

MEPCO

MUNICIPAL EMPLOYER
PENSION CENTRE ONTARIO

2024

ANNUAL REPORT



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Letter from the Chair and President

In 2024, the Municipal Employer Pension Centre of Ontario (MEPCO) continued to provide pension expertise and advice to the Association of Municipalities of Ontario (AMO) to fulfill its role as an OMERS Plan sponsor on behalf of municipal employers. This role includes advocating for a sustainably funded pension plan and supporting effective pension governance through the recruitment for OMERS' two governing boards. MEPCO also helped shape AMO's response on key pension and economic issues, reinforcing its commitment to sound pension oversight.

OMERS reported a net investment return of 8.3% in 2024, bringing net assets to \$138.2 billion and the Plan's funded status up to 98%. There are now nearly as many retirees receiving pensions as there are active members contributing to the OMERS Plan, so strong investment returns are critical to ensure OMERS can meet pension obligations while returning the Plan to full funding.

In late 2024, then Minister of Municipal Affairs and Housing, Paul Calandra, notified OMERS that the Province would conduct a governance review of the Plan. Some Plan sponsors were calling for such a review after the OMERS Sponsors Corporation completed a regular contribution rate review and identified that lower-paid Plan members were subsidizing the retirement benefits of higher-paid Plan members.

The SC Board adjusted the contribution rates to reallocate the financial burden in a more equitable way effective January 2027. AMO and MEPCO supported these adjustments and believe that the SC Board's ability to identify and respond to this inequity reflects a governance model that can and does work in the interests of the diverse groups of employers and Plan members.

While MEPCO did not see the need for the governance review, it is participating on behalf of AMO and municipal employers. MEPCO will update municipal employers on the outcome of the review and what it means for the Plan and municipal interests.

The OMERS Plan is not only key to supporting the recruitment and retention of municipal employees, but also important to Ontario's overall economic wellbeing. One in 20 Ontarians are members of the OMERS Plan and OMERS retirees contribute nearly \$14 billion to the provincial economy every year. As municipal employers, we can be proud of a pension Plan that supports our employees and our local economies.

On behalf of the municipal sector, MEPCO wants to sincerely thank Barry Brown who served on the OMERS Sponsors Corporation Board and Michael Fenn who served on the OMERS Administration Corporation Board for their service and contributions. Barry and Michael completed their terms on December 31, 2024.

Sincerely,



Lynn Dollin
MEPCO Chair



Lindsay Jones
AMO Executive Director & MEPCO President

MEPCO Board of Directors



Lynn Dollin

MEPCO Chair
Mayor, Town of Innisfil



Maurice (Mo) Lewis

CPA, CA



Fareed Amin



Jamie McGarvey

Mayor, Town of Parry Sound



Janice Baker

FCPA, FCA, ICD.D



Gary McNamara

Mayor, Town of Tecumseh



Aubrey Basdeo

MBA



Nancy Mudrinic



Meeta Gandhi



Laura Newman,

FCIA, FSA



Rick Goldring

CFP, CLU, CH.F.C.



Scott Perkin

LL.B, ICD.D

About OMERS

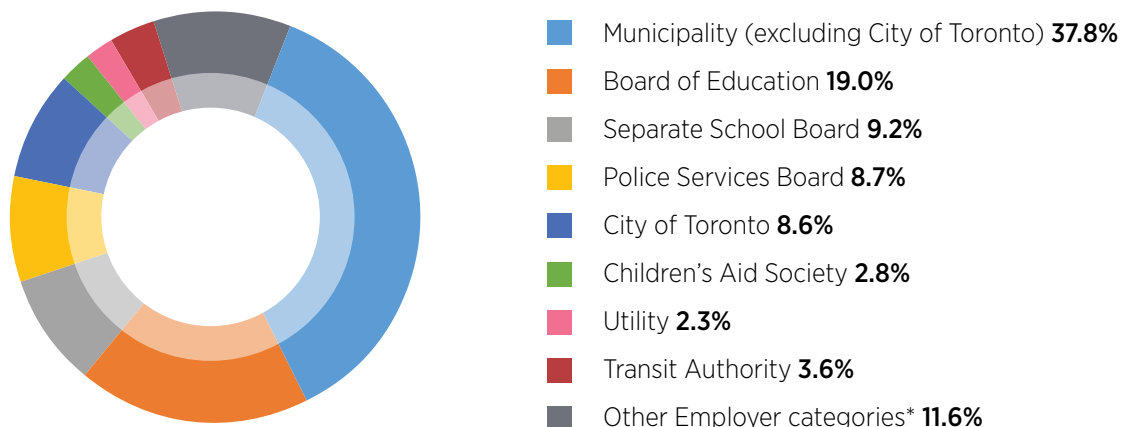
The [Ontario Municipal Employees Retirement System \(OMERS\)](#) is one of the largest defined benefit pension plans in Canada with more than 1,000 participating employers and more than 600,000 active, deferred and retired members.

OMERS is governed by two corporate Boards comprised of appointees and nominees from both employee and employer sponsor organizations.

- The Sponsors Corporation (SC) is responsible for appointments to both Boards, benefit reviews, and 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.

Almost 80% of employee members are represented by labour unions. AMO is the legislated OMERS Plan sponsor on behalf of municipal employers. AMO's member municipal governments form OMERS' largest employer group, representing nearly 38% of active Plan members in 2024.¹ Municipal governments also fund other organizations that employ Plan members, such as police services boards, conservation authorities and libraries.

Active OMERS Members by Employer Category in 2024



*Library Boards, Health Units, Housing Authorities, Municipal Long-Term Care Homes, Conservation Authorities, Social Services Administration Boards, and others.

¹Municipal governments, excluding the City of Toronto, represented 132,105 active OMERS Plan members in 2024.

The Value of MEPCO Membership

MEPCO aims to ensure that the OMERS Plan is strong, healthy and sustainable, so that it can deliver on its pension promise to municipal employees and employers for years to come.

AMO is named in provincial legislation 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.

MEPCO's work is guided by the MEPCO Pension Platform. This document lays out core principles to ensure MEPCO's advocacy promotes a plan that is affordable, sustainable, and centered on municipalities. It shapes MEPCO's advocacy around the three main levers in managing a pension Plan: benefits, contributions, and investments.

MEPCO is funded by municipal contributions, which create a pool of resources to support pension-related activities that benefit participating employers. This support benefits all OMERS-participating municipalities, and all are asked to provide their fair share to support this essential work.

MEPCO is governed by a Board of Directors with expertise in pensions, investments, actuarial science, law, human resources, and municipal administration. MEPCO provides advice to AMO as Plan sponsor, to the individuals AMO appoints to the OMERS Boards, and to OMERS senior leadership in their day-to-day administration of the Plan.

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.

What does MEPCO do for AMO?

- Analyzes impact of pension matters on municipal employers.
- Evaluates all proposed Plan changes
- Takes part in the selection process for AMO's appointees and nominees to the OMERS governing boards.
- Keeps MEPCO members informed by issuing regular updates.
- Recruits a strong MEPCO Board membership with expertise in pensions, investments, actuarial science, law, human resources, and municipal

Key Developments in 2024



Supporting strong governance

On January 1, 2024, Deborah Dubenofsky began her term on the OMERS Sponsor Corporation Board. A former municipal CAO, Ms. Dubenofsky is an accomplished senior executive and government relations professional with extensive experience in the public and broader public sectors.

MEPCO also participated in recruitment for one individual to serve on each of the OMERS SC Board and AC Board. Elizabeth Brown was appointed by AMO to the OMERS Sponsors Corporation Board and Anik Lanthier was appointed to the OMERS Administration Corporation Board on AMO's nomination. Each of these appointments are effective January 1, 2025, for a three-year term.



OMERS reports 8.3% net investment return for 2024

OMERS reported a net investment return of 8.3% for 2024, exceeding its 7.5% target for the year and a significant increase over 2023, when returns were 4.6%.

These are strong results, bringing the Plan's funded status to 98%, up from 97% in 2023. 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.

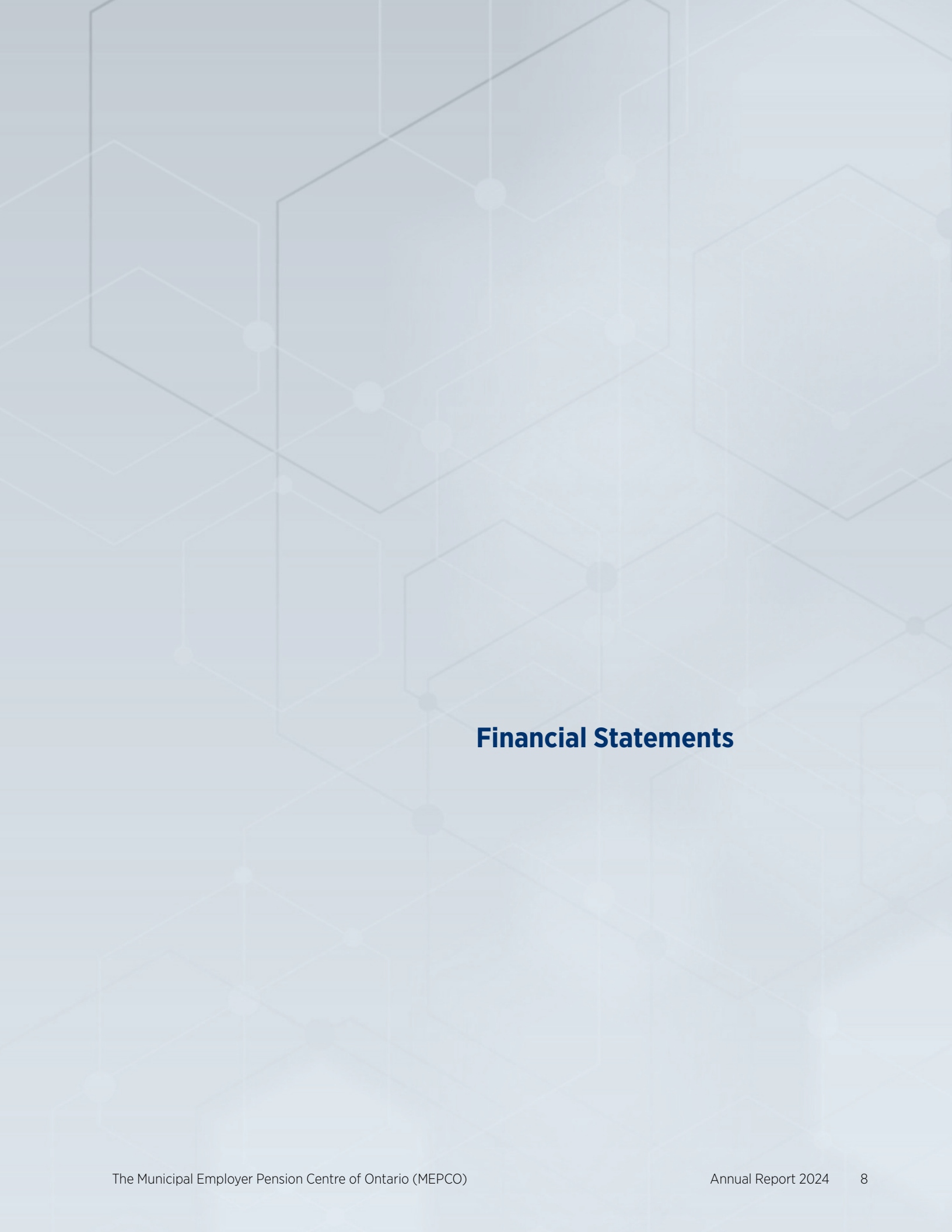


OMERS contribution rate review

There are four different contribution rate categories that reflect different income levels of members and differences in access to early retirement provisions for police and firefighters. After completing a contribution rate review and identifying an inequity in the distribution of the contribution rates, the Sponsors Corporation adjusted contribution rates for the four different rate categories, to come into effect January 2027.

The SC's contribution adjustment was either neutral or a decrease for about 70% of contributing members – particularly members with lower earnings. The top-earning 30% of contributing members will see an increase, including all those eligible for early retirement by age 60. For most contributing employers – about 77% – the new distribution decreased total contributions.

The changes are cost-neutral to the Plan as a whole; meaning the total amount of contributions will not change. OMERS has provided a long notice period for members and employers to prepare for the changes.



Financial Statements

**Municipal Employer Pension Centre of
Ontario**
Financial Statements
For the year ended December 31, 2024

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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, 2024, 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, 2024, 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
May 12, 2025

Municipal Employer Pension Centre of Ontario

Statement of Financial Position

December 31 **2024** 2023

Assets

Current

Cash	\$ 65,151	\$ 105,234
Investments (Note 3)	1,127,520	1,065,385
Accounts receivable	26,669	30,673
Prepaid expenses	602	24,554
	\$ 1,219,942	\$ 1,225,846

Liabilities and Net Assets

Current

Accounts payable and accrued liabilities (Note 6(c))	\$ 60,864	\$ 48,815
Deferred revenue	57,563	55,736
Due to Association of Municipalities of Ontario (Note 6(a))	350	195
	118,777	104,746

Net assets

Internally restricted funds		
Arbitration and Mediation Reserve (Note 5)	445,548	445,548
Stabilization Reserve (Note 5)	321,893	321,893
Unrestricted	333,724	353,659
	1,101,165	1,121,100
	\$ 1,219,942	\$ 1,225,846

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	2024	2023
Revenue		
Municipal contributions	\$ 658,009	\$ 654,586
Interest income	66,580	65,946
	724,589	720,532
Expenditures		
Administrative (Note 6(b))	507,535	495,147
Board expense	195,596	109,444
Communications expense	20,013	10,540
Consultants expense	21,380	12,000
	744,524	627,131
Excess (deficiency) of revenue over expenditures	\$ (19,935)	\$ 93,401

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 2024	Total 2023
Balance, beginning of year	\$ 445,548	\$ 321,893	\$ 353,659	\$ 1,121,100	\$ 1,027,699
Excess (deficiency) of revenue over expenditures	-	-	(19,935)	(19,935)	93,401
Balance, end of year	\$ 445,548	\$ 321,893	\$ 333,724	\$ 1,101,165	\$ 1,121,100

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	2024	2023
Cash provided by (used in)		
Operating activities		
Excess (deficiency) of revenue over expenditures	\$ (19,935)	\$ 93,401
Changes in non-cash working capital balances		
Accounts receivable	4,004	(7,009)
Prepaid expenses	23,952	(23,759)
Accounts payable and accrued liabilities	12,049	(4,592)
Deferred revenue	1,827	55,463
Due to Association of Municipalities of Ontario	155	(1,115)
	<u>22,052</u>	112,389
Investing activity		
Purchase of investments	<u>(62,135)</u>	(48,665)
Increase (decrease) in cash during the year	(40,083)	63,724
Cash, beginning of year	<u>105,234</u>	41,510
Cash, end of year	<u>\$ 65,151</u>	<u>\$ 105,234</u>

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

Municipal Employer Pension Centre of Ontario

Notes to Financial Statements

December 31, 2024

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. 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.

Municipal Employer Pension Centre of Ontario Notes to Financial Statements

December 31, 2024

3. Investments

	2024	2023
ONE Investment High Interest Savings Account (HISA) bearing interest at bank prime rate less 1.675% (2023 - bank prime rate less 1.735%).	\$ 1,127,520	\$ 1,065,385

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 AMO are unsecured, due on demand and are non-interest bearing.
- b) Included in administration expense is \$471,274 (2023 - \$452,074) 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 \$32,600 (2023 - \$26,169).

Municipal Employer Pension Centre of Ontario

Notes to Financial Statements

December 31, 2024

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. The risk has not changed from the prior year.

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. The risk has not changed from the prior year.

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. The risk has not changed from the prior year.

MEPCO
MUNICIPAL EMPLOYER
PENSION CENTRE ONTARIO

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