

# 2023

## Annual Report



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## Letter from MEPCO Chair and President

In 2023, MEPCO continued to deliver on its mission to give municipal employers a strong, and effective voice in the governance and administration of the OMERS Pension Plan.

MEPCO provides AMO with expertise to advocate for a sustainably funded pension plan and to prevent escalating employer costs. Our Board members represent municipal employers' perspectives based on their wide breadth of knowledge and deep experience in relevant fields.

The MEPCO Board welcomed three new members in 2023. Janice Baker brings to the Board 35 years of experience in municipal management, including City Manager for the City of Mississauga and the CAO of Peel Region. Parry Sound Mayor Jamie McGarvey similarly offers insights from decades of service on municipal council. Laura Newman is a seasoned actuary with depth in pension management.

The MEPCO Board provides AMO with advice and guidance to appoint highly qualified members to the two OMERS governing boards. We would like to thank Marianne Love for her decades of service as an AMO representative on the OMERS Sponsors Corporation (SC) Board and the predecessor OMERS Board. On December 31, 2023, Marianne wrapped up her term after dedicating 25 years to strengthening the pension plan. Thousands of municipal employees and pensioners are better off for it.

### Securing the Plan for the Future

OMERS reported a net investment return of 4.6% for 2023, representing \$5.3 billion of net investment income. These are strong results, bringing the Plan's funded status up to 97%.

While an improvement from 2022, our population and workforce continue to age and change. There are now nearly as many retirees receiving pensions as there are active members contributing to the OMERS Plan. Investment returns will continue to be critical to bring the plan back to full funding.

In 2023, MEPCO participated in the OMERS Plan Risk Assessment, to review the Plan's resilience to future risk and uncertainty. This is sound management practice. MEPCO emphasized that municipal employers continue to support an OMERS defined-benefit pension plan which is sustainable and affordable for both employers and employees and delivers meaningful retirement benefits. MEPCO also encouraged the SC to carefully consider the principle of intergenerational fairness in its deliberations.

MEPCO believes that the path to long-term plan sustainability lies with flexible tools and policy levers. Tools like shared-risk indexing mean the SC Board can determine whether to apply inflationary increases to benefits as the financial health and funded status of the plan allows. This tool only applies to benefits earned after January 1, 2023, so previous years' benefits have full inflation protection.

OMERS provides more than just financial security for member employees. It improves quality of life, is an important employer recruitment tool, and contributes substantially to the provincial economy. On behalf of AMO and MEPCO, we would like to thank the organizations who contribute and support this important work to support OMERS and the serve municipal governments.



Sincerely,  
Lynn Dollin  
MEPCO Chair (as of February 2023)



Brian Rosborough  
AMO Executive Director & MEPCO President



## MEPCO Board of Directors



**Lynn Dollin**  
MEPCO Chair  
Mayor, Town of Innisfil



**Janet G. Downing**  
LL.B.



**Fareed Amin**



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



**Janice Baker**  
FCPA, FCA, ICD.D



**Jamie McGarvey**  
Mayor, Town of Parry Sound



**Aubrey Basdeo**  
MBA



**Laura Newman**  
FCIA, FSA



**James C L Clark**  
CPA, CA, CFA



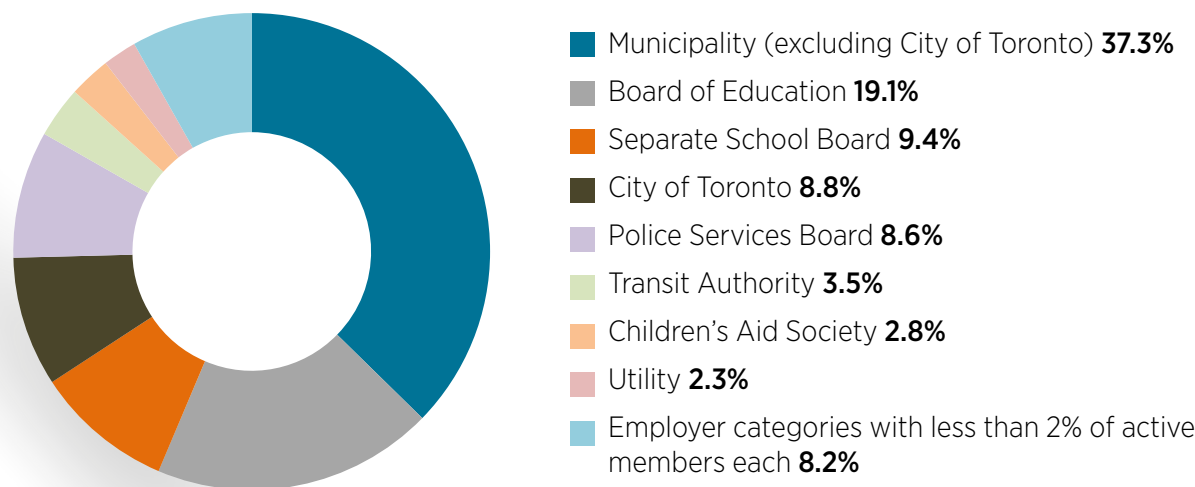
**Maurice (Mo) Lewis**  
CPA, CA

# About OMERS

The [Ontario Municipal Employees Retirement System \(OMERS\)](#) Ontario Municipal Employees Retirement System (OMERS) is one of the largest defined benefit pension plans in Canada with more than 1,000 participating employers and more than 600,000 active, deferred and retired members. 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 and nominees from both employee and employer sponsor organizations. AMO appoints two members to the SC and nominates two members to the AC. 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 37% of active Plan members in 2023 . AMO’s work also benefits municipal agencies that do not have their own representatives on OMERS’ boards. This includes libraries, municipal long-term care, health units, housing and more.

## Employer Category of Active OMERS Members in 2023



## The OMERS Governing Boards

The OMERS Sponsors Corporation and OMERS Administration Corporation each have a separate and distinct mandate.

**The Sponsors Corporation (SC)** is responsible for the “ABCs” of the Plan: appointments to both Boards, reviewing and setting the Plan’s benefits, and reviewing and setting contribution levels for employers and employees.

*AMO appoints two members to the SC.*

**The Administration Corporation (AC)** is responsible for the overall administration of the Plan: providing pension services, communicating to employers and employees about Plan administration, making and monitoring investment decisions, and fulfilling regulatory requirements for pension plans such as conducting and filing plan valuations.

*AMO nominates two members to the AC.*

## The Value of MEPCO Membership

MEPCO is the voice of municipal employers on OMERS matters, serving an important advisory role to AMO in its role as a Plan sponsor. MEPCO provides AMO's representatives on the OMERS governing boards with pension, actuarial, legal, and municipal expertise and resources to fulfil their responsibilities effectively on behalf of many Ontario municipal sector 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.
- Taking part in the selection process for AMO's appointees and nominees to the OMERS governing boards.
- Keeping MEPCO members informed by issuing regular updates.
- Recruiting a strong MEPCO Board membership with expertise in pensions, investments, actuarial science, law, human resources, and municipal administration.

MEPCO relies on voluntary contributions from municipal governments and Ontario's district social services administration boards to complete its work. This support benefits all OMERS-participating municipalities, and all are asked to provide their fair share to support this essential work.

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. The MEPCO Board is made up of individuals with expert pension knowledge and experience to ensure AMO and its representatives have appropriate technical advice and resources.

Through MEPCO, we ensure that the municipal employer perspective helps shape the governance and administration of the OMERS Plan. We know that OMERS is important to you and 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 2023, 350 organizations contributed to MEPCO to support pension-related activities that benefit OMERS-participating employers.**

# Key Developments in 2023 and MEPCO's Work



## New MEPCO Board members

MEPCO was pleased to welcome three new members to the MEPCO Board in early 2023, replacing longtime members whose terms had expired.

- **Janice Baker** has more than 35 years of experience in municipal government, serving as City Manager and Chief of Administrative Officer (CAO) for the City of Mississauga and CAO for the Region of Peel. She has spent her career helping to build communities and in various leadership roles, including serving as President of the Canadian Association of Municipal Administrators.
- **Jamie McGarvey** is the Mayor of Parry Sound and past AMO President. He served as a local councillor for 29 years before being elected Mayor in 2010 and has significant experience working with municipal, provincial and federal officials on local and province-wide matters.
- **Laura Newman** is an actuary with more than 30 years of experience, including several leadership roles at Willis Towers Watson (WTW), where she focused on employee engagement and managing the operational aspects of the business.



## OMERS reports 4.6% net investment return for 2023

OMERS reported a net investment return of 4.6% for 2023, representing \$5.3 billion of net investment income. These are strong results, bringing the Plan's funded status to 97%, up from 95% in 2022. As our population ages and the workforce continues to change, there are now almost as many retired members receiving pensions as there are active members contributing to OMERS. This highlights the strong reliance on investment returns to achieve a fully funded pension plan, and the importance of prudent investment decisions. As a Plan sponsor, AMO's role is to appoint and nominate highly qualified people to the OMERS boards so that they can fulfil their responsibilities in a way that fully considers the realities and aspirations of Ontario's municipal employers.



## 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 – known as “non-full-time” – became eligible to join the OMERS Plan. This Plan change removed eligibility rules for non-full-time (NFT) employees interested in joining OMERS. OMERS provided resources and information to employers to assist with the administration of this change, and to NFTs to help them understand their options.



## OMERS delivers an update at the 2023 AMO Conference

Senior OMERS staff delivered an update to delegates at the 2023 AMO Conference held in London. With more than 2,000 attendees, the AMO Conference provides an excellent opportunity to reach municipal officials and staff from across Ontario. Presentation topics included the integration of Environmental, Social and Governance (ESG) factors into OMERS investment strategy, and the development of an OMERS Climate Action Plan. The Climate Action Plan was released in September 2023 and outlines OMERS approach to achieving net zero carbon emissions in the Plan's investment portfolio and operations by 2050.

# Financial Statements

**Municipal Employer Pension Centre of  
Ontario**  
**Financial Statements**  
For the year ended December 31, 2023

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## Independent Auditor's Report

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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, 2023, 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, 2023, and its 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  
September 18, 2024

# Municipal Employer Pension Centre of Ontario

## Statement of Financial Position

**December 31** **2023** 2022

### Assets

#### Current

Cash	\$ 105,234	\$ 41,510
Investments (Note 3)	1,065,385	1,016,720
Accounts receivable	30,673	23,664
Prepaid expenses	24,554	795
	\$ 1,225,846	\$ 1,082,689

### Liabilities and Net Assets

#### Current

Accounts payable and accrued liabilities (Note 6(c))	\$ 48,815	\$ 53,407
Deferred revenue	55,736	273
Due to Association of Municipalities of Ontario (Note 6(a))	195	1,310
	104,746	54,990

#### Net assets

Internally restricted funds		
Arbitration and Mediation Reserve (Note 5)	445,548	445,548
Stabilization Reserve (Note 5)	321,893	321,893
Unrestricted	353,659	260,258
	1,121,100	1,027,699
	\$ 1,225,846	\$ 1,082,689

On behalf of the Board:

Lynn Dollin  
Lynn Dollin (Sep 17, 2024 14:53 EDT)

Director

James Clark  
James Clark (Sep 19, 2024 17:11 EDT)

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	2023	2022
<b>Revenue</b>		
Municipal contributions	\$ 654,586	\$ 645,692
Interest income	65,946	28,281
	<b>720,532</b>	673,973
<b>Expenditures</b>		
Administrative (Note 6(b))	495,147	478,232
Board expense	109,444	82,122
Communications expense	10,540	9,742
Consultants expense	12,000	33,013
	<b>627,131</b>	603,109
<b>Excess of revenue over expenditures</b>	<b>\$ 93,401</b>	<b>\$ 70,864</b>

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 2023	Total 2022
<b>Balance</b> , beginning of year	\$ 445,548	\$ 321,893	\$ 260,258	\$ 1,027,699	\$ 956,835
Excess of revenue over expenditures	-	-	93,401	93,401	70,864
<b>Balance</b> , end of year	\$ 445,548	\$ 321,893	\$ 353,659	\$ 1,121,100	\$ 1,027,699

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	2023	2022
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Excess of revenue over expenditures	\$ 93,401	\$ 70,864
Changes in non-cash working capital balances		
Accounts receivable	(7,009)	(2,419)
Prepaid expenses	(23,759)	11,526
Accounts payable and accrued liabilities	(4,592)	8,310
Deferred Revenue	55,463	273
Due to/from Association of Municipalities of Ontario	(1,115)	3,381
	<u>112,389</u>	91,935
<b>Investing activity</b>		
Purchase of investments	<u>(48,665)</u>	(99,761)
<b>Increase (decrease) in cash during the year</b>	<b>63,724</b>	<b>(7,826)</b>
<b>Cash, beginning of year</b>	<u>41,510</u>	49,336
<b>Cash, end of year</b>	<u><b>\$ 105,234</b></u>	<u><b>\$ 41,510</b></u>

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

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# Municipal Employer Pension Centre of Ontario

## Notes to Financial Statements

**December 31, 2023**

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### **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.

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### **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. Deferred revenue relates to contributions received in advance. All other contributions are recognized in the period received.

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

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## Municipal Employer Pension Centre of Ontario Notes to Financial Statements

**December 31, 2023**

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### 3. Investments

	2023	2022
ONE Investment High Interest Savings Account (HISA) bearing interest at bank prime rate less 1.735% (2022 - bank prime rate less 2.235%).	<b>\$ 1,065,385</b>	<b>\$ 1,016,720</b>

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### 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.

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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.

#### 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.

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### 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 \$452,074 (2022 - \$443,280) 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 \$26,169 (2022 - \$34,506).



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## Municipal Employer Pension Centre of Ontario

### Notes to Financial Statements

**December 31, 2023**

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#### **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 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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#### **8. Comparative Figures**

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year.



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