Plan sponsors and stakeholders. In 2023, SC management will engage in Plan risk assessment conversations with sponsors and stakeholders to discuss the long-term sustainability of the Plan. The SC Board has already committed that there will be no changes to contributions or benefits in 2023, 2024 or 2025.

MEPCO will participate in these consultations to provide the municipal employer perspective. MEPCO agrees that the Plan should be periodically assessed against emerging trends and developments. Municipal employers expect OMERS to consider municipal financial and human resources, environment and social governance factors, and intergenerational equity between retired, current, and future Plan members.

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 [2023 AMO Conference](#) will be held in London, Ontario in August and MEPCO is planning to host an education session for delegates.

MEPCO Board of Directors



Lynn Dollin, MEPCO Chair
Mayor, Town of Innisfil



Janet G. Downing
LL.B



Peter Hume, Outgoing MEPCO Chair
(term expired March 2023)



Deborah Dubenofsky



Fareed Amin



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



Aubrey Basdeo
MBA



Maurice (Mo) Lewis
CPA, CA



James C L Clark
CPA, CA, CFA

OMERS Plan Governance

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 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 (Chair) Association of Municipalities of Ontario	Dan Axford (Vice Chair) Police Association of Ontario
Max Canazi Electricity Distributors Association	Scott Marks Retiree
Gary Cubitt (appointed January 1, 2023) Association of Police Services Boards	Domenic Maugeri CUPE Local 79
Pete Derochie Ontario Catholic School Trustees Association	Frank Ramagnano Ontario Professional Fire Fighter's Association
Marianne Love Association of Municipalities of Ontario	Sandra Sahil Ontario Secondary School Teachers' Federation
Mary McConville Ontario Association of Children's Aid Societies	Giulia Volpe Ontario Public Service Employees Union
Joe Pennachetti City of Toronto	John Weatherup Canadian Union of Public Employees Ontario

Administration Corporation Board of Directors

George L. Cooke, Chair

Employer Representatives	Employee Representatives
John Armstrong City of Toronto	Paul Elliot Ontario Secondary School Teachers' Federation
Monty Baker Ontario Association of Police Services Boards	Karen Figueiredo Ontario Public Service Employees Union
William (Bill) Butt Electricity Distributors' Association	Rajiv Silgado Ontario Professional Fire Fighter's Association
Michael Fenn Association of Municipalities of Ontario	Kevin Skerrett Canadian Union of Public Employees
Cliff Inskip Ontario Catholic School Trustees' Association, and the Ontario Public School Boards' Association	David Tsubouchi Retiree Organization
Diane A. Kazarian Ontario Association of Children's Aid Societies	Yung Wu Police Association of Ontario
Penny Somerville Association of Municipalities of Ontario	

*MEPCO thanks the Town of Innisfil for contributing
photos to this Annual Report.*

**Municipal Employer Pension Centre of
Ontario**
Financial Statements
For the year ended December 31, 2022

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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, 2022, 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, 2022, 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 15, 2023

Municipal Employer Pension Centre of Ontario

Statement of Financial Position

December 31 **2022** 2021

Assets

Current

Cash	\$ 41,510	\$ 49,336
Investments (Note 3)	1,016,720	916,959
Accounts receivable	23,664	21,245
Prepaid expenses	795	12,321
Due from Association of Municipalities of Ontario (Note 6(a))	-	2,071
	\$ 1,082,689	\$ 1,001,932

Liabilities and Net Assets

Current

Accounts payable and accrued liabilities (Note 6(c))	\$ 53,680	\$ 45,097
Due to Association of Municipalities of Ontario (Note 6(a))	1,310	-
	54,990	45,097

Net assets

Internally restricted funds		
Arbitration and Mediation Reserve (Note 5)	445,548	445,548
Stabilization Reserve (Note 5)	321,893	321,893
Unrestricted	260,258	189,394
	1,027,699	956,835
	\$ 1,082,689	\$ 1,001,932

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	2022	2021
Revenue		
Municipal contributions	\$ 645,692	\$ 641,303
Interest income	28,281	5,323
	<u>673,973</u>	<u>646,626</u>
Expenditures		
Administrative (Note 6(b))	478,232	498,026
Board expense	82,122	80,062
Communications expense	9,742	17,743
Consultants expense	33,013	20,925
	<u>603,109</u>	<u>616,756</u>
Excess of revenue over expenditures	\$ 70,864	\$ 29,870

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	Stabilization Reserve	Unrestricted	Total 2022	Total 2021
Balance, beginning of year	\$ 445,548	\$ 321,893	\$ 189,394	\$ 956,835	\$ 926,965
Excess of revenue over expenditures	-	-	70,864	70,864	29,870
Balance, end of year	\$ 445,548	\$ 321,893	\$ 260,258	\$ 1,027,699	\$ 956,835

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	2022	2021
Cash provided by (used in)		
Operating activities		
Excess of revenue over expenditures	\$ 70,864	\$ 29,870
Changes in non-cash working capital balances		
Accounts receivable	(2,419)	(73)
Prepaid expenses	11,526	(5,402)
Accounts payable and accrued liabilities	8,583	7,710
Due to/from Association of Municipalities of Ontario	3,381	(7,830)
	<u>91,935</u>	<u>24,275</u>
Investing activity		
Redemption (purchase) of investments	<u>(99,761)</u>	<u>19,515</u>
Increase (decrease) in cash during the year	(7,826)	43,790
Cash, beginning of year	<u>49,336</u>	<u>5,546</u>
Cash, end of year	<u>\$ 41,510</u>	<u>\$ 49,336</u>

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

Municipal Employer Pension Centre of Ontario

Notes to Financial Statements

December 31, 2022

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, 2022

3. Investments

	2022	2021
ONE Investment High Interest Savings Account (HISA) bearing interest at bank prime rate less 2.235% (2021 - bank prime rate less 1.735%).	\$ 1,016,720	\$ 916,959

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.

Stabilization Reserve

The Board has set aside funds to ensure continued operations in case of significant interruptions, difficult economic conditions, or in meeting unforeseen obligations. 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/from AMO are unsecured, due on demand and are non-interest bearing.
- b) Included in administration expense is \$443,280 (2021 - \$466,704) 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 \$34,506 (2021 - \$22,962).

Municipal Employer Pension Centre of Ontario

Notes to Financial Statements

December 31, 2022

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, and 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.



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