



**City of Hamilton**  
**HMRF-HWRF PENSION ADMINISTRATION**

**SUB-COMMITTEE**

**Meeting #:** 19-001  
**Date:** December 10, 2019  
**Time:** 1:00 p.m.  
**Location:** Room 192, 1st Floor  
 71 Main Street West

Angela McRae, Legislative Coordinator (905) 546-2424 ext. 5987

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	<b>Pages</b>
1. CEREMONIAL ACTIVITIES	
2. APPROVAL OF AGENDA	
(Added Items, if applicable, will be noted with *)	
3. DECLARATIONS OF INTEREST	
4. APPROVAL OF MINUTES OF PREVIOUS MEETING	
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5. COMMUNICATIONS	
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10.2	Master Trust Pension Investment Performance Report as at December 31, 2018 (FCS18091(a)) (City Wide)	9
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<b>12.</b>	<b>NOTICES OF MOTION</b>	
<b>13.</b>	<b>GENERAL INFORMATION / OTHER BUSINESS</b>	
<b>14.</b>	<b>PRIVATE AND CONFIDENTIAL</b>	
<b>15.</b>	<b>ADJOURNMENT</b>	



## Hamilton

### **HMRF/HWRF PENSION ADMINISTRATION SUB-COMMITTEE MINUTES 18-001**

**8:30 a.m.**

**Tuesday, December 18, 2018**

**Hamilton City Hall, Room 264**

**71 Main Street West**

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**Present:** Councillors M. Pearson (Chair) and L. Ferguson  
HMRF Members: D. Skarratt (Co-Vice Chair) and D. Alford  
HWRF Members: J. Garchinski (Co-Vice Chair), and R. Slack

**Absent With  
Regrets:** HWRF Members: H. Hicks

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#### **THE FOLLOWING ITEMS WERE REFERRED TO THE AUDIT, FINANCE & ADMINISTRATION COMMITTEE FOR CONSIDERATION:**

**1. Appointment of Chair and Vice-Chair (Item 1)**

**(Ferguson/Garchinski)**

- (a) That Councillor M. Pearson be appointed as Chair for the 2018 – 2022 term.

**CARRIED**

**(Alford/Ferguson)**

- (b) That Don Skarratt (HMRF Member) be appointed as Co-Vice Chair for the 2018 – 2022 term.

**CARRIED**

**(Pearson/Ferguson)**

- (c) That Jim Garchinski (HWRF Member) be appointed as Co-Vice Chair for the 2018 – 2022 term.

**CARRIED**

**2. Hamilton Municipal Retirement Fund (HMRP) December 31, 2017 Valuation (FCS18092) (City Wide) (Item 9.1)****(Skarratt/Slack)**

That the December 31, 2017 actuarial valuation for the Hamilton Municipal Retirement Fund (HMRP) attached as Appendix "A" to Report FCS18092, be received.

**CARRIED****3. Master Trust Pension Investment Performance Report as at December 31, 2017 (FCS17088(a)) (City Wide) (Item 10.1)****(Ferguson/Garchinski)**

That Report FCS17088(a) respecting the Master Trust Pension Investment Performance Report as at December 31, 2017, be received.

**CARRIED****4. Master Trust Pension Investment Performance Report as at June 30, 2018 (FCS18091) (City Wide) (Item 10.2)****(Alford/Slack)**

That Report FCS18091 respecting the Master Trust Pension Investment Performance Report as at June 30, 2018, be received.

**CARRIED****5. 2018 Master Trust Pension Statement of Investment Policies and Procedures (FCS18090) (City Wide) (Item 10.3)****(Garchinski/Alford)**

(a) That the 2017 Master Trust Statement of Investment Policies and Procedures be deleted and replaced with the 2018 Master Trust Statement of Investment Policies and Procedures, attached as Appendix "A" to Report FCS18090; and,

(b) That the 2018 Master Trust Statement of Investment Policies and Procedures, attached as Appendix "A" to Report FCS18090, be forwarded to the Hamilton Street Railway Pension Advisory Committee for their information.

**CARRIED****6. HMRP/HWRF/HSR Pension Plan Possible Transfer to OMERS (FCS18093) (City Wide) (Item 10.4)****(Ferguson/Alford)**

That staff be directed to investigate a possible transfer of the City of Hamilton's (City) three legacy pension plans to Ontario Municipal Employees Retirement System (OMERS):

- (i) Hamilton Municipal Retirement Fund (HMRP);
- (ii) Hamilton Wentworth Retirement Fund (HWRF); and
- (iii) Hamilton Street Railway Pension Plan (HSR).

**CARRIED**

**7. Hamilton Municipal Retirement Fund Plan Text Amendment (FCS18084)  
(City Wide) (Item 10.5)**

**(Skarratt/Garchinski)**

- (a) That the Treasurer be authorized and directed to file the amendment to Section 4.01 to the Hamilton Municipal Retirement Fund (HMRP), per Appendix 'A' to Report FCS18084 with the applicable government agencies; and,
- (b) That the City Solicitor be authorized and directed to prepare any necessary amendments to the HMRP or prepare any necessary by-law amendments facilitate the direction given in sub-section (a).

**CARRIED**

**FOR INFORMATION:**

**(a) APPROVAL OF AGENDA (Item 2)**

The Committee Clerk advised that there were no changes to the agenda.

**(Ferguson/Skarratt)**

That the agenda for the December 18, 2018 meeting of the HMRP/HWRF Pension Administration Sub-committee be approved, as presented.

**CARRIED**

**(b) DECLARATIONS OF INTEREST (Item 3)**

There were no declarations of interest.

**(c) APPROVAL OF MINUTES OF PREVIOUS MEETING (Item 4)**

**(i) November 30, 2017 (Item 4.1)**

**(Alford/Garchinski)**

That the November 30, 2017 Minutes of the HMRP / HWRF Pension Administration Sub-Committee meeting be approved, as presented.

**CARRIED**

**(d) STAFF PRESENTATIONS (Item 9)****(i) Hamilton Municipal Retirement Fund (HMRF) December 31, 2017 Valuation (FCS18092) (City Wide) (Item 9.1)**

Mr. Bill Liu, Willis Towers Watson, addressed the Committee respecting the Hamilton Municipal Retirement Fund (HMRF) Valuation as of December 31, 2017. Mr. Liu highlighted items contained in the Appendix to Report FCS18092 and answered questions from the Committee, with the aid of a handout. This handout has been added to the official record.

**(Slack/Skarratt)**

That the presentation from Bill Liu, Willis Towers Watson, respecting the Valuation of the Hamilton Municipal Retirement Fund (HMRF) as of December 31, 2017, be received.

**CARRIED**

A copy of the handout is available on the City's website or through the Office of the City Clerk.

For disposition of this matter, please refer to Item 2.

**(e) ADJOURNMENT (Item 15)****(Ferguson/Skarratt)**

That there being no further business, the HMRF/HWRF Pension Administration Sub-Committee be adjourned at 9:16 a.m.

**CARRIED**

Respectfully submitted,

Councillor M. Pearson, Chair  
HMRF/HWRF Pension Administration  
Sub-Committee

Angela McRae  
Legislative Coordinator  
Office of the City Clerk



## INFORMATION REPORT

<b>TO:</b>	Chair and Members HMRF/HWRF Pension Administration Sub-Committee
<b>COMMITTEE DATE:</b>	December 10, 2019
<b>SUBJECT/REPORT NO:</b>	HMRF/HWRF/HSR Pension Plan Possible Transfer to OMERS (FCS18093(a)) (City Wide)
<b>WARD(S) AFFECTED:</b>	City Wide
<b>PREPARED BY:</b>	Barb Howe (905) 546-2424 Ext. 5599
<b>SUBMITTED BY:</b>	Rick Male Director, Financial Services and Taxation & Corporate Controller Corporate Services Department
<b>SIGNATURE:</b>	

### COUNCIL DIRECTION

At its meeting of January 23, 2019, Council ratified Audit, Finance, & Administration Report 19-001, which included the HMRF/HWRF Pension Administration Sub-Committee Report 18-001 from December 18, 2018. As per Item 10.4, Report FSC18093, staff was directed to investigate a possible transfer of the City of Hamilton's (City) three legacy pensions plans to Ontario Municipal Employees Retirement System (OMERS):

- i) Hamilton Municipal Retirement Fund (HMRF);
- ii) Hamilton Wentworth Retirement Fund (HWRF); and
- iii) Hamilton Street Railway Pension Plan (HSR)

### INFORMATION

After Council's direction to explore the feasibility of the transfer, staff held several conference calls with OMERS and the plan actuaries to determine the information required to prepare a costing based on the going concern discount rate provided to the City of Toronto for its transfer. All plan data requested by OMERS was provided by staff and actuaries in June 2019 and a costing was expected by September 2019.

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**SUBJECT: HMRF/HWRF/HSR Pension Plan Possible Transfer to OMERS  
(FCS18093(a)) (City Wide) - Page 2 of 2**

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After several delays, OMERS notified the City of Hamilton on October 24, 2019 that they are no longer in a position to move forward on the potential transfer because the economics have changed since the City of Toronto agreement and the pricing no longer meets their internal metrics.

City of Toronto was much further along in the transfer to OMERS of their five legacy plans. As of March 2019, one plan completed the transfer and those members are now receiving pension payments from OMERS. Three plans were awaiting approval from FSRA (Financial Services Regulatory Authority of Ontario), and for the last plan, Toronto chose not to move forward.

Similar to the City of Hamilton, the City of Ottawa were also advised by OMERS that their initiative would not be moving forward.

Consequently, City staff are no longer pursuing a transfer to OMERS of the three legacy pension plans.

**APPENDICES AND SCHEDULES ATTACHED**

None

BH/dw





## INFORMATION REPORT

<b>TO:</b>	Chair and Members HMRF / HWRF Pension Administration Sub-Committee
<b>COMMITTEE DATE:</b>	December 10, 2019
<b>SUBJECT/REPORT NO:</b>	Master Trust Pension Investment Performance Report as at December 31, 2018 (FCS18091(a)) (City Wide)
<b>WARD(S) AFFECTED:</b>	City Wide
<b>PREPARED BY:</b>	Gerald T. Boychuk (905) 546-2424 Ext. 4321 Brandon A. Teglas (905) 546-2424 Ext. 4363
<b>SUBMITTED BY:</b>	Brian McMullen Director, Financial Planning, Administration and Policy Corporate Services Department
<b>SIGNATURE:</b>	

### COUNCIL DIRECTION

Not applicable.

### INFORMATION

Attached, as Appendix “A” to Report FCS18091(a), is Aon Hewitt’s investment performance report for the Hamilton Municipal Retirement Fund (HMRF), the Hamilton-Wentworth Retirement Fund (HWRF) and the Hamilton Street Railway (HSR), as at December 31, 2018. Together, the three pension funds make up the Master Trust, which is referred to as the “Plan” throughout Report FCS18091(a).

As of December 31, 2018, the market value of the assets of the Plan was \$311.5 M, a decrease of \$30.4 M compared with \$341.9 M as at December 31, 2017.

The funded ratio decreased to 73.4% which required no change in asset mix. The “Dynamic Investment Policy” set a long-term target of 80% fixed income assets with adjustment being upwards in fixed income holdings as interest rates rise and reduce the present value of liabilities as total returns exceed the prescribed discount rate and increase total asset present values. Interest rates rose towards year end and values declined putting the plan’s fixed income holdings back in balance, requiring no re-balance by June 2019.

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**SUBJECT: Master Trust Pension Investment Performance Report as at  
December 31, 2018 (FCS18091(a)) (City Wide) – Page 2 of 6**

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For the one-year period ending December 31, 2018, the Plan's return was -4.2%, underperforming its benchmark return of -2.6% by 1.6%. The benchmark return is based on the benchmark asset mix for the Plan. The Plan return overall of -4.2% underperformed the OMERS (Gross) plan return of 2.3% by 6.5%.

Table 1 shows the Plan's one-year (ending December 31 in each year) return for the last five years.

**Table 1  
Plan's 1 year (ended Dec. 31) Returns**

	12 Months Ended Dec. 31/18	12 Months Ended Dec. 31/17	12 Months Ended Dec. 31/16	12 Months Ended Dec. 31/15	12 Months Ended Dec. 31/14
Plan Return	-4.2%	9.5%	9.3%	2.6%	12.0%
Benchmark	-2.6%	8.3%	8.0%	4.2%	13.7%
Value Added	-1.6%	1.2%	1.3%	-1.6%	-1.7%
Market Value	\$311.5 M	\$341.9 M	\$330.3 M	\$320.6 M	\$330.5 M
Funded Status	73.4%	75.2%	68.6%	64.8%	68.4%

The Plan's performance may be compared to the return earned in the broader pension market in Canada. Attached as Appendix "B" to Report FCS18091(a), RBC Investor & Treasury Service reports its universe of pension funds, which totals C\$650 B and had an average annual return of -0.7% in the year ended December 31, 2018. The Plan's return of -4.2% underperformed the annual return by 3.5%. Fixed income and global equity returns were major contributors to the Plan's overall return.

Table 2 compares the Plan's returns to OMERS fund's gross returns over one, five and ten-year periods, all ending December 31, 2018. The Plan's gross returns are less than OMERS for all three periods. This is to be expected due to OMERS strategy of emphasizing private investments and minimizing public securities, which remained stable with generally better returns.

**SUBJECT: Master Trust Pension Investment Performance Report as at  
December 31, 2018 (FCS18091(a)) (City Wide) – Page 3 of 6**

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**Table 2  
Annualized Returns**

	Dec.31/18 One-Year Annualized Return	5-Year Annualized Return	10-Year Annualized Return
Plan (HSR, HMRF, HWRF)	-4.2%	5.7%	7.5%
Plan Benchmark	-2.6%	6.4%	7.6%
OMERS (Gross)	2.3%	8.1%	8.0%
OMERS Benchmark (Gross)	7.3%	N/A	N/A
OMERS Capital Markets	-4.6%	N/A	N/A
OMERS Capital Markets Benchmark	N/A	N/A	N/A

The Plan's ten-year gross annualized return for the period ending December 31, 2018 is 7.5% underperforming the benchmark return of 7.6% by 0.1% and underperforming OMERS return of 8.0% by 0.5%.

The Plan's five-year gross annualized return for the period ending December 31, 2018 is 5.7% underperforming the benchmark return of 6.4% by 0.7% and underperforming OMERS return of 8.1% by 2.4%.

OMERS return in public market securities (OMERS Capital Markets in Table 2) is -4.6% for the one-year ending December 31, 2018. The Plan's gross return for the period ending December 31, 2018 is -4.2% and bettered OMERS -4.6% estimate. OMERS financial reports no longer separate this return, which was estimated by averaging the fixed income returns of 1.8% for fixed income and -8.3% for equities.

OMERS invests in public market securities (such as public equities and bonds) and in private market investments (such as private equity, real estate, infrastructure and strategic investments). The Plan invests only in public market securities. Private market investments require expertise developed over many years, have limited liquidity, require significant administrative costs and current valuations may or may not be realized. OMERS gross return included private investments which returned 10.7% and gave OMERS a positive return overall of 2.3%

**Asset Mix:**

Table 3 shows the percentage of Plan assets in each asset class of December 31, 2018 compared to December 31, 2017.

**SUBJECT: Master Trust Pension Investment Performance Report as at  
December 31, 2018 (FCS18091(a)) (City Wide) – Page 4 of 6**

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**Table 3  
Percentage of Plan Assets in Each Asset Class**

Asset Class	Dec.31, 2018	Dec.31, 2017	Change
Canadian Equity	28.3%	34.4%	-6.1%
Global Equity	<u>24.4%</u>	<u>25.8%</u>	<u>-1.4%</u>
Total Equity	52.7%	60.2%	-7.5%
Canadian Fixed Income	46.7%	39.4%	+7.5%
Cash	0.6%	0.4%	

*Note: Anomalies due to rounding.*

Total equity decreased by 7.5% to 52.7% and total fixed income increased by a corresponding 7.5% to 46.7%. Global equity decreased by 1.4% to 24.4%. Canadian equity holdings decreased by 6.1% to 28.3%. Canadian fixed income increased to 46.7%. The year saw equity returns domestically and internationally ranging from -1.4% to -12.7%. The fixed income portfolios incurred marginal losses for the year ranging from -0.2% to -0.3%.

The Master Trust at year-end was not within its prescribed boundaries set by the Plan's investment policy given the funded ratio at 73.4% (52.7% equity and 46.7% fixed income). The fund was rebalanced and the fixed income bond percentage was increased to 42.5% by June 30, 2018 and 46.7% by December 31, 2018 due to declining stability in world trade and markets.

The Canadian equities held between Guardian and Letko totalled 28.3%, while the global equities totalled 24.4%. Canadian equities were reduced to balance out holdings in equities and fixed income by December 31, 2018.

**Managers' Performance:**

Managers' investment performance relative to their benchmark and peer group is summarized in Table 4. One-year rates of return, percentages of plan assets and rankings in terms of quartile performance are as of December 31, 2018.

**SUBJECT: Master Trust Pension Investment Performance Report as at  
December 31, 2018 (FCS18091(a)) (City Wide) – Page 5 of 6**

**Table 4  
Managers' Performance**

	Manager Return	Benchmark Return	Value Added (Manager Return less Benchmark Return)	Percentage Total Assets
Period Ending Dec.31/18				
Canadian Equity:				
Guardian	-6.3%	-8.9%	2.6%	12.1%
Letko	-12.7%	-8.9%	-3.8%	16.2%
Global Equity				
Aberdeen <sup>(1)</sup>	-2.8%	-0.6%	-2.2%	4.5%
Brandes	-1.4%	-0.6%	-0.8%	5.6%
GMO <sup>(2)</sup>	-5.3%	-0.6%	-4.7%	14.3%
Fixed Income:				
TDAM Long Bonds <sup>(3)</sup>	-0.2%	0.3%	-0.5%	24.2%
TDAM Real Return Bonds <sup>(3)</sup>	-0.3%	0.0%	-0.3%	22.5%

Notes: <sup>(1)</sup> Engaged in April 2010

<sup>(2)</sup> Engaged in July 2010

<sup>(3)</sup> Toronto Dominion Asset Management (TDAM) engaged in March 2012

Guardian, one of the two Canadian active equity managers, had a return of -6.3% and outperformed its benchmark return of -8.9% by 2.6%. Its performance is first quartile (13.0%) over the one-year and first quartile (22%) over the four-year period, with a benchmark return of 2.5% and an actual return of 4.0%. Guardian manages 12.1% of Plan assets and added value of 1.5% over four years.

Letko, the second Canadian active equity manager, had a return of -12.7% and underperformed its benchmark return of -8.9% by 3.8%. Its performance is fourth quartile (92%) over the one-year period and first quartile over the four-year period (4.6% and 2.5%, respectively). Letko manages 16.2% of Plan assets and added value of 2.1% over four years.

Aberdeen is the first active global equity manager. Its return was -2.8% underperforming the benchmark return of -0.6% by 2.2%. Aberdeen's performance is third quartile (63%) over the one-year period and added value of -2.2%. Aberdeen manages 4.5% of Plan assets. The firm's performance is fourth quartile (94%) over four years, underperforming the benchmark of 8.8% by -2.8%, with a return of 6.0%.

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**SUBJECT: Master Trust Pension Investment Performance Report as at  
December 31, 2018 (FCS18091(a)) (City Wide) – Page 6 of 6**

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Brandes, second of the three active global equity managers, had a return of -1.4% and underperformed the benchmark return of -0.6% by 0.8%. Brandes manages 5.6% of Plan assets. It is a deep-value manager with historically volatile returns, typically beating the benchmark by a significant margin in some years which off-sets some significant underperformance in other years. Brandes one-year return was third quartile (51%) and the four-year return was fourth quartile (84%) and underperformed by -1.8% for the 4 years and returned 7.0% vs 8.8% (benchmark).

GMO is the third active global equity manager. Its return was -5.3%, underperforming the benchmark return of -0.6% by -4.7%. GMO's performance is third quartile (80%) over the one-year period and added value of -4.7%. GMO manages 14.3% of Plan assets and is fourth quartile (82%) over four years yet returned 7.1% vs 8.8% (benchmark).

TDAM Long Bonds - The active long bond fund manager has 24.2% of the portfolio holdings under management. Performance over one year is a return of -0.2% compared to the benchmark return of 0.3%. This is a third quartile (91%) ranking with an added value of -0.5%.

TDAM Real Return Bonds – The passively managed fund has 22.5% of the portfolio under management and returned -0.3% over the one-year period compared to the benchmark return of 0%. Value added was -0.3%.

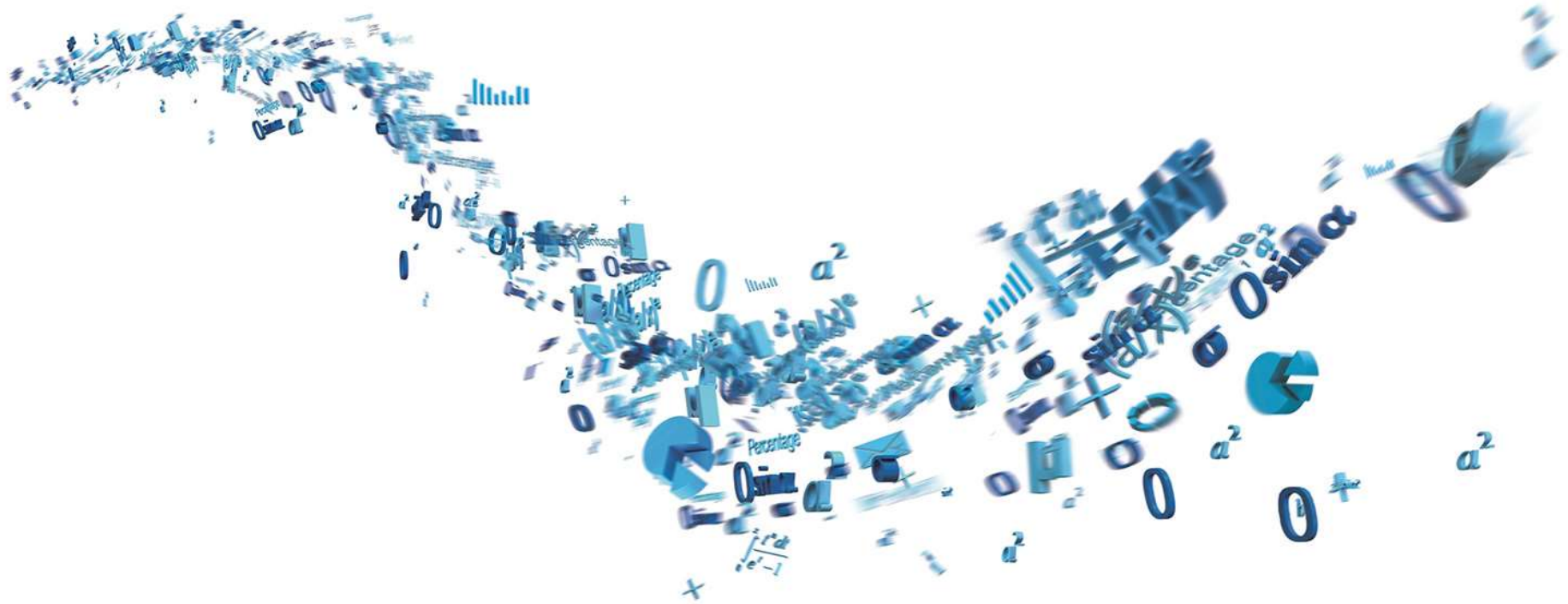
In summary, the Plan's gross return of -4.2% underperformed OMERS' gross return of 2.3% by 6.5% and its funding ratio decreased to 73.4% from last year's 75.2%. However, OMERS Capital Markets return was -4.6% while the Plan's -4.2% return outperformed OMERS comparable return. Through the upcoming year (2019), bonds are expected to be emphasized over equities if interest rates increase and / or the trigger point of 75% remains. Global Equity returns were negative and close to their benchmarks, with a range of -1.4% to -5.3% contributing to marginally to overall negative returns. Canadian equities contributed to significantly negative returns with returns ranging from -6.3% to -12.7%.

## **APPENDICES AND SCHEDULES ATTACHED**

Appendix "A" to Report FCS18091(a) – The City of Hamilton Master Trust Period Ending December 31, 2018 – AON Release

Appendix "B" to Report FCS18091(a) – Canadian Pension Returns Retreat in 2018: RBC Investor & Treasury Services Release

GB/BT/dt



*The City of Hamilton Master Trust Period Ending 31 December 2018*

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## Performance Review and Investment Manager Evaluation

Visit the **Aon Retirement and Investment Blog** (<http://retirementandinvestmentblog.aon.com>); sharing our best thinking.

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# Executive Summary

Executive Summary

Trailing Period Performance

As of 31 December 2018

	Allocation		Performance (%)							
	Market Value (\$000)	%	1 Quarter	1 Year	2 Years	3 Years	4 Years	5 Years	10 Years	
<b>Total Fund</b>	<b>311,511</b>	<b>100.0</b>	-5.5 (59)	-4.2 (83)	2.4 (75)	4.7 (38)	4.1 (88)	5.7 (63)	7.5 (76)	
Benchmark			-5.1 (52)	-2.6 (55)	2.8 (51)	4.7 (38)	4.6 (64)	6.4 (33)	7.6 (75)	
Value Added			-0.4	-1.6	-0.4	0.0	-0.5	-0.7	-0.1	
<b>Canadian Equity</b>	<b>88,277</b>	<b>28.3</b>	-12.4 (82)	-10.0 (74)	0.5 (32)	7.9 (10)	4.4 (13)	5.9 (23)	10.4 (23)	
Guardian (including cash)	37,807	12.1	-8.3 (21)	-6.3 (13)	1.5 (15)	6.8 (27)	4.0 (22)	5.7 (24)	8.7 (62)	
S&P/TSX Composite			-10.1 (49)	-8.9 (56)	-0.3 (56)	6.4 (37)	2.5 (69)	4.1 (65)	7.9 (86)	
Value Added			1.8	2.6	1.8	0.4	1.5	1.6	0.8	
<b>Letko (including cash)</b>	<b>50,470</b>	<b>16.2</b>	-15.2 (94)	-12.7 (92)	-0.4 (57)	8.3 (7)	4.6 (11)	5.9 (22)	11.1 (11)	
S&P/TSX Composite			-10.1 (49)	-8.9 (56)	-0.3 (56)	6.4 (37)	2.5 (69)	4.1 (65)	7.9 (86)	
Value Added			-5.1	-3.8	-0.1	1.9	2.1	1.8	3.2	
<b>Global Equities</b>	<b>75,885</b>	<b>24.4</b>	-6.9 (34)	-4.0 (71)	5.5 (64)	5.2 (67)	6.5 (91)	7.2 (92)	8.1 (99)	
Aberdeen	13,988	4.5	-4.9 (16)	-2.8 (63)	6.7 (53)	6.2 (40)	6.0 (94)	6.9 (93)	-	
MSCI World (Net)			-8.6 (58)	-0.6 (43)	6.6 (54)	5.7 (58)	8.8 (54)	9.9 (55)	10.8 (70)	
Value Added			3.7	-2.2	0.1	0.5	-2.8	-3.0	-	
<b>Brandes</b>	<b>17,500</b>	<b>5.6</b>	-6.7 (30)	-1.4 (51)	3.8 (84)	4.1 (84)	7.0 (84)	8.6 (77)	9.5 (92)	
MSCI World (Net)			-8.6 (58)	-0.6 (43)	6.6 (54)	5.7 (58)	8.8 (54)	9.9 (55)	10.8 (70)	
Value Added			1.9	-0.8	-2.8	-1.6	-1.8	-1.3	-1.3	
<b>GMO</b>	<b>44,396</b>	<b>14.3</b>	-7.6 (44)	-5.3 (80)	5.8 (61)	5.2 (66)	7.1 (82)	7.3 (91)	-	
MSCI World (Net)			-8.6 (58)	-0.6 (43)	6.6 (54)	5.7 (58)	8.8 (54)	9.9 (55)	10.8 (70)	
Value Added			1.0	-4.7	-0.8	-0.5	-1.7	-2.6	-	

\*GMO returns are reported net-of-fees.  
 Parentheses contain percentile rankings.

Executive Summary

Trailing Period Performance

As of 31 December 2018

	Allocation		Performance (%)						
	Market Value (\$000)	%	1 Quarter	1 Year	2 Years	3 Years	4 Years	5 Years	10 Years
Canadian Fixed Income	145,575	46.7	0.2	-0.3	1.7	2.2	2.4	4.7	4.5
TDAM Long Bonds	75,357	24.2	1.6	-0.2	3.3	3.2	3.2	5.8	-
FTSE Canada Long Term Overall Bond			1.9	0.3	3.6	3.2	3.4	6.1	6.4
Value Added			-0.3	-0.5	-0.3	0.0	-0.2	-0.3	-
TDAM Real Return Bonds	70,165	22.5	-1.4	-0.3	0.1	1.1	1.5	3.7	-
FTSE Canada Real Return Bond			-1.1	0.0	0.3	1.2	1.6	3.8	5.0
Value Added			-0.3	-0.3	-0.2	-0.1	-0.1	-0.1	-
TDAM Cash	53	0.0	0.2	-	-	-	-	-	-
Operating Account	1,775	0.6							

\*GMO returns are reported net-of-fees.  
 Parentheses contain percentile rankings.

Executive Summary

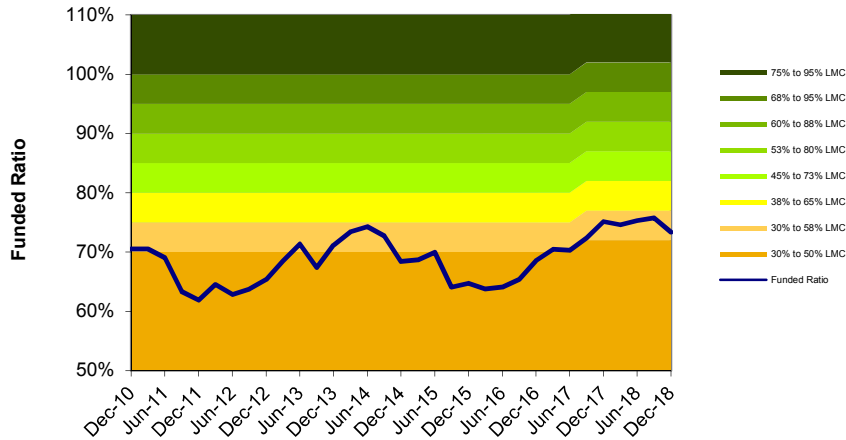
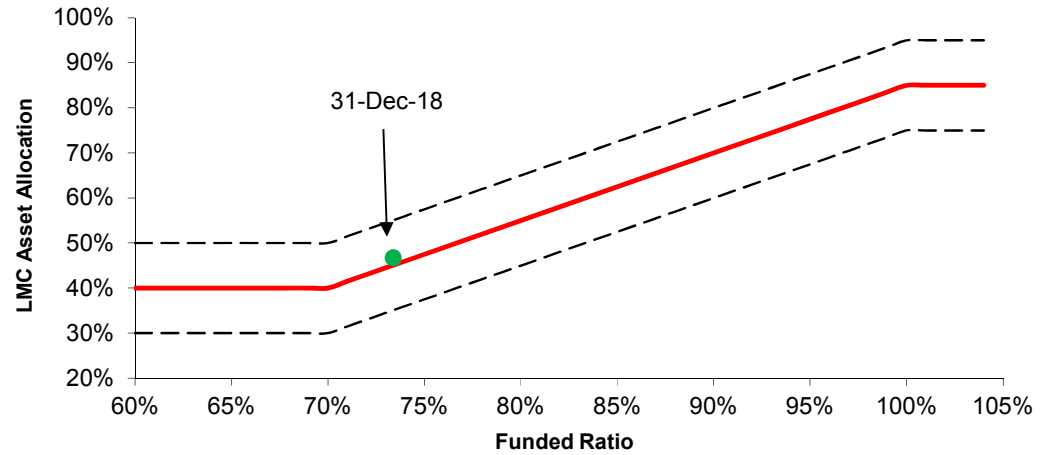
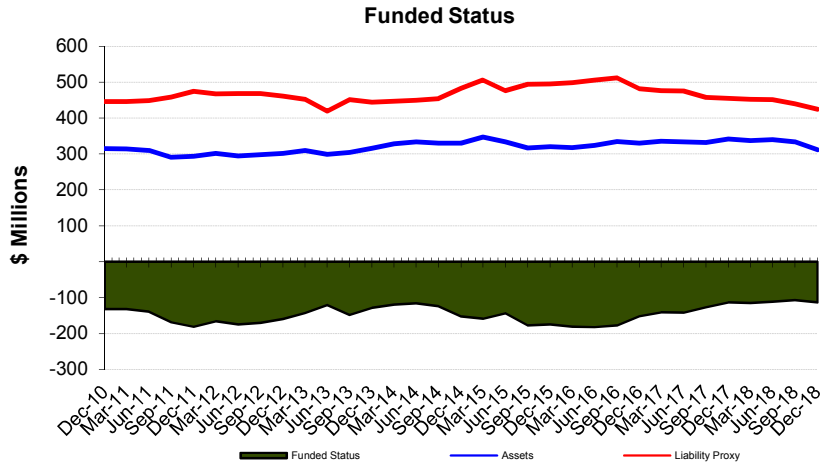
Trailing Period Performance

As of 31 December 2018

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Total Fund	-4.2 (83)	9.5 (35)	9.3 (22)	2.6 (93)	12.0 (28)	13.0 (91)	10.5 (24)	0.5 (38)	9.6 (71)	14.3 (83)	-17.3 (64)
Benchmark	-2.6 (55)	8.6 (57)	8.4 (33)	4.3 (81)	13.9 (1)	9.7 (97)	8.4 (71)	0.4 (42)	10.3 (54)	16.7 (53)	-16.4 (52)
Value Added	-1.6	0.9	0.9	-1.7	-1.9	3.3	2.1	0.1	-0.7	-2.4	-0.9
<b>Canadian Equities</b>	<b>-10.0 (74)</b>	<b>12.3 (8)</b>	<b>24.1 (17)</b>	<b>-5.3 (49)</b>	<b>11.9 (39)</b>	<b>25.3 (16)</b>	<b>17.1 (2)</b>	<b>-9.1 (51)</b>	<b>14.8 (79)</b>	<b>32.0 (61)</b>	<b>-29.8 (31)</b>
Guardian (including cash)	-6.3 (13)	9.9 (31)	18.3 (59)	-4.0 (42)	13.0 (23)	13.8 (92)	13.7 (15)	-8.3 (46)	15.3 (73)	27.5 (88)	-30.0 (36)
S&P/TSX Composite	-8.9 (56)	9.1 (54)	21.1 (36)	-8.3 (82)	10.6 (57)	13.0 (95)	7.2 (81)	-8.7 (49)	17.6 (43)	35.1 (47)	-33.0 (61)
Value Added	2.6	0.8	-2.8	4.3	2.4	0.8	6.5	0.4	-2.3	-7.6	3.0
Letko (including cash)	-12.7 (92)	13.8 (2)	28.1 (6)	-5.9 (55)	11.5 (45)	31.5 (3)	18.4 (1)	-9.1 (51)	14.3 (86)	32.8 (57)	-26.5 (18)
S&P/TSX Composite	-8.9 (56)	9.1 (54)	21.1 (36)	-8.3 (82)	10.6 (57)	13.0 (95)	7.2 (81)	-8.7 (49)	17.6 (43)	35.1 (47)	-33.0 (61)
Value Added	-3.8	4.7	7.0	2.4	0.9	18.5	11.2	-0.4	-3.3	-2.3	6.5
<b>Global Equities</b>	<b>-4.0 (71)</b>	<b>15.8 (52)</b>	<b>4.7 (35)</b>	<b>10.4 (92)</b>	<b>10.2 (82)</b>	<b>26.3 (92)</b>	<b>12.8 (69)</b>	<b>-0.1 (31)</b>	<b>6.6 (65)</b>	<b>1.5 (94)</b>	<b>-29.4 (72)</b>
Aberdeen	-2.8 (63)	17.1 (43)	5.4 (31)	5.3 (97)	10.5 (81)	21.3 (98)	14.0 (57)	2.0 (19)	-	-	-
MSCI World (Net)	-0.6 (43)	14.4 (64)	3.8 (44)	18.9 (54)	14.4 (45)	35.1 (54)	13.3 (64)	-3.2 (51)	5.9 (74)	10.6 (70)	-26.0 (51)
Value Added	-2.2	2.7	1.6	-13.6	-3.9	-13.8	0.7	5.2	-	-	-
Brandes	-1.4 (51)	9.3 (92)	4.6 (35)	16.3 (73)	15.1 (37)	41.0 (20)	10.9 (81)	-2.9 (48)	6.2 (70)	1.5 (94)	-29.4 (72)
MSCI World (Net)	-0.6 (43)	14.4 (64)	3.8 (44)	18.9 (54)	14.4 (45)	35.1 (54)	13.3 (64)	-3.2 (51)	5.9 (74)	10.6 (70)	-26.0 (51)
Value Added	-0.8	-5.1	0.8	-2.6	0.7	5.9	-2.4	0.3	0.3	-9.1	-3.4
GMO	-5.3 (80)	18.1 (37)	4.2 (40)	12.9 (88)	8.1 (91)	29.1 (84)	12.5 (71)	0.9 (25)	-	-	-
MSCI World (Net)	-0.6 (43)	14.4 (64)	3.8 (44)	18.9 (54)	14.4 (45)	35.1 (54)	13.3 (64)	-3.2 (51)	5.9 (74)	10.6 (70)	-26.0 (51)
Value Added	-4.7	3.7	0.4	-6.0	-6.3	-6.0	-0.8	4.1	-	-	-
<b>Canadian Fixed Income</b>	<b>-0.3</b>	<b>3.8</b>	<b>3.0</b>	<b>3.1</b>	<b>14.8</b>	<b>-7.4</b>	<b>5.5</b>	<b>9.5</b>	<b>7.1</b>	<b>7.7</b>	<b>4.7</b>
TDAM Long Bonds	-0.2 (91)	7.0 (62)	2.8 (45)	3.4 (80)	16.8 (69)	-5.7 (55)	-	-	-	-	-
FTSE Canada Long Term Overall Bond	0.3 (42)	7.0 (61)	2.5 (80)	3.8 (48)	17.5 (27)	-6.2 (86)	5.2 (78)	18.1 (26)	12.5 (51)	5.5 (83)	2.7 (32)
Value Added	-0.5	0.0	0.3	-0.4	-0.7	0.5	-	-	-	-	-
TDAM Real Return Bonds	-0.3	0.6	3.1	2.6	13.0	-11.5	-	-	-	-	-
FTSE Canada Real Return Bond	0.0	0.7	2.9	2.8	13.2	-13.1	2.9	18.3	11.1	14.5	0.4
Value Added	-0.3	-0.1	0.2	-0.2	-0.2	1.6	-	-	-	-	-

Parentheses contain percentile rankings.

## Quarterly Performance Report for the City of Hamilton Funded Status and Glide Path Information for December 31, 2018



### Snapshot (Wind-Up)

	31-Mar-18	30-Jun-18	30-Sep-18	31-Dec-18
Market value of assets (\$ Millions)	\$337.4	\$339.9	\$333.8	\$311.5
Liability proxy (\$ Millions)	\$452.2	\$451.4	\$440.4	\$424.5
Funded status (\$ Millions)	(\$114.8)	(\$111.5)	(\$106.6)	(\$113.0)
Funded ratio	74.6%	75.3%	75.8%	73.4%
Current LMC Asset Allocation	42.2%	42.5%	43.5%	46.7%

### Rebalancing

- The rebalancing strategy for this plan requires that assets be rebalanced to the target allocation (indicated by the red line) whenever the LMC Asset Allocation falls outside of the range deemed acceptable for a given funded ratio (indicated by the dashed lines).
- Because the LMC Asset Allocation as of December 31, 2018 is within the range determined acceptable for the current funded ratio (73.4%), the asset mix does not require rebalancing.

# Capital Markets Performance

Capital Market Performance

Major Capital Markets' Returns

As of 31 December 2018

	1 Quarter	Year To Date	1 Year	2 Years	3 Years	4 Years	5 Years	10 Years
<b>Equity</b>								
S&P/TSX Composite	-10.1	-8.9	-8.9	-0.3	6.4	2.5	4.1	7.9
S&P 500	-8.7	4.1	4.1	8.9	8.6	11.7	14.1	14.3
S&P 500 (USD)	-13.5	-4.4	-4.4	7.9	9.3	7.2	8.5	13.1
MSCI EAFE (Net)	-7.7	-6.1	-6.1	4.7	2.3	6.2	5.7	7.4
MSCI World (Net)	-8.6	-0.6	-0.6	6.6	5.7	8.8	9.9	10.8
MSCI ACWI (Net)	-7.8	-1.3	-1.3	6.9	6.0	8.7	9.6	10.6
MSCI Emerging Markets (Net)	-2.2	-6.9	-6.9	9.3	8.6	6.9	6.9	9.1
<b>Real Estate</b>								
MSCI/REALPAC Canada Property (IPD)	2.6	7.9	7.9	7.6	7.1	7.3	7.2	8.5
MSCI/REALPAC Canada Property Fund (PFI)	1.5	8.3	8.3	8.1	7.5	7.1	6.9	8.0
<b>Fixed Income</b>								
FTSE Canada Universe Bond	1.8	1.4	1.4	2.0	1.9	2.3	3.5	4.2
FTSE Canada Long Term Overall Bond	1.9	0.3	0.3	3.6	3.2	3.4	6.1	6.4
FTSE Canada 91 Day TBill	0.5	1.4	1.4	1.0	0.8	0.8	0.8	0.8
<b>Consumer Price Index</b>								
Canadian CPI, unadjusted	-0.2	2.0	2.0	1.9	1.8	1.7	1.7	1.6

**Canadian Equities**

The S&P/TSX Composite Index returned -10.1% in the fourth quarter of 2018. Performance was negative across most sectors. Consumer Staples (+5.7%) was the best performing sector, followed by Communication Services (+2.0%) and Materials (+0.9%). Negative performing sectors included Health Care (-35.3%), Energy (-17.3%) and Industrials (-13.4%). Growth stocks slightly outperformed value stocks over the past quarter (-10.1% vs. -10.5% respectively) as well as over the year (-8.3% vs. -9.7% respectively). The S&P/TSX Composite Index returned -8.9% in 2018. The best performing sectors were Information Technology (+13.0%), Consumer Staples (+2.0%) and Real Estate (+2.0%) while Energy (-18.3%) was the worst performer.

**U.S. Equities**

The S&P 500 Index returned -8.7% in the quarter in Canadian dollar terms. Performance was negative across most sectors. Utilities (+7.1%) was the best performing sector while Energy (-19.5%) was the worst performing sector. The S&P 500 Index returned +4.1% in 2018 in Canadian dollar terms. The best performing sectors were Health Care (+16.1%) and Utilities (+13.5%) while Energy (-10.7%) was the worst performer.

**Non-North American Equities**

The MSCI EAFE Index returned -7.7% in the quarter in Canadian dollar terms. Sector returns were mostly negative with the best performer being Utilities (+5.6%) and the worst being Energy (-12.9%). For 2018, the Index returned -6.1% in Canadian dollar terms. The best performing sector was Utilities (+10.2%) while the worst was Financials (-12.9%).

**Fixed Income**

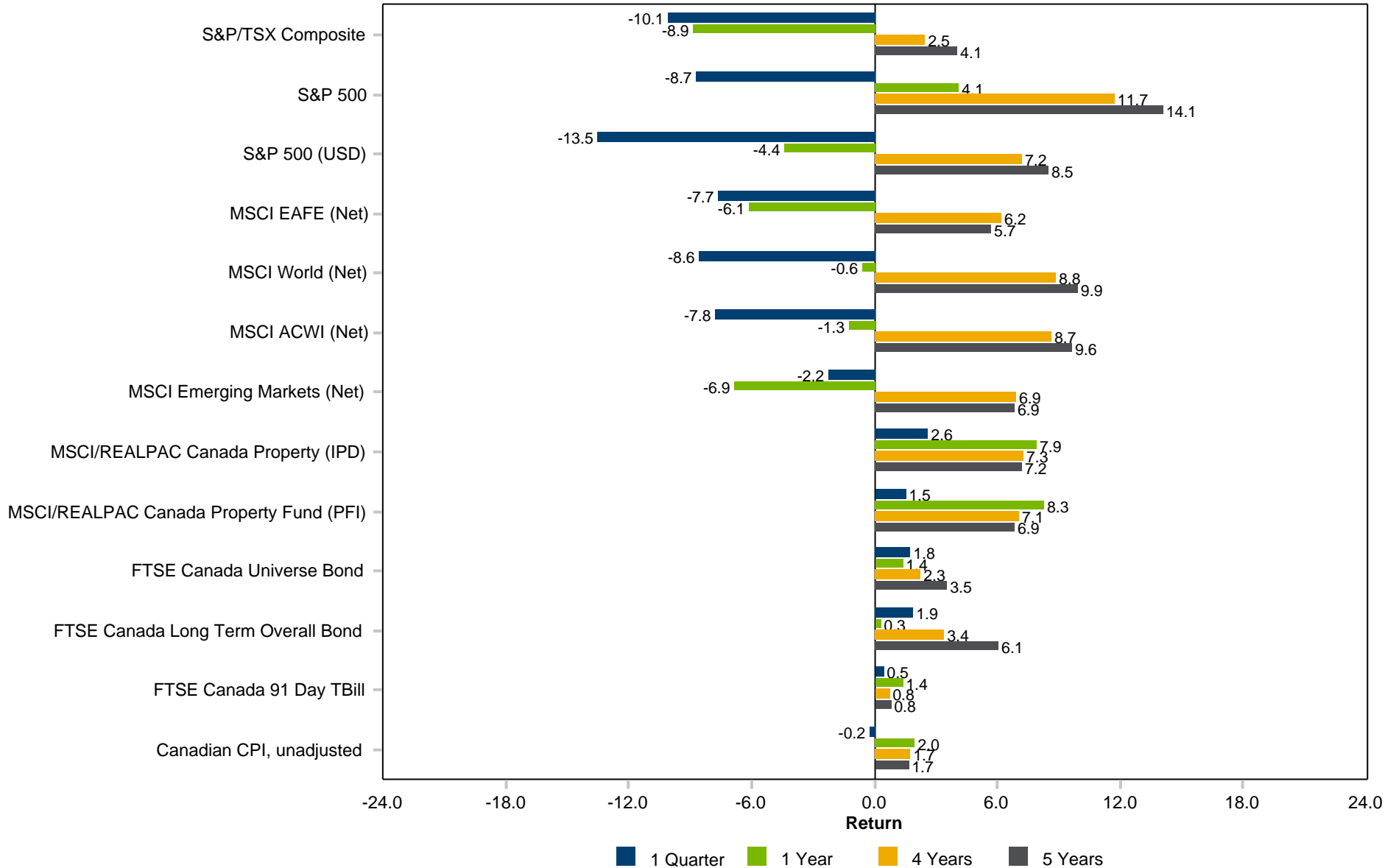
The Canadian bond market, as measured by the FTSE Canada Universe Bond Index, returned +1.8% over the quarter. Bond market performance was led by Federal bonds (+2.5%) which outperformed both Provincial bonds (+1.7%) and Corporate bonds (+0.9%). From a term perspective, medium duration bonds (+2.4%) outperformed both long duration bonds (+1.9%) and short duration bonds (+1.4%) in the quarter.

Returns for periods greater than one year are annualized. Sector returns are sourced from MSCI. Note: MSCI recently announced a reorganization of the Global Industry Classification Sectors or GICS sectors. The Telecommunications sector was renamed "Communication Services".

Capital Market Performance

Comparative Performance

As of 31 December 2018





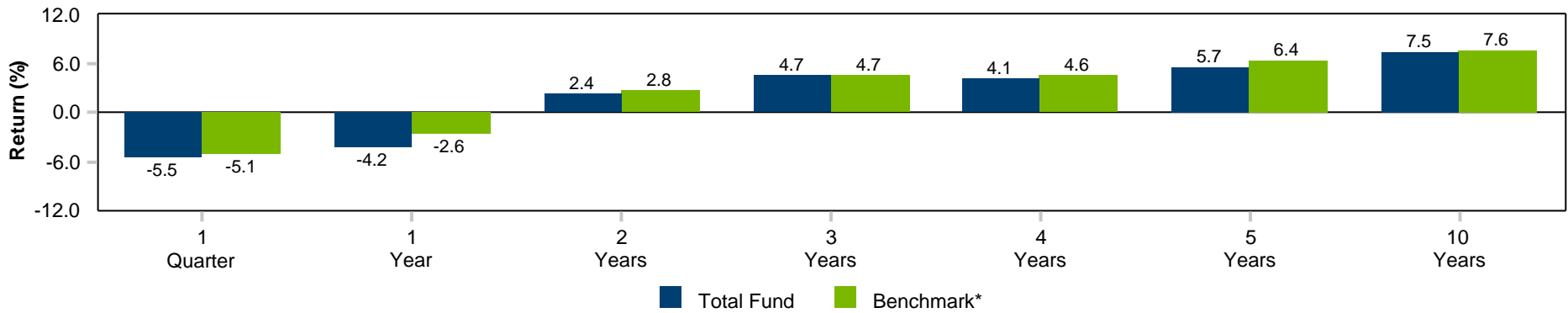
# Total Fund Analysis

Total Fund

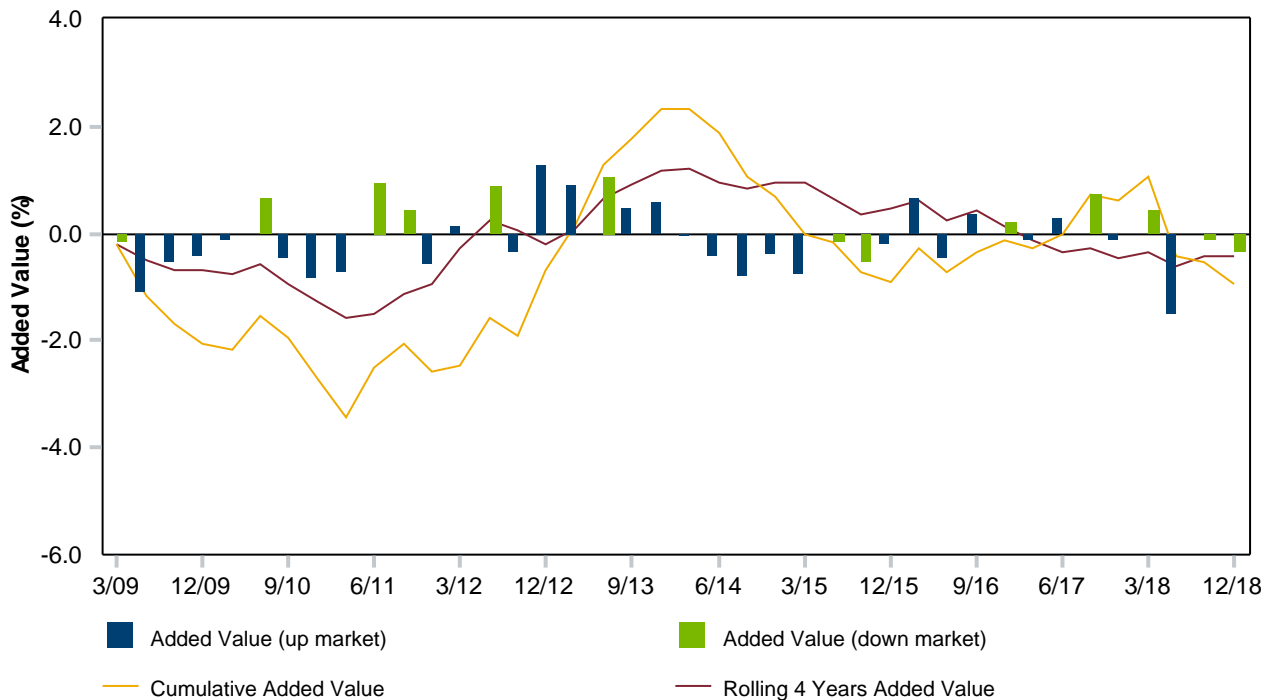
Total Fund Performance Summary

As of 31 December 2018

Return Summary



Added Value History (%)



Performance Statistics

	Quarters	%
<b>Market Capture</b>		
Up Markets	27	94.9
Down Markets	13	84.6
<b>Batting Average</b>		
Up Markets	27	29.6
Down Markets	13	61.5
Overall	40	40.0

**Quarter**  
**Detractors to Quarterly Performance:**

- Weak relative performance of Canadian equities
- Overweight to Canadian equities

\* See Appendix A for benchmark components.

Total Fund

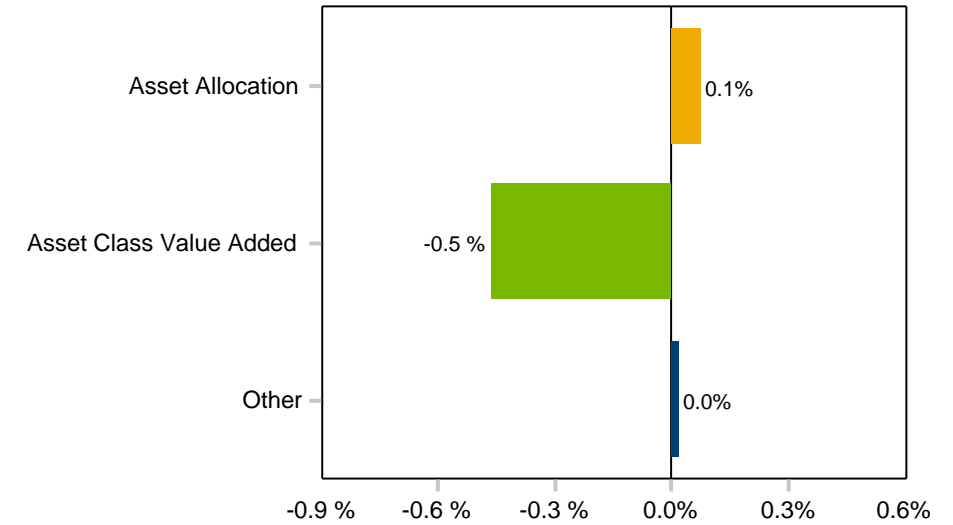
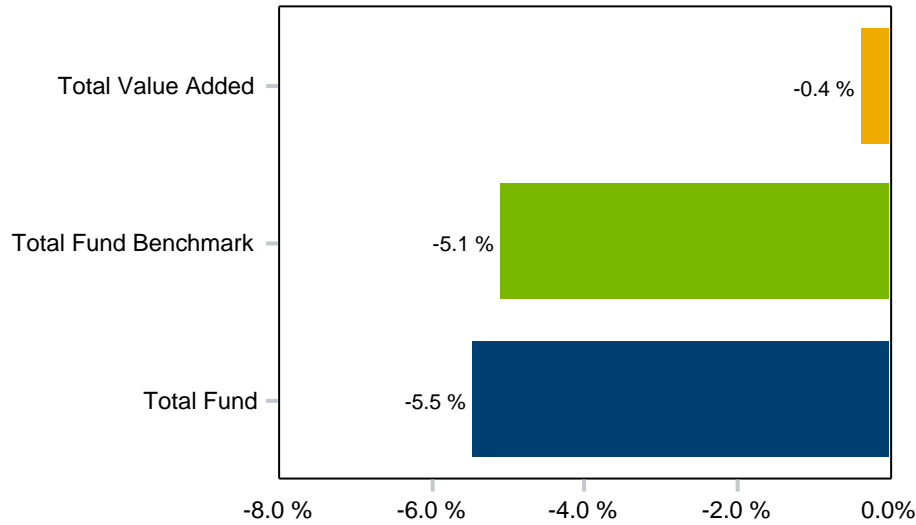
Total Fund Performance Attribution

1 Quarter Ending 31 December 2018

Total Fund vs. Benchmark

Total Fund Performance

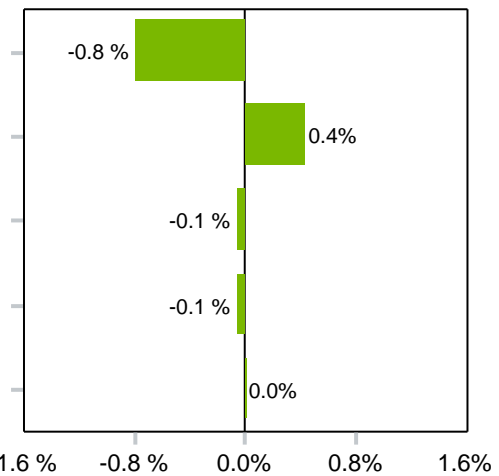
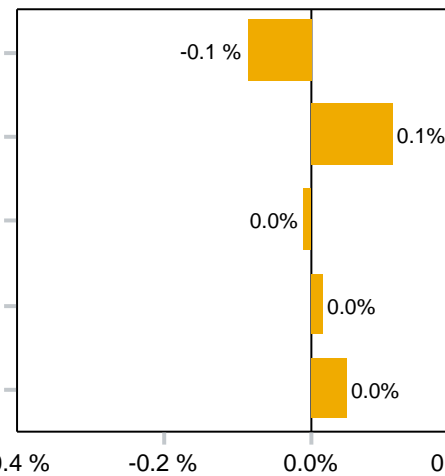
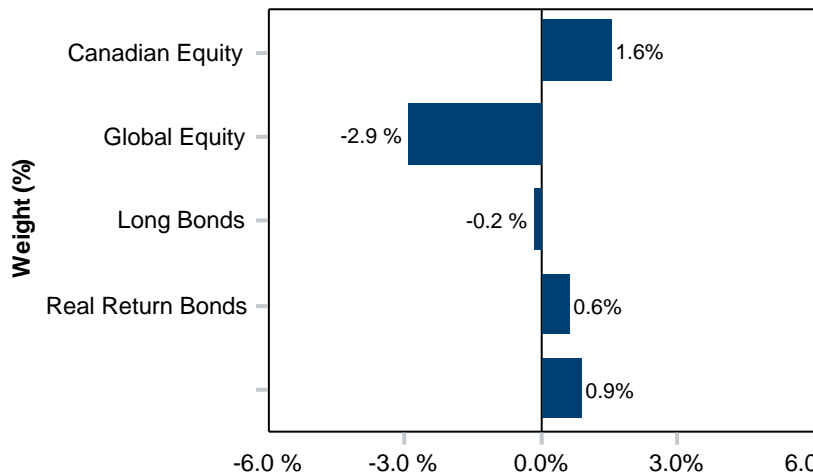
Total Value Added: -0.4 %



1 Quarter

Total Asset Allocation: 0.1%

Total Asset Class Value Added: -0.5 %



Active Weight

Asset Allocation Value Added

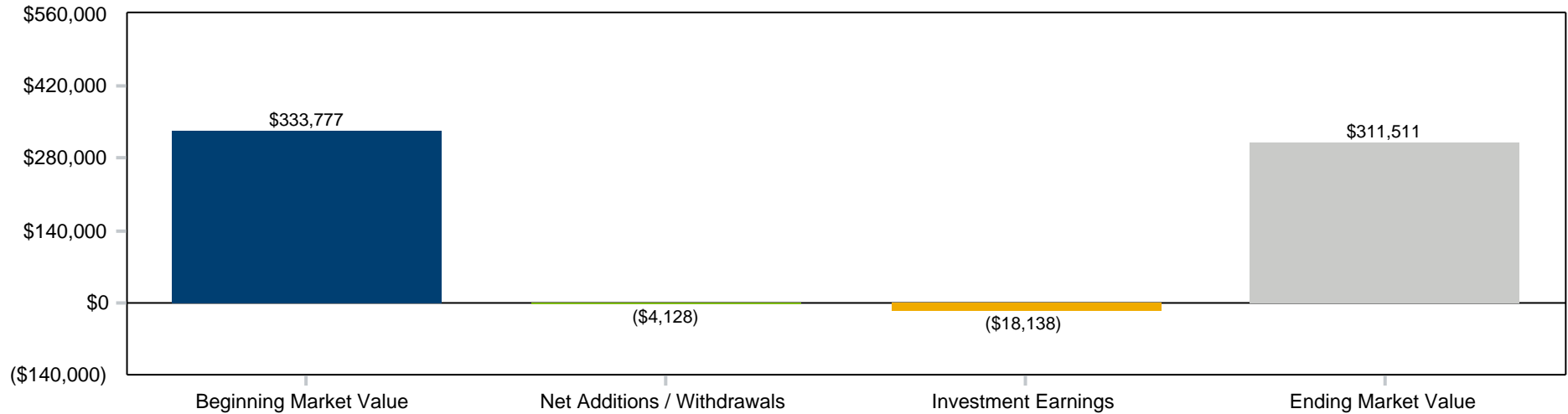
Asset Class Value Added

**Total Fund**

**Total Fund Asset Summary**

As of 31 December 2018

**Change in Market Value (\$000)**  
 From 1 October 2018 to 31 December 2018



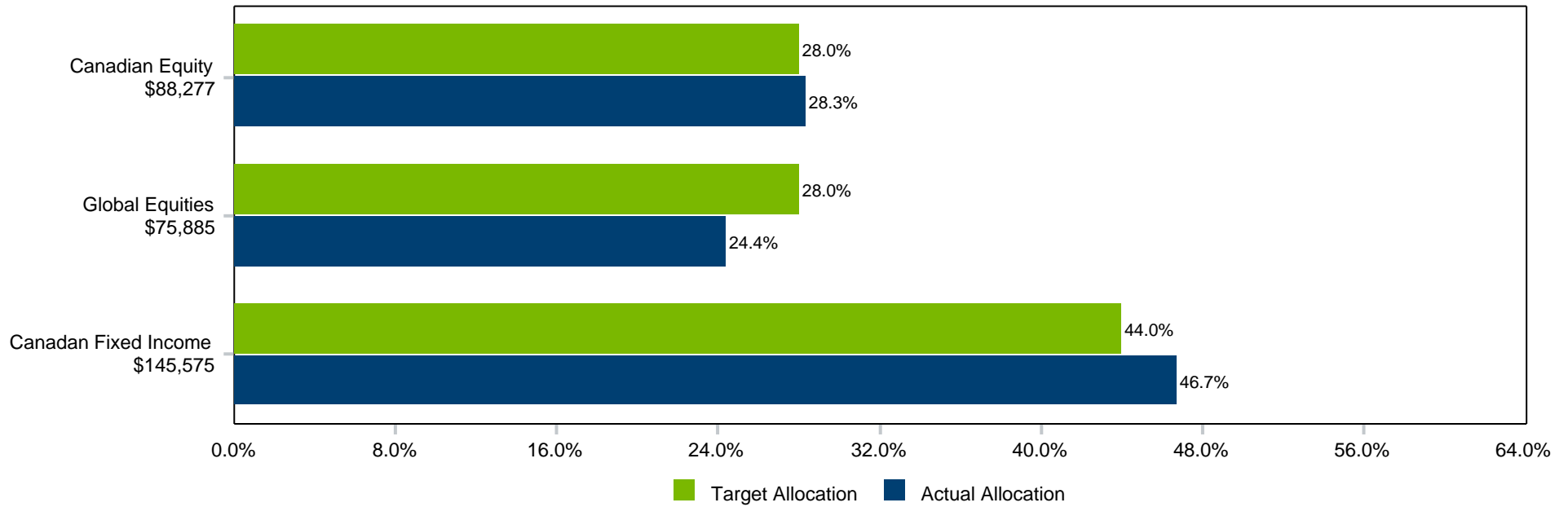
**Summary of Cash Flows (\$000)**

	1 Quarter	Year To Date	1 Year	4 Years
<b>Total Fund</b>				
Beginning Market Value	333,777	341,919	341,919	330,530
+/- Net Cash Flows	-4,128	-16,864	-16,864	-73,455
+/- Income	15,432	18,856	18,856	65,310
+/- Capital Gains / Losses	-33,570	-32,399	-32,399	-10,874
<b>= Ending Market Value</b>	<b>311,511</b>	<b>311,511</b>	<b>311,511</b>	<b>311,511</b>

Total Fund

Asset Allocation Compliance

As of 31 December 2018 (\$000)



	Market Value (\$000)	Market Value (%)	Target Allocation (%)	Differences (%)	Minimum Allocation (%)	Maximum Allocation (%)	Within Range
Total Fund	311,511	100.0	100.0	0.0			
Canadian Equity	88,277	28.3	28.0	0.3	23.0	33.0	Yes
Global Equities	75,885	24.4	28.0	-3.6	23.0	33.0	Yes
Canadian Fixed Income	145,575	46.7	44.0	2.7	34.0	54.0	Yes

## Appendix A - Plan Information

**Plan Information**

**Summary of Investment Objective**

**The investment policy contains specific performance objectives for the fund and the investment managers.**

All investment rates of return are measured over moving four-year periods. Return objectives are net of fees and include realized and unrealized capital gains or losses plus income from all sources.

Returns will be calculated on a time-weighted basis and compared to the objectives described below.

The *objective* of the total fund is to outperform a benchmark portfolio that is comprised of the following weightings:

	1 October 2018 to 31 December 2018 (current period)	1 April 2018 to 30 September 2018	1 January 2018 to 31 March 2018	1 October 2017 to 31 December 2017	1 July 2014 to 30 September 2017	1 April 2012 to 30 June 2014	1 July 2011 to 31 March 2012	1 January 2008 to 30 June 2011	1 July 2006 to 31 December 2007	Up to 30 June 2006
S&P/TSX Composite	28.00%	27.00%	27.00%	27.00%	28.00%	30.00%	30.00%	30.00%	30.00%	25.00%
MSCI World (C\$)	28.00%	26.00%	27.00%	26.00%	28.00%	30.00%	30.00%	0.00%	0.00%	0.00%
MSCI World ex. Cda (C\$)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	15.00%	15.00%	17.50%
S&P 500 - hedged to C\$	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	5.00%	7.50%	8.75%
MSCI EAFE - hedged to C\$	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	5.00%	7.50%	8.75%
FTSE Canada Universe Bond	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	40.00%	45.00%	40.00%	40.00%
FTSE Canada Long Bond	23.00%	22.00%	23.00%	22.00%	22.00%	25.00%	0.00%	0.00%	0.00%	0.00%
FTSE Canada Real Return Bond	21.00%	25.00%	23.00%	25.00%	22.00%	15.00%	0.00%	0.00%	0.00%	0.00%
	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

## Appendix B - Manager Updates



## Manager Updates

### Manager Updates

As of 31 December 2018

#### Aberdeen Standard Investments

##### Q4 2018

###### **Business**

There were no significant events during the quarter.

###### **Staff**

Xin-Yao Ng joined the Global Emerging Markets Equity team during the quarter as an Investment Manager, located in Singapore. He is part of the equities team in Singapore overseeing equity investments in APAC. Stella Li joined the Global Emerging Markets Equity team during the quarter as an Investment Manager. Stella is part of the Asian Equities team overseeing equity investments in HK/China. Muzhafar Muktar joined the Global Emerging Markets Equity team during the quarter as an Investment Manager. Muzhafar joined the company in 2018 from AmFunds Management where he was head of equity research. Fadzrul Salman, Investment Manager for the Global Emerging Markets Equity fund, left the company in December. Felicia Budiman, Investment Analyst for the Global Emerging Markets Equity fund, left the company in December. Christopher Wong, Investment Director for the Global Emerging Markets Equity fund, left the company in November. In November, it was communicated that Guy Stern, Head of the Multi-Asset Investing team and lead investment professional responsible for managing the Global Absolute Return Strategies (GARS) fund, will retire in 2019.

#### Brandes Investment Partners

##### Q4 2018

###### **Business**

There were no significant events.

###### **Staff**

Effective 31 December 2018, Ralph Birchmeier, head of financial institutions research team, has retired from the firm. Mr. Birchmeier was also a member of the Small Cap Investment Committee ("SCIC") and served as the SCIC representative on the All-Cap Investment Committee, which manages the Global Opportunities Value strategy at Brandes. Bryan Barrett, analyst on the financial institutions team, will join the SCIC as a non-voting member to replace Birchmeier. Michael Hutchens, limited partner at Brandes, will replace Birchmeier as the lead of financial institutions team. Mr. Hutchens has worked alongside Birchmeier on the financial institutions team for 17 years. Yingbin Chen, limited partner and another member of SCIC will become the SCIC representative on the All-Cap Investment Committee.

Manager Updates

**Manager Updates**

As of 31 December 2018

**GMO**

**Q4 2018**

**Business**

There were no significant events.

**Staff**

There were no significant events.

**Guardian Capital**

**Q4 2018**

**Business**

As a result of Mike Weir's retirement, the Guardian Canadian Small/Mid Cap Equity strategy has been closed.

**Staff**

Mike Weir, Managing Director of Canadian Equity, retired effective 31 December 2018.

**Letko, Brosseau & Associates Inc. ("Letko, Brosseau")**

**Q4 2018**

**Business**

There were no significant events.

**Staff**

During the fourth quarter, Olivier Brosseau joined the Investment management team.

Manager Updates

**Manager Updates**

As of 31 December 2018

**TD Asset Management ("TDAM")**

**Q4 2018**

**Business**

In November, TDAM finalized the acquisition of Greystone Capital Management Inc.

During the fourth quarter, the TD *Emerald* Systematic Alpha Hedged US Equity PFT and seven TDAM USA Money Market Funds were terminated.

**Staff**

There were no significant events.

## Appendix C - Disclosure

Disclosure

Statement of Disclosure

As of 31 December 2018

Aon Hewitt Inc. reconciles the rates of return with each investment manager quarterly. Aon Hewitt Inc. calculates returns from the custodian/trustee statements while the managers use different data sources. Occasionally discrepancies occur because of differences in computational procedures, security prices, "trade date" versus "settlement date" accounting, etc. We monitor these discrepancies closely and find that they generally do not tend to persist over time. However, if a material discrepancy arises or persists, we will bring the matter to your attention after discussion with your money manager.

*This report may contain slight discrepancies due to rounding in some of the calculations. All data presented is in Canadian dollars unless otherwise stated.*

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## Canadian pension returns retreat in 2018: RBC Investor & Treasury Services

- **Q4 2018 returns lose -3.5 per cent**
- **The first quarter with a loss since Q3 2015**

**Toronto, February 5, 2019** – Canadian defined benefit pension plans ended 2018 in negative territory, with an annual return of -0.7 per cent, reversing gains from the previous three quarters this year, according to the [RBC Investor & Treasury Services](#) All Plan Universe. Plan returns posted a Q4 2018 return of -3.5 per cent compared to a 0.1 per cent gain in [Q3 2018](#). The annual return in 2017 was 9.7 per cent.

Canadian equities and the TSX Composite Index were hit hard in Q4 2018, returning -10.6 per cent, and -10.1 per cent respectively. Both Canadian equities and the TSX Composite Index returned -8.9 per cent in 2018. Both posted annual gains in 2017: 9.0 per cent for Canadian equities and 9.1 per cent for the TSX Composite Index. Higher interest rates and lower oil prices contributed to the loss while eight of the 11 sectors on the TSX also posted losses for the year.

### QUOTE:

“Geopolitical and economic uncertainty reverberated through the market all year. Trade wars, rate hikes, oil prices, and Brexit helped contribute to lower earnings expectations which drove returns sharply lower in Q4 and for the year. With the Fed pausing on rate hikes as well as trade negotiations between the U.S. and China showing progress in January, markets have started the year strong but investors need to remain vigilant as we are approaching the end of the market cycle and volatility is unlikely to go away.”

- **Ryan Silva, Director, Head of Pension and Insurance Segments, Global Client Coverage, RBC Investor & Treasury Services**

### RBC I&TS Defined Benefit Pension Plan Survey Results

In addition, a recent RBC Investor & Treasury Services survey of Canadian defined benefit pension plan sponsors showed that economic and geopolitical uncertainty remains a top concern, behind aligning future liabilities with assets and a low interest rate environment. The survey, [Embracing Change](#), also revealed that approximately 40 per cent of respondents are satisfied with the sustainability of their plans and almost 90 per cent are confident to extremely confident of their plan's ability to meet its ongoing liabilities.

**ADDITIONAL RESULTS****Appendix "B" to Report FCS18091(a)  
Page 2 of 3**

- Canadian Fixed Income returns rebounded into positive territory in Q4 in the RBC All Plan Universe, returning 1.8 per cent, vs. Q3 2018 returns of -1.5 per cent. Annual returns also finished in the black at 1.2 per cent.
- The FTSE TMX Universe Canadian Bond Index returned 1.8 percent in Q4 2018 compared to -1.0 in Q3 2018. The Index returned 1.4 per cent in 2018.
- Like their Canadian counterparts, global equities in the RBC All Plan Universe posted declines during the year: -1.3 per cent and quarter: -7.8 per cent. (Weakness in the Canadian Dollar tempered some of the local currency losses in that asset class for unhedged plans).
- The MSCI World Index's returns declined -0.5 per cent for the year and -8.5 per cent during Q4 2018.
- Emerging markets outperformed developed markets over the quarter, returning -2.2 per cent vs. -8.5 per cent, but trailed over the year returning -6.9 per cent vs. -0.5 per cent.
- Canadian defined benefit pension plans last reported a quarterly return loss in Q3 2015.

**HISTORIC PERFORMANCE**

Period	Return (%)	Period	Return (%)
Q4 2018	-3.5	Q1 2017	2.9
Q3 2018	0.1	Q4 2016	0.5
Q2 2018	2.2	Q3 2016	4.2
Q1 2018	0.2	Q2 2016	2.9
Q4 2017	4.4	Q1 2016	0.0.
Q3 2017	0.4	Q4 2015	3.1
Q2 2017	1.4	Q3 2015	-2.0

**About the RBC Investor & Treasury Services All Plan Universe**

For the past 30 years, [RBC Investor & Treasury Services](#) (RBC I&TS) has managed one of the industry's largest and most comprehensive universes of Canadian pension plans. The "All Plan Universe" currently tracks the performance and asset allocation of a cross-section of assets under management across Canadian defined benefit (DB) pension plans, and is a widely-recognized performance benchmark indicator. The RBC Investor & Treasury Services "All Plan Universe" is produced by RBC I&TS' Risk & Investment Analytics (R&IA) service. R&IA work in partnership with best-in-class technology to deliver independent and cost effective solutions designed to help institutional investor clients monitor investment decisions, optimize performance, reduce costs, mitigate risk and increase governance capability.



**Appendix "B" to Report FCS18091(a)**  
**Page 3 of 3****About RBC Investor & Treasury Services**

[RBC Investor & Treasury Services](#) (RBC I&TS) is a specialist provider of asset services, custody, payments and treasury and market services for financial and other institutional investors worldwide, with over 4,500 employees in 17 countries across North America, Europe, Asia and Australia. We deliver services which safeguard client assets, underpinned by client-centric digital solutions which continue to be enhanced and evolved in line with our clients' changing needs. Trusted with CAD 4.3 trillion in client assets under administration as at November 28, 2018, RBC I&TS has been rated by our clients as the #1 global custodian for eight consecutive years and is a financially strong partner with among the highest credit ratings globally.

- 30 -

**For more information, please contact:**

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# INFORMATION REPORT

<b>TO:</b>	Chair and Members HMRF / HWRF Pension Administration Sub-Committee
<b>COMMITTEE DATE:</b>	December 10, 2019
<b>SUBJECT/REPORT NO:</b>	Master Trust Pension Investment Performance Report as at June 30, 2019 (FCS19075) (City Wide)
<b>WARD(S) AFFECTED:</b>	City Wide
<b>PREPARED BY:</b>	Gerald T. Boychuk (905) 546-2424 Ext. 4321 Brandon A. Teglas (905) 546-2424 Ext. 4363
<b>SUBMITTED BY:</b>	Brian McMullen Director, Financial Planning, Administration and Policy Corporate Services Department
<b>SIGNATURE:</b>	

## Council Direction:

Not Applicable.

## Information:

Attached as Appendix “A” to Report FCS19075 is Aon Hewitt’s investment performance report for the Hamilton Municipal Retirement Fund (HMRF), the Hamilton-Wentworth Retirement Fund (HWRF) and the Hamilton Street Railway (HSR), as of June 30, 2019. Together, the three pension funds make up the Master Trust, which is referred to as the “Plan” in Report FCS19075.

The Plan’s return for the one-year period ended June 30, 2019 of 4.1% underperformed its benchmark of 6.4% by 2.3%. The market value of the assets of the Plan totalled \$336.4 M compared to June 30, 2018 of \$339.9 M, a decrease of \$3.5 M.

The funded ratio increased to 76.2%. Currently, a funding ratio of 76.2% enables a range of 37% to 57% for the Liability Matching Component (LMC) and the fund is at 48.0% (Fixed Income). The ultimate target contemplates 80% fixed income as interest rates rise and value of assets increases relative to liability present values.

Table 1 shows the Plan’s one-year (ended June 30) returns, the value added, market value and funded status for the last five years.

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*OUR Vision: To be the best place to raise a child and age successfully.*

*OUR Mission: To provide high quality cost conscious public services that contribute to a healthy, safe and prosperous community, in a sustainable manner.*

*OUR Culture: Collective Ownership, Steadfast Integrity, Courageous Change, Sensational Service, Engaged Empowered Employees.*

**SUBJECT: Master Trust Pension Investment Performance Report as at  
June 30, 2019 (FCS19075) (City Wide) - Page 2 of 4**

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**Table 1**

Plan's One-Year (ended June 30) Returns

	12 Months Ended Jun.30/19	12 Months Ended Jun.30/18	12 Months Ended Jun.30/17	12 Months Ended Jun.30/16	12 Months Ended Jun.30/15
Plan Return	4.1%	7.3%	9.0%	3.2%	6.3%
Benchmark	6.4%	7.7%	7.5%	3.8%	8.3%
Value Added	-2.3%	-0.4%	1.5%	-0.6%	-2.0%
Market Value (\$ Millions)	\$336.4	\$339.9	\$334.3	\$324.4	\$333.6
Funded Status	76.2%	75.3%	70.3%	64.1%	70.0%

The Plan's performance may be compared to the return earned in the broader pension market in Canada. Attached as Appendix "B" to Report FCS19075, RBC Investor & Treasury Service reports its universe of pension funds, which totals C\$650 B and a median return of 2.7% in the quarter ended June 30, 2019. The Plan's quarterly return of 2.4% underperformed the universe's median quarterly return of 2.7% by 0.3%.

Asset Mix:

Table 2 shows the percentage of Plan assets in each asset class as of June 30, 2019 compared to June 30, 2018.

**Table 2**

Percentage of Plan Assets in Each Asset Class

Asset Class	Jun.30/19	Jun.30/18	Change	Benchmark
Canadian Equity	28.8%	31.4%	-2.6%	30.0%
Global Equity	<u>22.8%</u>	<u>25.0%</u>	<u>-2.2%</u>	30.0%
Total Equity	51.6%	56.4%	-4.8%	
Canadian Fixed Income	48.0%	42.5%	+5.5%	40.0%
Cash	0.5%	1.1%	-0.6%	

*Note: Anomalies due to rounding*

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**SUBJECT: Master Trust Pension Investment Performance Report as at  
June 30, 2019 (FCS19075) (City Wide) - Page 3 of 4**

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Managers' Performance:

Managers' investment performance relative to their benchmark is summarized in Table 3. One-year rates of return are all as of June 30, 2019.

**Table 3**  
Managers' Performance  
One-Year Period Ended Jun.30/19

	Manager Return	Benchmark Return	Value Added (Manager Return less Benchmark Return)	Percentage Total Assets
Canadian Equity:				
Guardian	4.8%	3.9%	0.9%	12.8%
Letko	-5.2%	3.9%	-9.1%	16.0%
Global Equity				
Aberdeen <sup>(1)</sup>	5.4%	5.7%	-0.3%	4.1%
Brandes	0.7%	5.7%	-5.0%	4.2%
GMO <sup>(2)</sup>	2.8%	5.7%	-2.9%	14.4%
Fixed Income:				
TDAM Long Bonds <sup>(3)</sup>	11.4%	11.4%	0.0%	25.2%
TDAM Real Return Bonds <sup>(3)</sup>	5.1%	5.2%	-0.1%	22.8%

Notes: <sup>(1)</sup> Engaged in April 2010

<sup>(2)</sup> Engaged in July 2010

<sup>(3)</sup> Toronto Dominion Asset Management (TDAM) engaged in March 2012

Pension Investment Transfer - Update

Three options for potential pension investment transfers previously disclosed to the Subcommittee are "Pension Pooling", migration to "OMERS" and possibly, migration to private sector management. Migration to private sector management still exists. "Pension Pooling", the creation of a large management firm from which public sector pension plans may draw on varying investment portfolios in order to fund liabilities, seems to have been put on hold with changes in Canada Pension and the shelving of the Ontario sponsored pension. However, a new entity created called Investment Management Corporation Ontario has recently been launched which may be able to undertake investments from Pension Plans as well as potentially municipalities under the Prudent Person delegation.

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**SUBJECT: Master Trust Pension Investment Performance Report as at  
June 30, 2019 (FCS19075) (City Wide) - Page 4 of 4**

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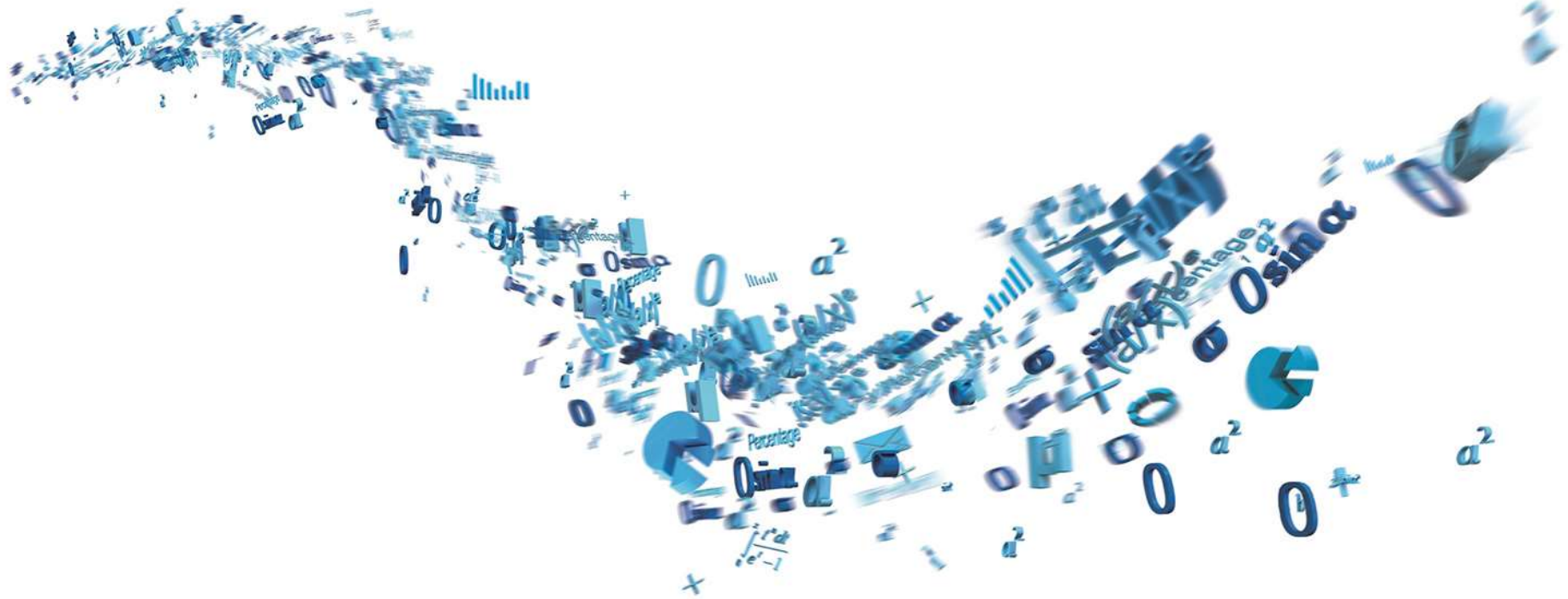
The potential transfer of legacy plans in the municipal sector to OMERS is in process as Toronto and Ottawa have been reviewing the feasibility over the past year. OMERS has presented business cases to their boards on the consolidation of their legacy plans in 2016. Toronto has agreed with OMERS to a discount rate and is in the process of receiving a proposal soon and negotiating a final process. Hamilton met with representatives of OMERS who had recently assumed one of Toronto's plans. In discussions with the OMERS representatives, interest in assuming Hamilton's plan was, at best, marginal and likely very expensive in both time and cash transfer.

**APPENDICES AND SCHEDULES ATTACHED**

Appendix "A" to Report FCS19075 – City of Hamilton Master Trust Period Ending June 30, 2019 – AON Release

Appendix "B" to Report FCS19075 – Canadian Defined Benefit Pension Plans Post Modest Gains in Q2 2019 – RBC Investor & Treasury Services Release

GB/BT/dt



*The City of Hamilton Master Trust Period Ending 30 June 2019*

## Performance Review and Investment Manager Evaluation

Visit the Aon Hewitt Retirement and Investment Website (<https://retirement-investment-insights.aon.com/canada>); sharing our best thinking.

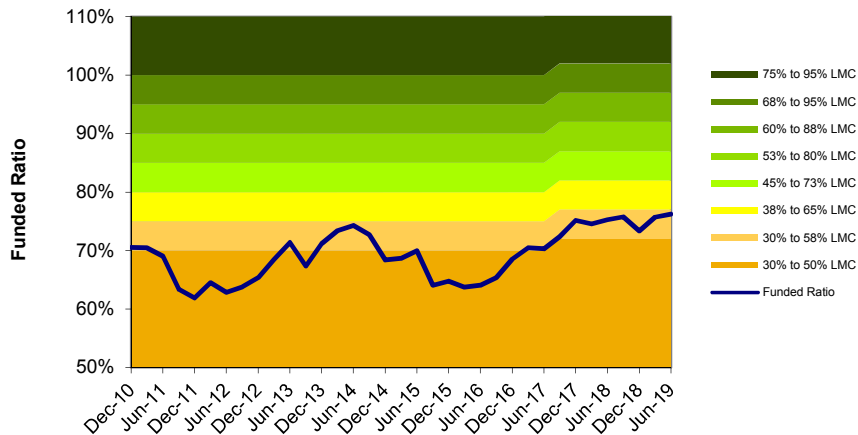
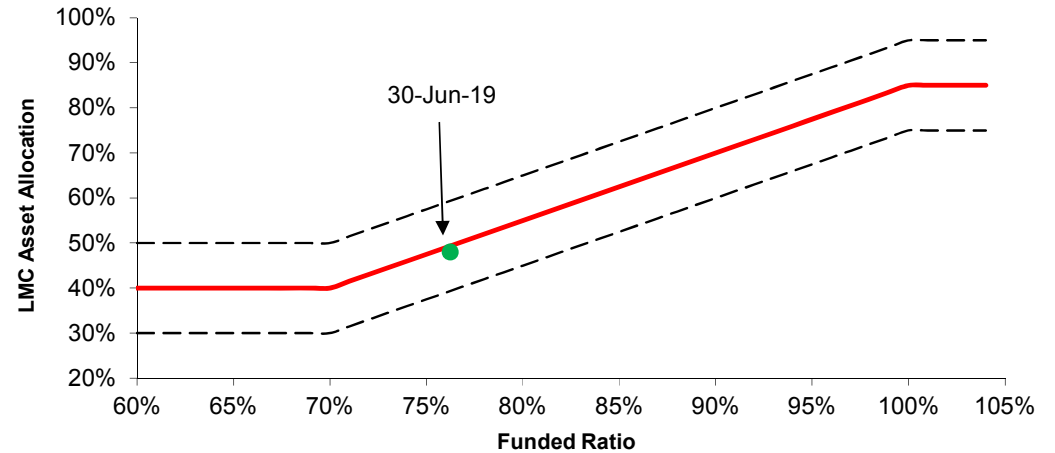
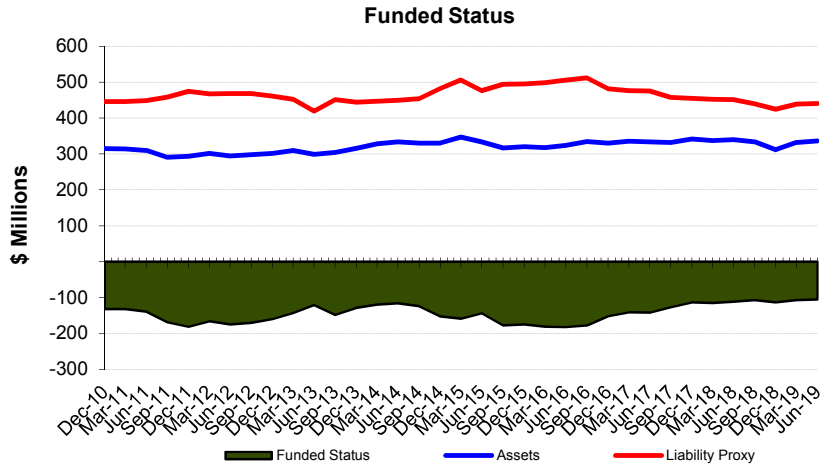
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# Executive Summary

Quarterly Performance Report for the City of Hamilton  
Funded Status and Glide Path Information for June 30, 2019



**Snapshot (Wind-Up)**

	30-Sep-18	31-Dec-18	31-Mar-19	30-Jun-19
Market value of assets (\$ Millions)	\$333.8	\$311.5	\$332.4	\$336.4
Liability proxy (\$ Millions)	\$440.4	\$424.5	\$439.0	\$441.3
Funded status (\$ Millions)	(\$106.6)	(\$113.0)	(\$106.6)	(\$104.9)
Funded ratio	75.8%	73.4%	75.7%	76.2%
Current LMC Asset Allocation	43.5%	46.7%	46.5%	48.0%

**Rebalancing**

- The rebalancing strategy for this plan requires that assets be rebalanced to the target allocation (indicated by the red line) whenever the LMC Asset Allocation falls outside of the range deemed acceptable for a given funded ratio (indicated by the dashed lines).
- Because the LMC Asset Allocation as of June 30, 2019 is within the range determined acceptable for the current funded ratio (76.2%), the asset mix does not require rebalancing.

## Trailing Period Performance

As of 30 June 2019

	Allocation		Performance (%)						
	Market Value (\$000)	%	1 Quarter	1 Year	2 Years	3 Years	4 Years	5 Years	10 Years
<b>Total Fund</b>	<b>336,441</b>	<b>100.0</b>	<b>2.4 (48)</b>	<b>4.1 (74)</b>	<b>5.7 (59)</b>	<b>6.8 (76)</b>	<b>5.9 (66)</b>	<b>6.0 (77)</b>	<b>8.0 (73)</b>
Benchmark			3.2 (15)	6.4 (30)	7.0 (25)	7.4 (40)	6.5 (34)	6.9 (36)	8.2 (69)
Value Added			-0.8	-2.3	-1.3	-0.6	-0.6	-0.9	-0.2
<b>Canadian Equity</b>	<b>96,900</b>	<b>28.8</b>	<b>1.1 (87)</b>	<b>-1.1 (80)</b>	<b>5.5 (64)</b>	<b>9.4 (17)</b>	<b>7.5 (20)</b>	<b>6.2 (25)</b>	<b>10.2 (22)</b>
Guardian (including cash)	43,146	12.8	2.3 (59)	4.8 (31)	7.8 (16)	9.0 (27)	7.6 (19)	6.2 (25)	8.7 (62)
S&P/TSX Composite			2.6 (50)	3.9 (43)	7.1 (36)	8.4 (46)	6.2 (59)	4.7 (61)	7.8 (80)
Value Added			-0.3	0.9	0.7	0.6	1.4	1.5	0.9
<b>Letko (including cash)</b>	<b>53,753</b>	<b>16.0</b>	<b>0.1 (91)</b>	<b>-5.2 (90)</b>	<b>3.7 (82)</b>	<b>9.3 (18)</b>	<b>7.3 (28)</b>	<b>6.1 (28)</b>	<b>10.9 (17)</b>
S&P/TSX Composite			2.6 (50)	3.9 (43)	7.1 (36)	8.4 (46)	6.2 (59)	4.7 (61)	7.8 (80)
Value Added			-2.5	-9.1	-3.4	0.9	1.1	1.4	3.1
<b>Global Equities</b>	<b>76,603</b>	<b>22.8</b>	<b>0.4 (69)</b>	<b>2.8 (66)</b>	<b>5.5 (75)</b>	<b>10.0 (73)</b>	<b>6.5 (86)</b>	<b>7.3 (91)</b>	<b>9.6 (95)</b>
Aberdeen	13,892	4.1	1.5 (53)	5.4 (43)	6.7 (66)	9.8 (75)	7.0 (80)	7.1 (92)	-
MSCI World (Net)			1.8 (47)	5.7 (41)	9.1 (41)	11.9 (47)	9.2 (47)	11.1 (51)	12.0 (63)
Value Added			-0.3	-0.3	-2.4	-2.1	-2.2	-4.0	-
<b>Brandes</b>	<b>14,155</b>	<b>4.2</b>	<b>-0.5 (85)</b>	<b>0.7 (79)</b>	<b>4.9 (81)</b>	<b>10.4 (69)</b>	<b>5.8 (90)</b>	<b>7.7 (89)</b>	<b>10.8 (82)</b>
MSCI World (Net)			1.8 (47)	5.7 (41)	9.1 (41)	11.9 (47)	9.2 (47)	11.1 (51)	12.0 (63)
Value Added			-2.3	-5.0	-4.2	-1.5	-3.4	-3.4	-1.2
<b>GMO</b>	<b>48,556</b>	<b>14.4</b>	<b>0.4 (69)</b>	<b>2.8 (66)</b>	<b>5.4 (77)</b>	<b>10.1 (72)</b>	<b>6.7 (84)</b>	<b>7.7 (89)</b>	<b>-</b>
MSCI World (Net)			1.8 (47)	5.7 (41)	9.1 (41)	11.9 (47)	9.2 (47)	11.1 (51)	12.0 (63)
Value Added			-1.4	-2.9	-3.7	-1.8	-2.5	-3.4	-

\*GMO returns are reported net-of-fees.  
 Parentheses contain percentile rankings.

## Executive Summary

## Trailing Period Performance

As of 30 June 2019

	Allocation		Performance (%)						
	Market Value (\$'000)	%	1 Quarter	1 Year	2 Years	3 Years	4 Years	5 Years	10 Years
Canadian Fixed Income	161,346	48.0	4.4	8.3	5.5	3.2	4.4	5.0	5.2
TDAM Long Bonds	84,670	25.2	5.0	11.4	6.5	4.3	5.8	6.4	-
FTSE Canada Long Term Overall Bond			4.8	11.4	6.5	4.4	5.8	6.6	7.3
Value Added			0.2	0.0	0.0	-0.1	0.0	-0.2	-
TDAM Real Return Bonds	76,610	22.8	3.7	5.1	4.7	2.1	2.9	3.5	-
FTSE Canada Real Return Bond			3.5	5.2	4.6	2.1	2.9	3.4	5.2
Value Added			0.2	-0.1	0.1	0.0	0.0	0.1	-
TDAM Cash	65	0.0	-	-	-	-	-	-	-
Operating Account	1,593	0.5							

\*GMO returns are reported net-of-fees.  
Parentheses contain percentile rankings.

Executive Summary

**Trailing Period Performance**

As of 30 June 2019

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
<b>Total Fund</b>	4.1 (74)	7.3 (53)	9.0 (67)	3.2 (39)	6.3 (86)	19.8 (30)	9.6 (71)	2.3 (22)	12.1 (85)	7.7 (50)	-9.4 (51)
Benchmark	6.4 (30)	7.7 (34)	8.2 (79)	3.8 (30)	8.5 (59)	19.1 (42)	6.5 (96)	1.4 (38)	13.3 (68)	8.1 (46)	-10.6 (65)
Value Added	-2.3	-0.4	0.8	-0.6	-2.2	0.7	3.1	0.9	-1.2	-0.4	1.2
<b>Canadian Equities</b>	-1.1 (80)	12.6 (17)	17.7 (3)	2.1 (50)	1.1 (44)	29.7 (51)	19.0 (14)	-5.9 (31)	21.4 (47)	11.0 (60)	-21.1 (41)
Guardian (including cash)	4.8 (31)	10.8 (40)	11.7 (55)	3.3 (31)	0.7 (48)	26.7 (78)	9.3 (82)	-3.1 (17)	21.6 (44)	4.6 (100)	-22.3 (48)
S&P/TSX Composite	3.9 (43)	10.4 (47)	11.0 (64)	-0.2 (63)	-1.2 (63)	28.7 (65)	7.9 (93)	-10.3 (64)	20.9 (55)	12.0 (55)	-25.7 (67)
Value Added	0.9	0.4	0.7	3.5	1.9	-2.0	1.4	7.2	0.7	-7.4	3.4
Letko (including cash)	-5.2 (90)	13.4 (12)	21.5 (1)	1.5 (54)	1.4 (41)	31.1 (35)	24.2 (2)	-6.9 (34)	20.4 (63)	14.2 (32)	-17.4 (19)
S&P/TSX Composite	3.9 (43)	10.4 (47)	11.0 (64)	-0.2 (63)	-1.2 (63)	28.7 (65)	7.9 (93)	-10.3 (64)	20.9 (55)	12.0 (55)	-25.7 (67)
Value Added	-9.1	3.0	10.5	1.7	2.6	2.4	16.3	3.4	-0.5	2.2	8.3
<b>Global Equities</b>	2.8 (66)	8.3 (80)	19.4 (52)	-3.4 (77)	10.5 (91)	23.9 (65)	18.7 (85)	2.0 (40)	17.6 (68)	-0.1 (85)	-21.2 (73)
Aberdeen	5.4 (43)	7.9 (82)	16.4 (71)	-1.0 (60)	7.6 (96)	22.0 (79)	17.2 (91)	4.3 (26)	18.3 (60)	-	-
MSCI World (Net)	5.7 (41)	12.5 (47)	17.8 (62)	1.4 (40)	18.9 (59)	25.2 (53)	22.7 (57)	0.4 (52)	18.7 (57)	0.7 (78)	-19.3 (62)
Value Added	-0.3	-4.6	-1.4	-2.4	-11.3	-3.2	-5.5	3.9	-0.4	-	-
Brandes	0.7 (79)	9.3 (71)	22.2 (30)	-6.8 (91)	15.3 (78)	31.6 (7)	27.3 (24)	-1.5 (64)	17.2 (71)	-0.4 (87)	-21.2 (73)
MSCI World (Net)	5.7 (41)	12.5 (47)	17.8 (62)	1.4 (40)	18.9 (59)	25.2 (53)	22.7 (57)	0.4 (52)	18.7 (57)	0.7 (78)	-19.3 (62)
Value Added	-5.0	-3.2	4.4	-8.2	-3.6	6.4	4.6	-1.9	-1.5	-1.1	-1.9
GMO	2.8 (66)	8.1 (81)	20.0 (46)	-2.8 (72)	11.9 (90)	23.8 (65)	19.0 (83)	2.9 (33)	16.8 (74)	-	-
MSCI World (Net)	5.7 (41)	12.5 (47)	17.8 (62)	1.4 (40)	18.9 (59)	25.2 (53)	22.7 (57)	0.4 (52)	18.7 (57)	0.7 (78)	-19.3 (62)
Value Added	-2.9	-4.4	2.2	-4.2	-7.0	-1.4	-3.7	2.5	-1.9	-	-
<b>Canadian Fixed Income</b>	8.3	2.8	-1.2	7.8	7.5	8.1	-3.9	10.4	5.0	7.8	6.9
TDAM Long Bonds	11.4 (58)	1.8 (79)	0.3 (85)	10.2 (29)	9.0 (89)	8.0 (39)	-2.0 (26)	-	-	-	-
FTSE Canada Long Term Overall Bond	11.4 (38)	1.8 (72)	0.4 (75)	9.9 (51)	10.1 (34)	7.6 (70)	-2.9 (84)	18.8 (23)	7.0 (70)	10.9 (72)	4.6 (76)
Value Added	0.0	0.0	-0.1	0.3	-1.1	0.4	0.9	-	-	-	-
TDAM Real Return Bonds	5.1	4.2	-2.9	5.4	5.8	8.2	-8.5	-	-	-	-
FTSE Canada Real Return Bond	5.2	4.0	-2.7	5.3	5.6	8.1	-9.9	14.9	11.7	12.2	-3.8
Value Added	-0.1	0.2	-0.2	0.1	0.2	0.1	1.4	-	-	-	-

Parentheses contain percentile rankings.

# Capital Markets Performance

## Major Capital Markets' Returns

As of 30 June 2019

	1 Quarter	Year To Date	1 Year	2 Years	3 Years	4 Years	5 Years	10 Years
<b>Equity</b>								
S&P/TSX Composite	2.6	16.2	3.9	7.1	8.4	6.2	4.7	7.8
S&P 500	2.1	13.6	9.8	12.8	14.3	12.9	15.4	16.1
S&P 500 (USD)	4.3	18.5	10.4	12.4	14.2	11.5	10.7	14.7
MSCI EAFE (Net)	1.5	9.3	0.5	4.3	9.3	5.2	6.5	8.2
MSCI World (Net)	1.8	12.1	5.7	9.1	11.9	9.2	11.1	12.0
MSCI ACWI (Net)	1.3	11.2	5.0	8.5	11.9	8.8	10.6	11.5
MSCI Emerging Markets (Net)	-1.6	5.8	0.5	5.0	10.9	5.7	6.8	7.1
<b>Real Estate</b>								
MSCI/REALPAC Canada Annual Property	1.6	3.0	7.3	7.6	7.3	7.4	7.3	8.9
MSCI/REALPAC Canada Quarterly Property Fund	2.0	3.6	7.6	8.2	7.9	7.3	7.1	8.4
<b>Fixed Income</b>								
FTSE Canada Universe Bond	2.5	6.5	7.4	4.0	2.7	3.3	3.9	4.5
FTSE Canada Long Term Overall Bond	4.8	12.1	11.4	6.5	4.4	5.8	6.6	7.3
FTSE Canada 91 Day TBill	0.4	0.8	1.6	1.3	1.0	0.9	0.9	0.9
<b>Consumer Price Index</b>								
Canadian CPI, unadjusted	0.7	2.2	2.0	2.2	1.8	1.7	1.6	1.7

### Canadian Equities

The S&P/TSX Composite Index returned +2.6% in the second quarter of 2019. Performance was mixed across sectors. Information Technology (+14.3%) was the best performing sector, followed by Materials (+5.4%) and Utilities (+5.4%). Negative performing sectors included Health Care (-9.3%), Energy (-2.8%), and Real Estate (-1.4%). Growth stocks outperformed value stocks over the past quarter (+3.9% vs.+1.7% respectively) as well as year-to-date (+18.3% vs.+14.2% respectively). The S&P/TSX Composite Index returned +16.2% year-to-date. The best performing sectors year-to-date were Information Technology (+44.0%), Health Care (+35.2%) and Utilities (+22.4%), while Communication Services (+9.7%) was the worst performer.

### U.S. Equities

The S&P 500 Index returned +2.1% in the quarter in Canadian dollar terms. Performance was positive across most sectors. Financials (+5.6%) was the best performing sector while Energy (-5.0%) was the worst performing sector. The S&P 500 Index returned +13.6% year-to-date in Canadian dollar terms. The best performing sectors year-to-date were Information Technology (+21.6%) and Consumer Discretionary (+16.6%) while Health Care (+3.4%) was the worst performer.

### Non-North American Equities

The MSCI EAFE Index returned +1.5% in the quarter in Canadian dollar terms. Sector returns were mixed with the best performer being Information Technology (+4.2%) and the worst being Real Estate (-4.3%). Year-to-date, the Index returned +9.3% in Canadian dollar terms. Year-to-date, the best performing sector was Information Technology (+17.6%) while the worst performer was Communication Services (+3.8%).

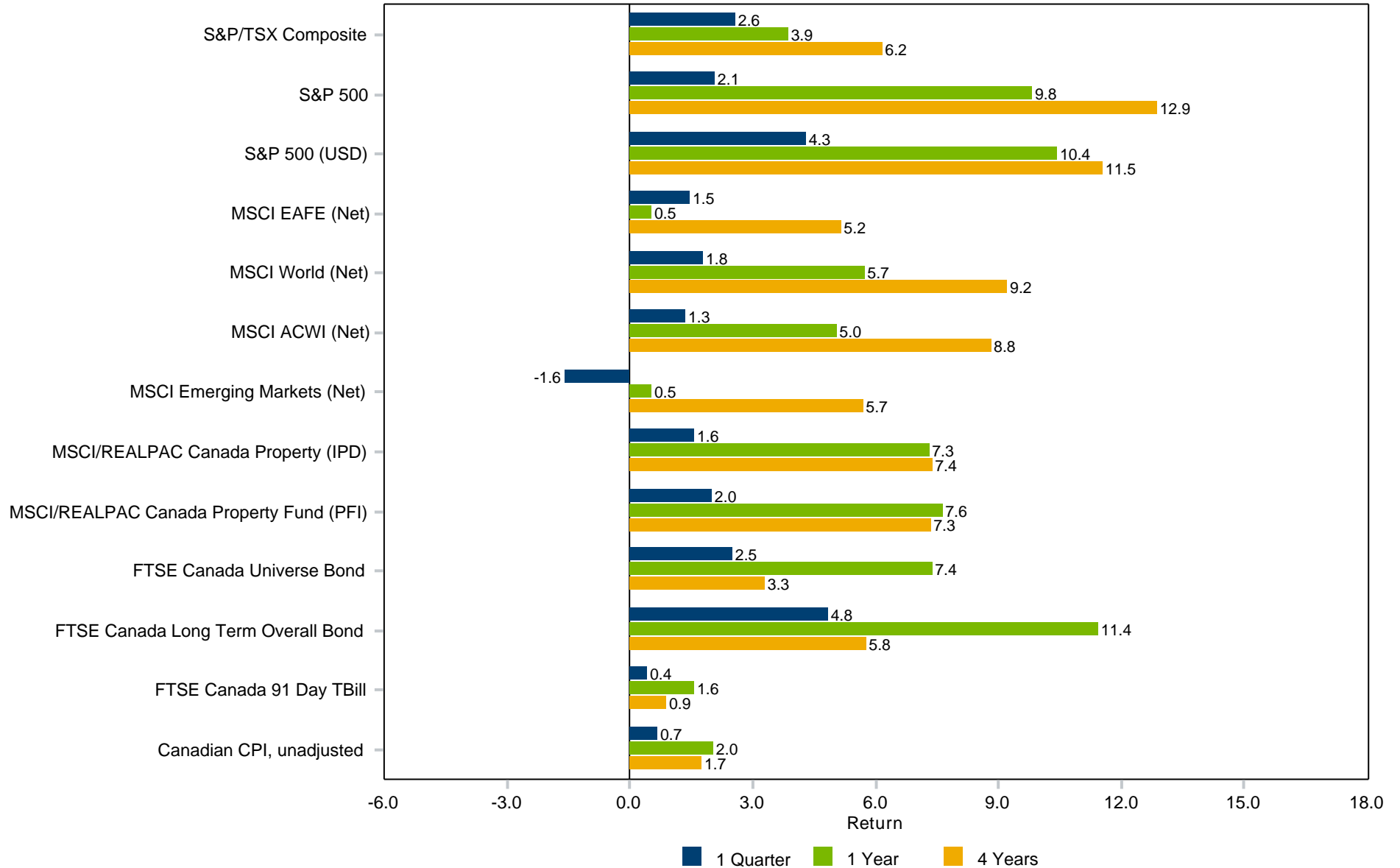
### Fixed Income

The Canadian bond market, as measured by the FTSE Canada Universe Bond Index, returned +2.5% over the last quarter. Bond market performance was led by Provincial bonds (+3.4%) which outperformed both Corporate bonds (+2.7%) and Federal bonds (+1.5%). From a term perspective, long duration bonds (+4.8%) outperformed both medium duration (+2.1%) and short duration (+0.9%) bonds in the quarter. Year-to-date, the FTSE Canada Universe Bond Index returned +6.5%. Year-to-date, bond market performance has been led by Provincial bonds (+8.8%), outperforming both Corporate bonds (+6.8%) and Federal bonds (+4.0%) while from a term perspective, long duration bonds (+12.1%) outperformed both medium duration (+5.9%) and short duration (+2.7%) bonds.

Returns for periods greater than one year are annualized. Sector returns are sourced from MSCI.

Comparative Performance

As of 30 June 2019





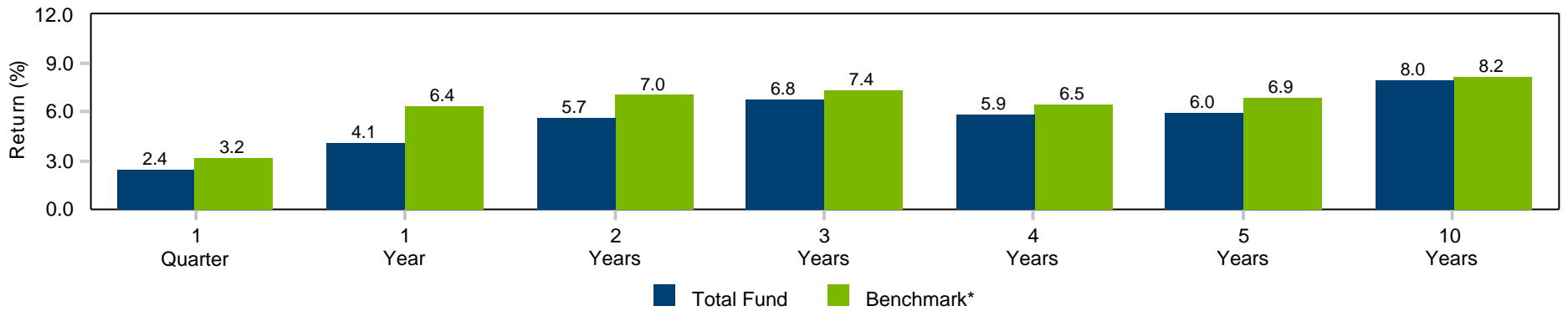
# Total Fund Analysis

Total Fund

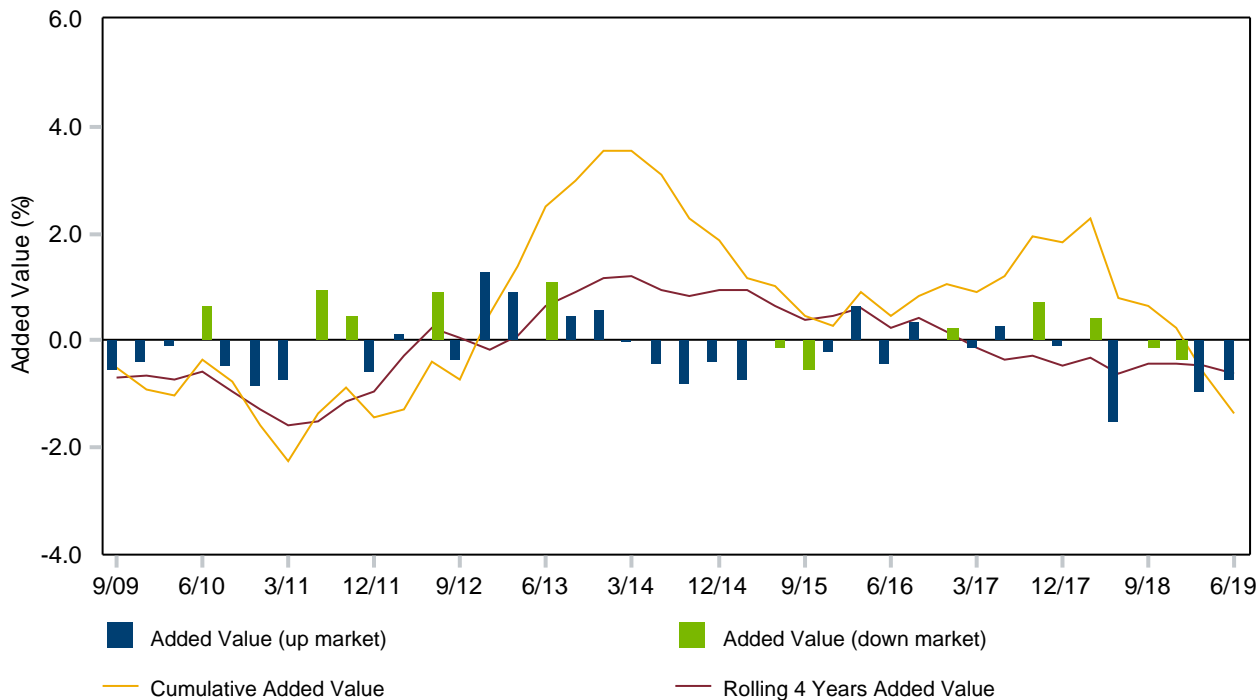
### Total Fund Performance Summary

As of 30 June 2019

#### Return Summary



#### Added Value History (%)



#### Performance Statistics

	Quarters	%
Market Capture		
Up Markets	28	94.4
Down Markets	12	82.2
Batting Average		
Up Markets	28	28.6
Down Markets	12	66.7
Overall	40	40.0

\* See Appendix A for benchmark components.

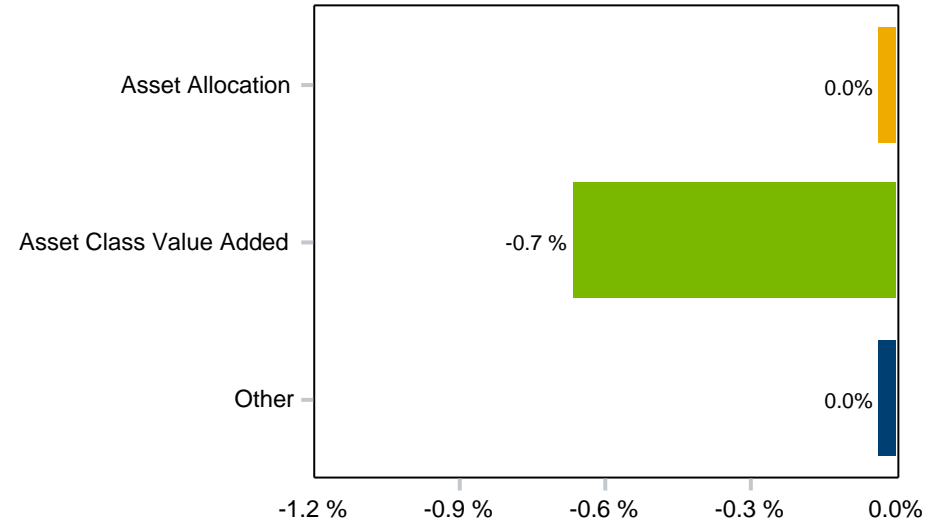
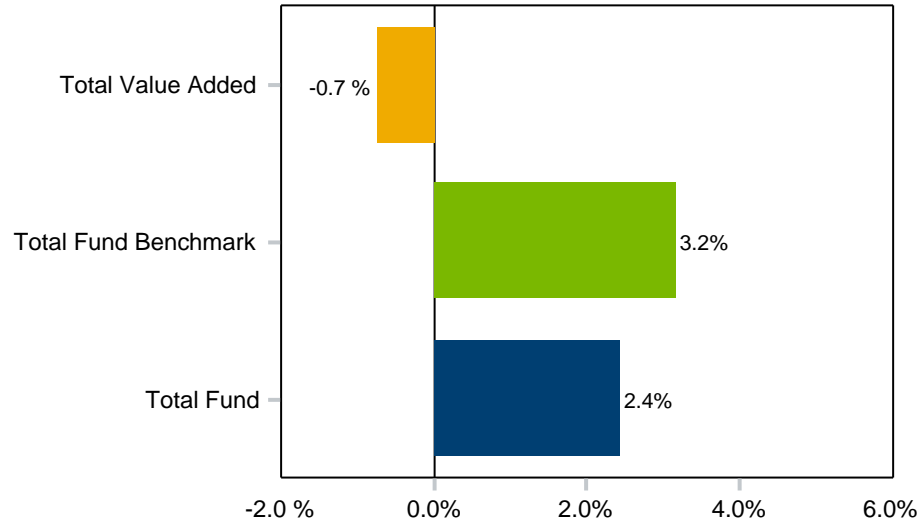
Total Fund

**Total Fund Performance Attribution**

1 Quarter Ending 30 June 2019  
 Total Fund vs. Benchmark

Total Fund Performance

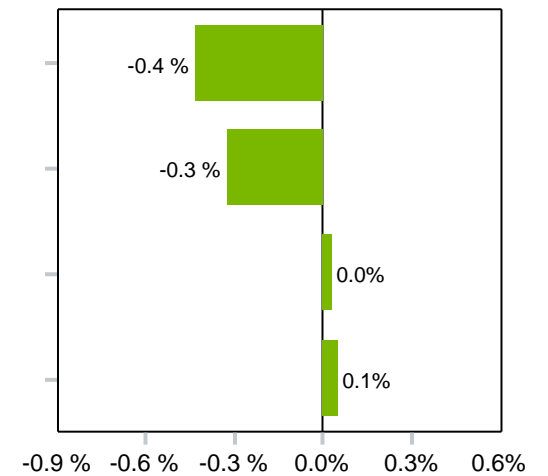
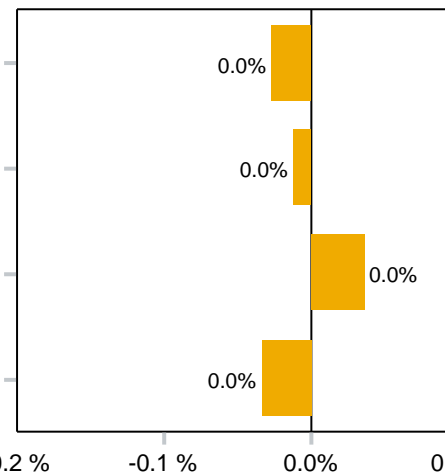
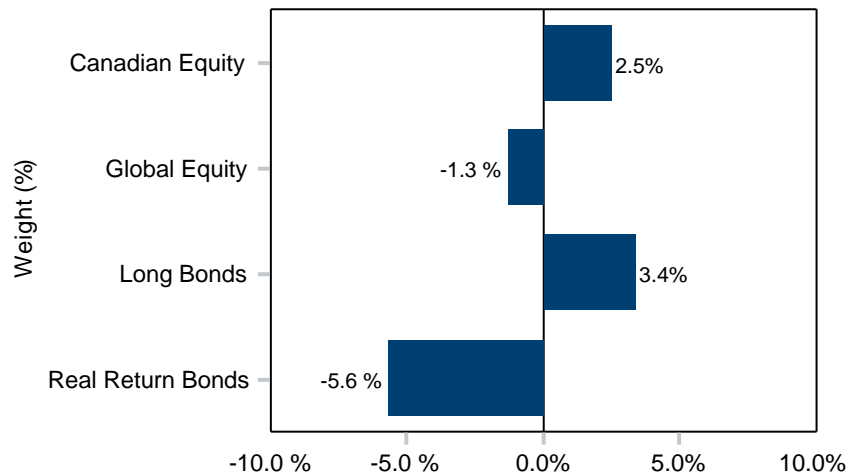
Total Value Added: -0.7 %



1 Quarter

Total Asset Allocation: 0.0%

Total Asset Class Value Added: -0.7 %



■ Active Weight

■ Asset Allocation Value Added

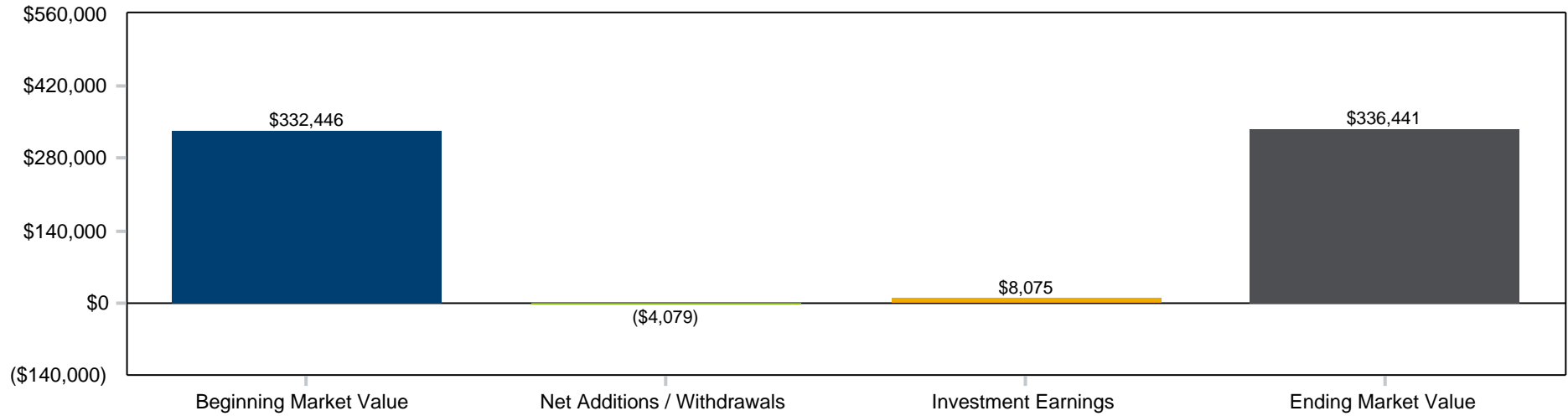
■ Asset Class Value Added

Total Fund

**Total Fund Asset Summary**

As of 30 June 2019

**Change in Market Value (\$000)  
From 1 April 2019 to 30 June 2019**



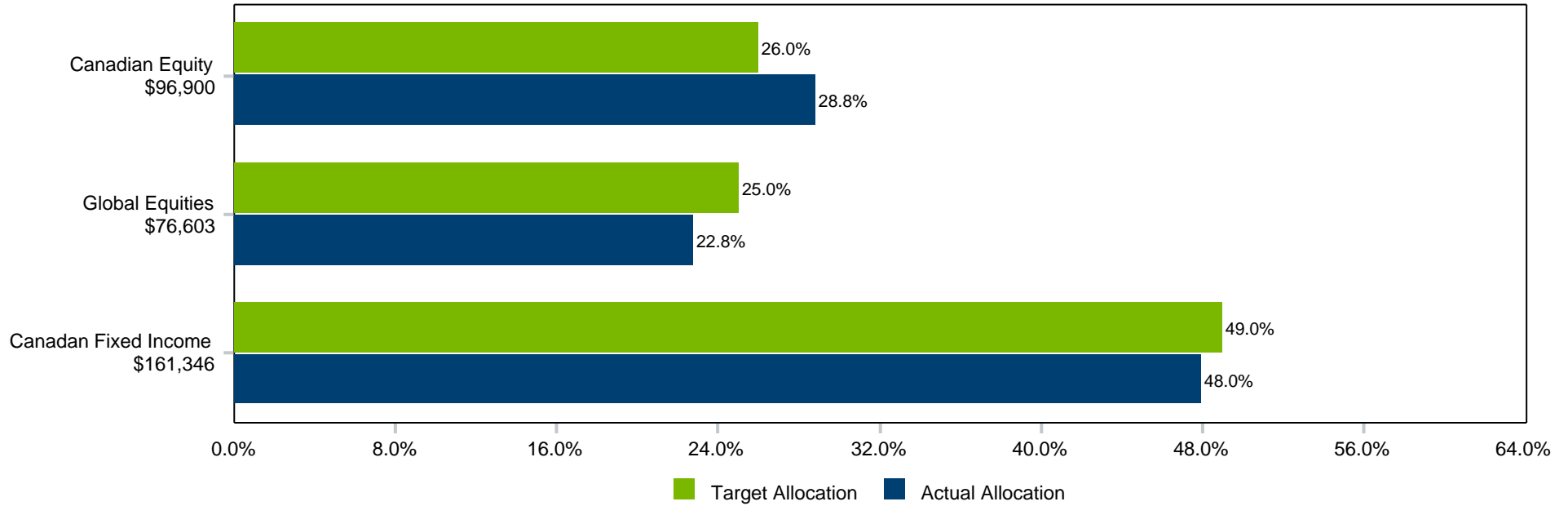
**Summary of Cash Flows (\$000)**

	1 Quarter	Year To Date	1 Year	4 Years
<b>Total Fund</b>				
Beginning Market Value	332,446	311,511	339,904	333,647
+/- Net Cash Flows	-4,079	-8,215	-16,596	-72,362
+/- Income	1,463	2,112	18,900	65,407
+/- Capital Gains / Losses	6,612	31,033	-5,767	9,749
= Ending Market Value	336,441	336,441	336,441	336,441

Total Fund

Asset Allocation Compliance

As of 30 June 2019 (\$000)



	Market Value (\$000)	Market Value (%)	Target Allocation (%)	Differences (%)	Minimum Allocation (%)	Maximum Allocation (%)	Within Range
Total Fund	336,441	100.0	100.0	0.0			
Canadian Equity	96,900	28.8	26.0	2.8	21.0	31.0	Yes
Global Equities	76,603	22.8	25.0	-2.2	20.0	30.0	Yes
Canadian Fixed Income	161,346	48.0	49.0	-1.0	39.0	59.0	Yes

## Appendix A - Plan Information

**Plan Information**

**Summary of Investment Objective**

**The investment policy contains specific performance objectives for the fund and the investment managers.**

All investment rates of return are measured over moving four-year periods. Return objectives are net of fees and include realized and unrealized capital gains or losses plus income from all sources.

Returns will be calculated on a time-weighted basis and compared to the objectives described below.

The *objective* of the total fund is to outperform a benchmark portfolio that is comprised of the following weightings:

	1 April 2019 to 30 June 2019 (current period)	1 January 2019 to 31 March 2019	1 October 2018 to 31 December 2018	1 April 2018 to 30 September 2018	1 January 2018 to 31 March 2018	1 October 2017 to 31 December 2017	1 July 2014 to 30 September 2017	1 April 2012 to 30 June 2014	1 July 2011 to 31 March 2012	1 January 2008 to 30 June 2011	1 July 2006 to 31 December 2007	Up to 30 June 2006
S&P/TSX Composite	26.00%	27.00%	28.00%	27.00%	27.00%	27.00%	28.00%	30.00%	30.00%	30.00%	30.00%	25.00%
MSCI World (C\$)	25.00%	26.00%	28.00%	26.00%	27.00%	26.00%	28.00%	30.00%	30.00%	0.00%	0.00%	0.00%
MSCI World ex. Cda (C\$)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	15.00%	15.00%	17.50%
S&P 500 - hedged to C\$	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	5.00%	7.50%	8.75%
MSCI EAFE - hedged to C\$	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	5.00%	7.50%	8.75%
FTSE Canada Universe Bond	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	40.00%	45.00%	40.00%	40.00%
FTSE Canada Long Bond	21.00%	22.00%	23.00%	22.00%	23.00%	22.00%	22.00%	25.00%	0.00%	0.00%	0.00%	0.00%
FTSE Canada Real Return Bond	28.00%	25.00%	21.00%	25.00%	23.00%	25.00%	22.00%	15.00%	0.00%	0.00%	0.00%	0.00%
	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

## Appendix B - Manager Updates



## Manager Updates

As of 30 June 2019

### Aberdeen Standard Investments

#### Q2 2019

##### Business

There were no significant events during the quarter.

##### Staff

There were no significant events during the quarter.

### Brandes Investment Partners

#### Q2 2019

##### Business

In the second quarter of 2019, Brandes entered into an agreement with SEI Global Services Inc., a provider of back-office investment services, for certain back-office and middle-office services for client accounts. The transition to SEI will take place during the second half of 2019 and is expected to be completed by the end of the year.

##### Staff

There were no significant events.

## Manager Updates

As of 30 June 2019

## GMO

Q2 2019

## Business

There were no significant events.

## Staff

Neil Constable, Head of the Global Equity Team, left the firm in June. Simon Harris, a partner of the firm and member of the Global Equity team, assumed responsibility as interim head of the team.

## Guardian Capital

Q2 2019

## Business

Guardian announced the Guardian Growth & Income fund closed effective 29 April 2019.

## Staff

David Wilson joined Guardian's real estate team as an Asset Manager. Greg Zdzienicki, Client Portfolio Manager, Systematic Strategies left the firm.

## Letko, Brosseau &amp; Associates Inc. ("Letko, Brosseau")

Q2 2019

## Business

During the second quarter, Letko Brosseau became a signatory of the United Nations-supported Principles for Responsible Investment (PRI).

## Staff

During the second quarter, Andrew Bolton, Director, Investment Services, left the firm. All the accounts under his supervision have been reallocated and Letko Brosseau is presently recruiting a new Director, Investment Services.

## Manager Updates

As of 30 June 2019

TD Asset Management ("TDAM")  
Q2 2019

### Business

There were no significant events.

### Staff

Geoff Wilson, Managing Director, Deborah Lee Chang, Vice President & Director, and David McCulla, Vice President & Director, left the firm due to reorganization.

## Appendix C - Disclosure

## Statement of Disclosure

As of 30 June 2019

Aon Hewitt Inc. reconciles the rates of return with each investment manager quarterly. Aon Hewitt Inc. calculates returns from the custodian/trustee statements while the managers use different data sources. Occasionally discrepancies occur because of differences in computational procedures, security prices, "trade date" versus "settlement date" accounting, etc. We monitor these discrepancies closely and find that they generally do not tend to persist over time. However, if a material discrepancy arises or persists, we will bring the matter to your attention after discussion with your money manager.

This report may contain slight discrepancies due to rounding in some of the calculations. All data presented is in Canadian dollars unless otherwise stated.

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This report does not constitute accounting, legal or tax advice and should not be relied upon for any such business decisions. This report contains information that is proprietary to Aon and may not be distributed, reproduced, copied, or amended without Aon's prior written consent.





## Canadian Defined Benefit Pension Plans Post Modest Gains in Q2 2019: RBC Investor & Treasury Services

- **Returns for the first six months of 2019 sit at 10.2 per cent**

**Toronto, Ontario – August 7, 2019** – Canadian defined benefit pension plans returned 2.7 per cent in Q2 2019, down from [Q1 2019](#) returns of 7.2 per cent, according to the [RBC Investor & Treasury Services All Plan Universe](#). Q2 2019 return metrics calculated in the RBC Investor & Treasury Services All Plan Universe were down quarter-over-quarter, however, six-month returns sit at 10.2 per cent.

Growth in the TSX Composite Index slowed in Q2 2019, posting a return of 2.6 per cent compared to 13.3 per cent in Q1 2019. Canadian equity returns for Canadian pension plans were also measured in Q2 2019, returning 2.3 per cent versus 12.4 per cent a quarter earlier.

### ADDITIONAL RESULTS

- The MSCI World Index returned 1.7 per cent, down from 10.0 per cent a quarter earlier, while global equity returns also slowed to 1.8 per cent in Q2 2019 compared to 9.9 per cent in Q1 2019.
- Canadian fixed income returns sat at 3.7 per cent in Q2, down from 5.6 per cent in Q1 2019.
- The FTSE Canada Universe bond index returned 2.5 per cent in Q2 2019 compared to 3.9 per cent in Q1 2019. Canadian bond yields also fell during Q2 2019.
- Seven of 11 sectors in the TSX Composite Index were positive in Q2 2019. All 11 sectors posted gains in Q1 2019.

### QUOTE

“The first half of 2019 has been positive for Canadian defined benefit pension plans and all indicators show that the Canadian economy is healthy, but small cracks are beginning to appear. Geopolitical and trade unrest as well as slowing global economies continue to persist, and Canadian investors are growing increasingly aware of their impact on our markets and economy. Second quarter growth can be considered healthy, but modest, and managers will need to maintain their cautious approach and actively manage their portfolios and risk exposure.”

- **Ryan Silva, Director, Head of Pension and Insurance Segments, Global Client Coverage, RBC Investor & Treasury Services**

**HISTORIC PERFORMANCE****Appendix "B" to Report FCS19075  
Page 2 of 2**

Period	Return (%)	Period	Return (%)
Q2 2019	2.7	Q3 2017	0.4
Q1 2019	7.2	Q2 2017	1.4
Q4 2018	-3.5	Q1 2017	2.9
Q3 2018	0.1	Q4 2016	0.5
Q2 2018	2.2	Q3 2016	4.2
Q1 2018	0.2	Q2 2016	2.9
Q4 2017	4.4	Q1 2016	0.0

**About the RBC Investor & Treasury Services All Plan Universe**

For the past 30 years, [RBC Investor & Treasury Services](#) (RBC I&TS) has managed one of the industry's largest and most comprehensive universes of Canadian pension plans. The "All Plan Universe" currently tracks the performance and asset allocation of a cross-section of assets under management across Canadian defined benefit (DB) pension plans, and is a widely-recognized performance benchmark indicator. The RBC Investor & Treasury Services "All Plan Universe" is produced by RBC I&TS' Risk & Investment Analytics (R&IA) service. R&IA work in partnership with best-in-class technology to deliver independent and cost effective solutions designed to help institutional investor clients monitor investment decisions, optimize performance, reduce costs, mitigate risk and increase governance capability.

**About RBC Investor & Treasury Services**

[RBC Investor & Treasury Services](#) (RBC I&TS) is a specialist provider of asset services, custody, payments and treasury and market services for financial and other institutional investors worldwide, with over 4,500 employees in 17 countries across North America, Europe, Asia and Australia. We deliver services which safeguard client assets, underpinned by client-centric digital solutions which continue to be enhanced and evolved in line with our clients' changing needs. Trusted with CAD 4.3 trillion in client assets under administration as at May 23, 2019, RBC I&TS has been rated by our clients as the #1 global custodian for eight consecutive years and is a financially strong partner with among the highest credit ratings globally.

- 30 -

**For more information, please contact:**

Briana D'Archi  
+1 416 955 5658  
[briana.darchi@rbc.com](mailto:briana.darchi@rbc.com)



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**CITY OF HAMILTON**  
**CORPORATE SERVICES DEPARTMENT**  
**Financial Planning, Administration and Policy Division**

<b>TO:</b>	Chair and Members HMRF / HWRF Pension Administration Sub-Committee
<b>COMMITTEE DATE:</b>	December 10, 2019
<b>SUBJECT/REPORT NO:</b>	2019 Master Trust Pension Statement of Investment Policies and Procedures (FCS19073) (City Wide)
<b>WARD(S) AFFECTED:</b>	City Wide
<b>PREPARED BY:</b>	Rosaria Morelli (905) 546-2424 Ext. 1390
<b>SUBMITTED BY:</b>	Mike Zegarac General Manager, Finance and Corporate Services Corporate Services Department
<b>SIGNATURE:</b>	

### RECOMMENDATION(S)

- (a) That Appendix “A” attached to Report FCS19073 respecting the 2019 City of Hamilton Defined Benefit Pension Plans Master Trust Statement of Investment Policies and Procedures be approved and replace the previous 2018 City of Hamilton Defined Benefit Pension Plans Master Trust Statement of Investment Policies and Procedures contained in Report FCS18090 and approved by Council on January 23, 2019.
- (b) That Appendix “A” attached to Report FCS19073 respecting the 2019 City of Hamilton Defined Benefit Pension Plans Master Trust Statement of Investment Policies and Procedures be forwarded to the Hamilton Street Railway Pension Advisory Committee for their information.

### EXECUTIVE SUMMARY

The Statement of Investment Policies and Procedures for the City of Hamilton Defined Benefit Pension Plans Master Trust (the “Master Trust SIPP”) has been amended as a result of the annual formal review required under the Master Trust SIPP. The amended Master Trust SIPP is attached as Appendix “A” to Report FCS19073.

---

OUR Vision: To be the best place to raise a child and age successfully.

OUR Mission: To provide high quality cost conscious public services that contribute to a healthy, safe and prosperous community, in a sustainable manner.

OUR Culture: Collective Ownership, Steadfast Integrity, Courageous Change, Sensational Service, Engaged Empowered Employees.

**SUBJECT: 2019 Master Trust Pension Statement of Investment Policies and Procedures (FCS19073) (City Wide) – Page 2 of 4**

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The Master Trust SIPP comprises the investment policy for the Hamilton Municipal Retirement Fund (HMRF), the Hamilton Street Railway Company Pension Plan, 1994 (HSR), and the Hamilton-Wentworth Retirement Fund (HWRF) pension plans.

The Master Trust SIPP has been amended to update information relating to the contributions, benefits and liabilities of the HMRF, HSR and HWRF pension plans.

There were no changes in the applicable pension legislation affecting the Master Trust SIPP since the preceding review that was undertaken and described in Report FCS18090 respecting the 2018 City of Hamilton Defined Benefit Pension Plans Master Trust Statement of Investment Policies and Procedures.

**Alternatives for Consideration – Not Applicable****FINANCIAL – STAFFING – LEGAL IMPLICATIONS**

Financial: Not Applicable.

Staffing: Not Applicable.

Legal: Not Applicable.

**HISTORICAL BACKGROUND**

The Master Trust SIPP provides the framework for the investment of the assets of the City of Hamilton's three non-OMERS defined-benefit pension plans: HMRF, HSR, HWRF. Assets for the three pension plans (the "Plans") have been aggregated for investment purposes in a private pooling vehicle structure or master trust structure (the "Master Trust") which was approved and adopted by Council on May 18, 1999. Each of the pension plans participates in the Master Trust.

Appendices "A", "B" and "C of the Master Trust SIPP contain details of the individual statement of investment policies and procedures for the HMRF, HSR and HWRF pension plans, respectively.

Since 2006, a policy review of the Master Trust SIPP has been completed annually except for fiscal years 2010 and 2013. For each review, the applicable Master Trust SIPP was replaced with the amended version adopted and approved by Council.

Details of each review can be found in the following staff reports: Report FCS07096; Report FCS08111; Report FCS09093; Report FCS11033; Report FCS12084; Report FCS14080; Report FCS15083; Report FCS16081; Report FCS17079; and Report FCS18090.

**SUBJECT: 2019 Master Trust Pension Statement of Investment Policies and Procedures (FCS19073) (City Wide) – Page 3 of 4**

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The review for the year of 2010 was constrained because of the City's decision to implement the Dynamic Investment Policy (Report FCS09112) which was approved by Council on February 10, 2010. Similarly, in 2013, unplanned pressures resulted in the deferral of the annual review.

**POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS**

Ontario Regulation 909 (the "Regulation") made under the *Pension Benefits Act* (PBA) requires that the administrator of a provincially regulated pension plan establish a written statement of investment policies and procedures that complies with requirements of the federal investment regulations as modified in Sections 47.8 and 79 of the Regulation.

**RELEVANT CONSULTATION**

Staff consulted with Legal and Risk Management Services Division in the preparation of Report FCS19073.

The City's investment consultant, Aon, undertook a review of the Master Trust SIPP from a compliance and governance perspective. Aon took account of all applicable regulatory guidance and addressed any relevant changes where appropriate in the Master Trust SIPP.

**ANALYSIS AND RATIONALE FOR RECOMMENDATION(S)**

The Master Trust SIPP has been amended to update information relating to the contributions, benefits or liabilities of the HMRF, HSR, and HWRF pension plans.

Accordingly, the following sections of the Master Trust SIPP have been amended:

- Section 1.03 Plan Profile of Appendix A of the Master Trust SIPP (Statement of Investment Policies and Procedures Hamilton Municipal Retirement Fund) found on pages 26 and 27 of the Master Trust SIPP;
- Section 1.03 Plan Profile of Appendix B of the Master Trust SIPP (Statement of Investment Policies and Procedures Hamilton Street Railway Pension Plan (1994)) found on pages 28 and 29 of the Master Trust SIPP; and
- Section 1.03 Plan Profile of Appendix C of the Master Trust SIPP (Statement of Investment Policies and Procedures Hamilton-Wentworth Retirement Fund) found on pages 31 and 32 of the Master Trust SIPP.

**SUBJECT: 2019 Master Trust Pension Statement of Investment Policies and Procedures (FCS19073) (City Wide) – Page 4 of 4**

---

There were no changes in the applicable pension legislation affecting the Master Trust SIPP since the preceding review that was undertaken and described in Report FCS18090 respecting the 2018 City of Hamilton Defined Benefit Pension Plans Master Trust Statement of Investment Policies and Procedures.

**ALTERNATIVES FOR CONSIDERATION**

Not Applicable.

**ALIGNMENT TO THE 2016 – 2025 STRATEGIC PLAN**

**Our People and Performance**

Hamiltonians have a high level of trust and confidence in their City government.

**APPENDICES AND SCHEDULES ATTACHED**

Appendix “A” to Report FCS19073 – Statement of Investment Policies and Procedures – City of Hamilton Defined Benefit Pension Plans Master Trust, December 2019

RM/dt

## **Statement of Investment Policies and Procedures**

City of Hamilton Defined Benefit Pension Plans Master Trust

December 2019

**APPROVED** on this                      day of December, 2019

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## Section 1—Overview

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### 1.01 Purpose of Statement

This Statement of Investment Policies and Procedures (the “Policy” or “Master Trust SIPP”) provides the framework for the investment of the assets of the City of Hamilton Defined Benefit Pension Plans Master Trust (the “Master Trust”).

This Policy is based on the “prudent person portfolio approach” to ensure the prudent investment and administration of the assets of the Master Trust are within the parameters set out in the *Pension Benefits Act*, (Ontario) and the Regulations thereunder.

### 1.02 Background of the Master Trust

The inception date of the Master Trust is November 1, 1999, when three defined benefit pension plans, the “Plans”, (the Hamilton Municipal Retirement Fund (Registration number 0275123), the Hamilton Street Railway Pension Plan (1994) (Registration number 0253344), and the Hamilton Wentworth Retirement Fund (Registration number 1073352)) invested in units of the Master Trust. The portfolio of assets in the Master Trust is referred to as “the Fund”. These Plans hold units of the Master Trust and share, on a pro-rata basis, in all income, expenses and capital gains and losses of the Master Trust.

For reference purposes, the details of the Statement of Investment Policies and Procedures for each of the above mentioned Plans participating in the Master Trust have been attached to Appendix A of this Policy.

### 1.03 Objective of the Plan

The objective of the Plans is to provide members of the Plans with retirement benefits prescribed under the terms thereof.

### 1.04 Investment and Risk Philosophy

The primary investment objective is to provide an economic return on assets sufficient to fund Plan liabilities over the long-term, while adhering to prudent investment practices.

The investment philosophies and strategies must take into account both return and risk objectives of the Plans and the City of Hamilton (the “City”).

In recognition of the risk and return objectives of the Plans and the City, an initial asset allocation policy was developed by the Investment Consultant in consultation with both the Chief Investments Officer and the Treasurer of the City (the “Treasurer”) based on the Plans’ current (at that time) funded status and the characteristics of the Plans and City. It is recognized, however, that the Plans’ return requirements and risk tolerance will change over time, and the intent is to reallocate the portfolio to lower risk allocations dynamically as the Plans’ funded statuses improve.

**1.05 Administration**

The General Manager of Finance and Corporate Services for the City (“General Manager of Finance and Corporate Services”) is the designated contact person at the City for administrative purposes.

## Section 2—Asset Mix and Diversification Policy

### 2.01 Master Trust Return Expectations

Each of the investment managers appointed to invest the assets of the Master Trust (the “Investment Managers”) is directed to achieve a satisfactory long-term real rate of return through a diversified portfolio, consistent with acceptable risks, performance objectives and prudent management.

In order to achieve their long-term investment goals, the Plans must invest in assets that have uncertain returns, such as Canadian equities, foreign equities and bonds. However, the City attempts to reduce the overall level of risk by diversifying the asset classes and further diversifying within each individual asset class. Based on historical data and reasonable expectations for future returns, the City believes that a diversified portfolio of Canadian equities, nominal bonds, real return bonds and foreign equities will likely outperform over the long term.

The overall goal of this Policy is to maximize the return of the Fund while bearing a reasonable level of risk relative to the liabilities in order to ensure the solvency of the Fund over time. The assets of the Plans are sufficiently liquid to make payments which may become due from the Plans. The weights applied to each of the asset classes are based on the targets in the initial asset allocation outlined in Section 2.03 and adjusted based on the target allocation in the Dynamic Investment Policy Schedule in Section 2.03.

### 2.02 Expected Volatility

The volatility of the Master Trust is directly related to its asset mix, specifically, the balance between Canadian bonds, Canadian equities and foreign equities. Since the Investment Managers do not have the authority to make any type of leveraged investment on behalf of the Master Trust, the volatility of the Master Trust should be similar to the volatility of the Benchmark Portfolio set out in Section 4.02 (Performance Measurement).

### 2.03 Asset Mix

(a) In order to achieve the long-term objective within the risk/return considerations described in Section 1.04, the following asset mix policy (Benchmark Portfolio) and ranges were selected for the initial asset allocation:

Assets	Minimum %	Initial Target Weight %	Maximum %	Asset Category
Canadian Equity	25	30	35	Return-Seeking
Global Equity	25	30	35	Return-Seeking
Total Equities	50	60	70	Return-Seeking
Fixed Income	30	40	50	Liability-Hedging

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For purpose of the total asset mix described above, the Investment Managers’ asset class pooled funds are deemed to be 100% invested, even though these funds may contain a portion held in cash and cash equivalent instruments.

The Plan’s target asset allocation for each investment category listed in subsection 76(12) of the Regulation 909 to the Pension Benefits Act (Ontario) is as follows:

<b>Investment Category under subsection 76(12) of Regulation 909</b>	<b>Target Asset Allocation</b>	<b>Accessed through mutual or pooled or segregated funds</b>
1. Insured Contracts	0.0%	-
2. Mutual or pooled funds or segregated funds	N/A	-
3. Demand deposits and cash on hand	0.0%	-
4. Short-term notes and treasury bills	0.0%	-
5. Term Deposits and guaranteed investment certificates	0.0%	-
6. Mortgage Loans	0.0%	-
7. Real Estate	0.0%	-
8. Real Estate Debentures	0.0%	-
9. Resource properties	0.0%	-
10. Venture Capital	0.0%	-
11. Corporations referred to in subsection 11(2) of Schedule III to the federal investment regs	0.0%	-
12. Employer issued securities	0.0%	-
13. Canadian stocks other than investments referred to in 1 to 12 above	30.0%	Yes
14. Non-Canadian stocks other than investments referred to in 1 to 12 above	30.0%	Yes
15. Canadian bonds and debentures other than investments referred to in 1 to 12 above	40.0%	Yes
16. Non-Canadian bonds and debentures other than investments referred to in 1 to 12 above	0.0%	-
17. Investments other than investments referred to in 1 to 16 above	0.0%	-

For inclusion within a fixed income investment category in the above table, the minimum ratings for target asset allocations of fixed income assets are outlined below. This framework is used to inform whether the target asset allocation to an investment category qualifies as fixed income for purposes of calculating the Provision for Adverse Deviations (PfAD) as defined under Regulation 909.

<b>Credit Rating Agency</b>	<b>Rating – Bond Market Securities</b>	<b>Rating – Money Market Securities</b>
DBRS	BBB	R-2 (middle)
Fitch Ratings	BBB-	F-3
Moody’s Investors Services	Baa3	P-3
Standard & Poor’s	BBB-	A-3

- (b) **Return-Seeking Assets:** These assets generally will consist of all non-fixed income investments, such as equities and alternatives, with a main focus on price appreciation with generally higher expected long-term returns.
- (c) **Liability-Hedging Assets:** These assets generally will be fixed-income investments, such as bonds, with similar duration characteristics as the pension liabilities (i.e., these assets generally behave like pension liabilities). Since these assets focus mainly on current income, their expected long-term returns will generally be lower than return-seeking assets.
- (d) **Sub-Allocations and Rebalancing Ranges:** The sub-allocations and rebalancing ranges within the return-seeking portfolio will be reviewed from time to time as the total return-seeking allocation changes due to the Dynamic Investment Policy Schedule below. The rebalancing ranges for the total return-seeking assets and liability-hedging assets (fixed income) are also determined by the Dynamic Investment Policy Schedule below.

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- (e) In recognition of the risk and return objectives of the Plans and the City, an initial asset allocation policy was developed by the Investment Consultant in consultation with both the Chief Investments Officer and the Treasurer based on the Plans’ current (at that time) funded status and the characteristics of the Plans and City. It is recognized, however, that the Plans’ return requirements and risk tolerance will change over time, and the intent is to reallocate the portfolio to lower risk allocations dynamically as the Plans’ funded statuses improve.

Based on an assessment of the Plans’ long-term goals and desired risk levels, the HMRF/HWRF Pension Administration Sub-Committee (following advice from the Investment Consultant) recommended to City Council a “Dynamic Investment Policy” which was subsequently approved by City Council. The Dynamic Investment Policy was developed by the Investment Consultant in consultation with the Chief Investments Officer and the Treasurer, and is based on the 2010 Dynamic Investment Policy Study which was conducted by the Investment Consultant.

The Dynamic Investment Policy dynamically adjusts the allocation to return-seeking assets and liability-hedging assets as the Plans’ funded statuses improve. Funded status may change due to any combination of investment returns, contributions, benefit payments, fund expenses, and changes to liabilities (including discount rate changes).

This Policy is based on the results of the 2010 Dynamic Investment Policy Study and the Dynamic Investment Policy Schedule is as follows:

Funded Ratio <sup>1 2</sup>	Return -Seeking Allocation		
	Minimum	Target	Maximum
<65%	50%	60%	70%
65%	50%	60%	70%
66%	50%	60%	70%
67%	50%	60%	70%
68%	50%	60%	70%
69%	50%	60%	70%
70%	50%	60%	70%
71%	49%	59%	69%
72%	47%	57%	67%
73%	46%	56%	66%
74%	44%	54%	64%
75%	43%	53%	63%
76%	41%	51%	61%
77%	40%	50%	60%
78%	38%	48%	58%
79%	37%	47%	57%
80%	35%	45%	55%
81%	34%	44%	54%
82%	32%	42%	52%
83%	31%	41%	51%

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Return -Seeking Allocation			
Funded Ratio <sup>1 2</sup>	Minimum	Target	Maximum
84%	29%	39%	49%
85%	28%	38%	48%
86%	26%	36%	46%
87%	25%	35%	45%
88%	23%	33%	43%
89%	22%	32%	42%
90%	20%	30%	40%
91%	19%	29%	39%
92%	17%	27%	37%
93%	16%	26%	36%
94%	14%	24%	34%
95%	13%	23%	33%
96%	11%	21%	31%
97%	10%	20%	30%
98%	8%	18%	28%
99%	7%	17%	27%
100%	5%	15%	25%
>100%	5%	15%	25%

<sup>1</sup> Funded ratio defined on a Wind-up basis.

<sup>2</sup> Funded ratio will change based on any combination of investment returns, contributions, benefits payments, expenses and changes in liabilities.

**Sub-Allocations:** The sub-allocations within the liability hedging and return seeking categories will be drawn down approximately based on the table below. However, allocations to illiquid assets may be adjusted at a slower rate. Sub-allocations should be within 5% of their targets. The sub-allocations will be adjusted proportionately when the return-seeking allocation is between the levels listed in the table below.

	Return Seeking		Liability Hedging	
	Canadian Equity	Global Equity	Long-Term Bonds	Real Return Bonds
15% return seeking	8%	7%	11%	74%
20% return seeking	10%	10%	12%	68%
25% return seeking	13%	12%	14%	61%
30% return seeking	15%	15%	15%	55%
35% return seeking	18%	17%	17%	48%
40% return seeking	20%	20%	18%	42%
45% return seeking	23%	22%	20%	35%
50% return seeking	25%	25%	21%	29%
55% return seeking	28%	27%	23%	22%
60% return seeking	30%	30%	25%	15%

**Duration Strategy:** Based on the Dynamic Investment Policy Study completed in 2010, the portfolio interest rate dollar duration will increase as the funded status improves and the allocation to liability hedging assets increases. Interest rate derivatives may be used on either a strategic or opportunistic basis to mitigate risk by increasing the hedge ratio up to 100%. This will be at the discretion of the Administrator and based on the duration of the Plan's liabilities.

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Rebalancing and Monitoring: A systematic rebalancing procedure will be utilized to ensure that the asset allocation of the Fund stays within the ranges defined above. As the return-seeking asset allocation changes, the sub-category allocations will be kept approximately proportional to the Initial allocation specified above. However, the allocations to illiquid investments may be adjusted more slowly. The funded ratio and asset allocation of the Fund will be reviewed regularly or when significant cash flows occur, and will be monitored and reported on at least an annual basis, or upon such more frequent basis as may be requested by City Council or its delegates from time to time. The Fund will be rebalanced as necessary, making use of benefit payments and contributions to the extent possible and considering the transaction costs involved in the rebalancing.

**2.04 Management Structure**

The Master Trust may employ a mix of active and passive management styles. Active management provides the opportunity to outperform specific investment benchmarks and it can provide lower absolute volatility of returns. Passive, or index, management minimizes the risk of underperformance relative to a benchmark index and is generally less expensive than active management. This approach also diversifies the manager risk, making the Master Trust less reliant on the skills of a single Investment Manager.

Because holding large amounts of foreign assets can expose the Master Trust to fluctuations in the level of the Canadian dollar, a portion of the foreign assets may be hedged back into Canadian dollars.

**2.05 Environmental, Social and Governance (ESG) Issues**

The Administrator's primary responsibility is to make decisions in the best interest of the Plan beneficiaries. This responsibility requires that there be an appropriate balance between the need to seek long-term investment returns to help build better pensions for all members of the Plans and the needs for those returns to be delivered in as stable a manner as possible (given the behaviour of the investment markets).

The Administrator neither favours nor avoids managers and investments based on ESG integration. In keeping with the foregoing, and having regard to the size of the Plans and the pension fund, the Administrator does not take ESG factors into account when making investment decisions. As previously noted, the Administrator has delegated the search for investment managers to its Investment Consultant. On the direction of the Administrator, the Investment Consultant is directed to search and select the best investment managers for investing the assets of the Plans considering factors such as business, staff, historical performance and investment process, since the Administrator believes that these factors will contribute to higher investment returns in the long run and manage risk. Investment Managers are not prohibited from considering ESG factors if they believe that it will have a positive impact on the Plans' investment returns.

## Section 3—Permitted and Prohibited Investments

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### 3.01 General Guidelines

The investments of the Master Trust must comply with the requirements and restrictions set out in the *Income Tax Act* (Canada) and the *Pension Benefits Act* (Ontario), and their respective Regulations.

### 3.02 Permitted Investments

In general, and subject to the restrictions in this Section 3, the Investment Managers may invest in any of the following asset classes and in any of the investment instruments listed below:

- (a) **Canadian and Foreign Equities**
  - (i) Common and convertible preferred stock the shares of which are (a) listed on a prescribed stock exchange in Canada; or (b) listed on a prescribed stock exchange outside Canada;
  - (ii) Debentures convertible into common or convertible preferred stock, provided such instruments are traded on a recognized public exchange or through established investment dealers;
  - (iii) Rights, warrants and special warrants for common or convertible preferred stock the shares of which are (a) listed on a prescribed stock exchange in Canada; or (b) listed on a prescribed stock exchange outside Canada;
  - (iv) Private placement equities, where the security will be eligible for trading on a recognized public exchange within a reasonable and defined time frame;
  - (v) Instalment receipts, American Depository Receipts, Global Depository Receipts and similar exchange traded instruments;
  - (vi) Units of real estate investment trusts (REITs);
  - (vii) Exchange traded index-participation units (e.g., iUnits; SPDRs);
  - (viii) Income trusts registered as reporting issuers under the Securities Act, domiciled in a Canadian jurisdiction that provides limited liability protection to unit holders; and
  - (ix) Units of limited partnerships which are listed on the TSX exchange.



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- (b) **Canadian and Foreign Fixed Income**
- (i) Bonds, debentures, notes, non-convertible preferred stock and other evidence of indebtedness of Canadian or developed market foreign issuers whether denominated and payable in Canadian dollars or a foreign currency, provided such instruments are traded on a recognized public exchange or through established investment dealers, subject to Section 3.04 below;
  - (ii) Real return bonds, subject to Section 3.04 below;
  - (iii) Mortgages secured against Canadian real estate subject to Section 3.05 below;
  - (iv) Mortgage-backed securities, guaranteed under the *National Housing Act*;
  - (v) Term deposits and guaranteed investment certificates;
  - (vi) Private placements of bonds subject to Section 3.03 below; and,
  - (vii) Investment in bond and debenture issues of the City and affiliated bodies is neither encouraged nor discouraged. The decision by the Investment Manager(s) to invest in such issues is entirely their responsibility and they should be governed by the same degree of due diligence and prudence that they would apply when assessing any other investment in respect of a registered pension plan.
- (c) **Cash and Short Term Investments**
- (i) Cash on hand and demand deposits;
  - (ii) Canadian and U.S. Treasury bills and bonds (with remaining maturities not exceeding 365 days) issued by the federal (Canada & U.S., as applicable) and provincial governments and their agencies;
  - (iii) Sovereign short-term debt instruments of developed countries, with maturities not exceeding 365 days;
  - (iv) Obligations of trust companies and Canadian and foreign banks chartered to operate in Canada, including bankers' acceptances;
  - (v) Commercial paper and term deposits; and
  - (vi) Other money market instruments (maturity not exceeding 365 days).
- (d) **Derivatives**
- Assets are not invested in derivative instruments and the trust will not invest in derivatives directly (including options and futures). In the event that a pooled fund invests in derivatives, prior to investing in such pooled fund, appropriate risk management processes and procedures will be in place in order to help mitigate any risks associated with derivatives. Specifically, all derivative investments will

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be made in accordance with applicable legislation and regulatory policies relating to the investment of pension plan assets in derivatives. The following uses of non-leveraged derivative instruments are permitted:

- (i) Covered put and/or call options with respect to publicly traded securities that are held in the portfolio;
  - (ii) The Investment Manager of an index portfolio may utilize fully backed, i.e. non-leveraged, derivative strategies designed to replicate the performance of specific market indices, i.e.- exchange-traded equity index futures contracts;
  - (iii) Investment Managers may use currency futures contracts and forward contracts to hedge foreign currency exposure; and
  - (iv) Interest rate derivatives can be used to hedge the interest rate risk in the liabilities.
- (e) **Other Investments**
- (i) Investments in open-ended or closed-ended pooled funds provided that the assets of such funds are permissible investments under this Policy, and
  - (ii) Deposit accounts of the Custodian can be used to invest surplus cash holdings.
- (f) **Index Mandates**
- (i) For managers of index mandates, permitted investment vehicles may include all instruments that may form part of the respective index.

### **3.03 Minimum Quality Requirements**

- (a) **Quality Standards**
- Within the investment restrictions for individual portfolios, all portfolios should hold a prudently diversified exposure to the intended market.
- (i) The minimum quality standard for individual bonds and debentures is ‘BBB-’ or equivalent as rated by a Recognized Bond Rating Agency, at the time of purchase.
  - (ii) The minimum quality standard for individual short term investments is ‘R-1’ low or equivalent as rated by a Recognized Bond Rating Agency, at the time of purchase.
  - (iii) The minimum quality standard for individual preferred shares is ‘P-1’ or equivalent as rated by a Recognized Bond Rating Agency, at the time of purchase.
  - (iv) All investments shall be reasonably liquid (i.e. in normal circumstances they should be capable of liquidation within 1 month).

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**(b) Split Ratings**

In cases where the Recognized Bond Rating Agencies do not agree on the credit rating, the bond will be classified according to the following methodology:

- (i) If two agencies rate a security, use the lower of the two ratings;
- (ii) If three agencies rate a security, use the most common; and if four agencies rate a security, use the lowest most common; and
- (iii) If three agencies rate a security and all three agencies disagree, use the middle rating; if four agencies rate a security and all four agencies disagree, use the lowest middle rating.

**(c) Downgrades in Credit Quality**

Each Investment Manager will take the following steps in the event of a downgrade in the credit rating of a portfolio asset by a Recognized Rating Agency to below the purchase standards set out in Section 3.03 (a) Quality Standards:

- (i) The Chief Investments Officer will be notified of the downgrade by telephone at the earliest possible opportunity;
- (ii) Within ten business days of the downgrade, the Investment Manager will advise the Chief Investments Officer in writing of the course of action taken or to be taken by the Investment Manager, and its rationale; and
- (iii) Immediately upon downgrade, the Investment Manager will place the asset on a Watch List subject to monthly review by the Investment Manager with the Chief Investments Officer until such time as the security matures, is sold or until it is upgraded to a level consistent with the purchase quality standards as expressed in the above guidelines.

**(d) Rating Agencies**

For the purposes of this Policy, the following rating agencies shall be considered to be ‘Recognized Bond Rating Agencies’:

- (i) Dominion Bond Rating Service Limited;
- (ii) Standard and Poor’s;
- (iii) Moody’s Investors Services Inc.; and
- (iv) Fitch Ratings

**(e) Private Placement Bonds**

Private placement bonds are permitted subject to **all** of the following conditions:

- (i) The issues acquired must be ‘A’ or equivalent rated;
- (ii) The total investment in such issues must **not** exceed 10% of the market value of the Investment Manager(s) bond portfolio;

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- (iii) The Investment Manager’s portfolio may **not** hold more than 5% of the market value of any one private placement;
- (iv) The Investment Manager(s) must be satisfied that there is sufficient liquidity to ensure sale at a reasonable price; and
- (v) The minimum issue size for any single security must be at least \$150 million.

### **3.04 Maximum Quantity Restrictions**

#### **(a) Total Fund Level**

No one equity holding shall represent more than 10% of the total market value of the Master Trust’s assets.

#### **(b) Individual Investment Manager Level**

The Investment Manager(s) shall adhere to the following restrictions:

##### **(i) Equities**

- (A) No one equity holding shall represent more than 10% of the market value of any one Investment Manager’s equity portfolio.
- (B) No one equity holding shall represent more than 10% of the voting shares of a corporation.
- (C) No one equity holding shall represent more than 10% of the available public float of such equity security.
- (D) Income Trusts shall not comprise more than 15% of any Investment Manager’s Canadian equity portfolio.

##### **(ii) Bonds and Short Term**

- (A) Except for federal and provincial bonds (including government guaranteed bonds), no more than 10% of an Investment Manager’s bond portfolio may be invested in the bonds of a single issuer and its related companies.
- (B) Except for federal and provincial bonds, no one bond holding shall represent more than 10% of the market value of the total outstanding for that bond issue.
- (C) No more than 8% of the market value of an Investment Manager’s bond portfolio shall be invested in bonds rated BBB (this includes all of BBB’s: BBB+, BBB, and BBB-) or equivalent.
- (D) This Policy will permit the continued holding of instruments whose ratings are downgraded below BBB- after purchase, provided that such instruments are disposed of in an orderly fashion.

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- (E) No more than 10% of the market value of an Investment Manager’s bond portfolio shall be invested in bonds denominated in a currency other than Canadian dollars.
- (F) Except for the dedicated real return bond mandate, no more than 10% of the market value of the bond portfolio may be held in real return bonds.

**(iii) Other**

The use of derivative securities shall be supported at all times by the explicit allocation of sufficient assets to back the intended derivative strategy. For greater certainty, Investment Managers are not permitted to leverage the assets of the Master Trust. The use of derivative securities is only permitted for the uses described in this Policy. Purchase or sale of any of these instruments for speculative purposes is prohibited.

Notwithstanding the limits described in this Section, the single security limits do not apply to an Investment Manager’s index mandate.

### **3.05 Prior Permission Required**

The following investments are permitted **provided that** prior permission for such investments has been obtained from the Administrator:

- (a) Investments in private placement equities (except for the foreign equity investment managers investing in pooled funds where the pooled fund policy permits private placement equities).
- (b) Direct investments in mortgages.
- (c) Direct investments in any one parcel of real property that has a book value less than or equal to 5% of the book value of the Master Trust’s assets. The aggregate book value of all investments in real property and Canadian resource properties shall not exceed 25% of the book value of the Master Trust’s assets. (Previously, the overall 25% limit in respect of real and resource properties was a requirement under the *Pension Benefits Act* (Ontario).)
- (d) Direct investments in venture capital financing or private equity partnerships; and
- (e) Derivatives other than those described in 3.02(d).

### **3.06 Prohibited Investments**

The Investment Managers shall not:

- (a) Invest in companies for the purpose of managing them;
- (b) Invest in securities that would result in the imposition of a tax on the Fund under the *Income Tax Act* (Canada) unless they provide a prior written acknowledgement that such investments will result in a tax and receive prior written permission for such investments from the Administrator or;
- (c) Make any investments not specifically permitted by this Policy.

### 3.07 Securities Lending

The investments of the Master Trust may be loaned, for the purpose of generating revenue for the Fund, subject to the provisions of the *Pension Benefits Act* (Ontario) and the *Income Tax Act* (Canada), and applicable regulations.

For securities held in segregated accounts, such loans must be secured by cash and/or readily marketable government bonds, treasury bills and/or letters of credit, discount notes and bankers' acceptances of chartered banks. For loaned securities, the security held or collateral must have an aggregate market value which shall never be less than the percentage of the aggregate market value of the loaned securities which is the highest of: (i) the minimum percentage required by any applicable legislation, regulatory authority or prevailing market practice; or (ii) 105%. The aggregate market value of the loaned securities and of the collateral shall be monitored and calculated by the Custodian daily.

The terms and conditions of any securities lending program will be set out in a contract with the custodian. The custodian shall, at all times, ensure that the Chief Investments Officer has a current list of those institutions that are approved to borrow the Fund's investments.

Lending of the portion of the Master Trust's assets held in a pooled fund is governed by the terms of the conditions set out in the pooled fund Statement of Investment Policies and Procedures or similar document.

### 3.08 Borrowing

The Master Trust shall not borrow money, except to cover short-term contingency and the borrowing is for a period that does not exceed ninety days, subject to the *Pension Benefits Act* (Ontario), the *Income Tax Act* (Canada) and the written permission of the General Manager of Finance and Corporate Services.

### 3.09 Conflicts between the Policy and Pooled Fund Investment Policies

While the guidelines in this Policy are intended to guide the management of the Master Trust, it is recognized that, due to the use of pooled funds, there may be instances where there is a conflict between the Policy and the investment policy of a pooled fund. In that case, the Investment Manager is expected to notify Chief Investments Officer upon the initial review of the Policy and whenever a change in the pooled fund policy creates a conflict. However, it is understood that any ambiguity will be interpreted in favour of the pooled fund policy, provided such interpretation complies with all applicable laws.

## Section 4—Monitoring and Control

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### 4.01 Delegation of Responsibilities

The General Manager of Finance and Corporate Services is the designated contact person for administrative matters. However, City Council has delegated certain administrative duties and responsibilities to internal and external agents, including to the HMRF/HWRF Pension Administration Sub-committee, the Chief Investments Officer and the General Manager of Finance and Corporate Services. Overall responsibility for the Master Trust ultimately rests with City Council, and the City (acting through Council) is the pension plan administrator of the Plans (for each Plan, the "Administrator").

**(a) Chief Investments Officer**

The Chief Investments Officer has been delegated the following responsibilities:

- (i) monitoring the Master Trust asset mix and rebalancing as required, including executing asset mix changes required per the Dynamic Policy Schedules outlined in section 2.03;
- (ii) day-to-day liaison including contract management with external Investment Managers, the Investment Consultant, and the Custodian/Trustee;
- (iii) monitoring and budgeting for cash flow within the pension fund;
- (iv) researching, recommending and implementing improvements to asset management of the Master Trust;
- (v) directing and implementing strategy for self-managed portfolios, if any; and
- (vi) preparing and presenting to City Council and the HMRF/HWRF Pension Administration Sub-Committee a report on the Plan's investment performance and asset mix, and such other information as City Council may require and/or other such information as the Chief Investments Officer considers appropriate to include in the report, on at least an annual basis, or upon such more frequent basis as may be requested by City Council or its delegates from time to time.

**(b) Investment Managers**

The Investment Managers have been delegated the following responsibilities:

- (i) invest the assets of the Master Trust in accordance with this Policy;

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- (ii) meet with the Chief Investments Officer as required and provide written reports regarding the Investment Manager’s past performance, their future strategies and other issues as requested;
- (iii) notify the Chief Investments Officer, in writing of any significant changes in the Investment Manager’s philosophies and policies, personnel or organization and procedures;
- (iv) will provide periodically, but no less than on an annual basis, or upon such more frequent basis as may be requested by City Council or its delegates from time to time, lists of assets and such other information as may be requested by the Chief Investments Officer; and,
- (v) file, on at least an annual basis, or upon such more frequent basis as may be requested by City Council or its delegates from time to time compliance reports (see Section 4.03).

**(c) Custodian/Trustee**

The custodian/trustee will:

- (i) Fulfil the regular duties of a Custodian/Trustee as required by law;
- (ii) maintain safe custody over the assets of the Master Trust Plans;
- (iii) execute the instructions of the Chief Investments Officer and the Investment Managers; and
- (iv) record income and provide financial statements to the Chief Investments Officer on at least an annual basis, or upon such more frequent basis as may be requested by City Council or its delegates from time to time, or as otherwise required.

**(d) Investment Consultant**

The investment consultant has been delegated the following responsibilities:

- (i) assist the Chief Investments Officer in developing a prudent long-term asset mix, and specific investment objectives and policies;
- (ii) monitor, analyse and report on the Master Trust’s investment performance and to support the Chief Investments Officer on any investment related matters;
- (iii) monitor and report the funded status of the Plans to the Chief Investments Officer on at least an annual basis, or upon such more frequent basis as may be requested by City Council or its delegates from time to time;
- (iv) assist with the selection of Investment Managers, custodians and other suppliers; and



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(v) meet with the Chief Investments Officer as required.

**(e) Actuary**

The actuary has been delegated the following responsibilities:

(i) perform actuarial valuations of the Plan as required; and

(ii) advise the Chief Investments Officer and the Investment Consultant on any matters relating to Plan design, membership and contributions, and actuarial valuations.

## 4.02 Performance Measurement

For the purpose of evaluating the performance of the Master Trust and the Investment Managers, all rates of returns are measured over moving four-year periods. Return objectives are net of fees and include realized and unrealized capital gains or losses plus income from all sources. Returns will be measured quarterly and will be calculated as time-weighted rates of return.

**(a) Active and Index Canadian Equity Managers**

Investment results of the active and index Canadian Equity Managers are to be tested regularly against a Benchmark Portfolio comprising:

Benchmark	%
S&P/TSX Composite Index	100

**(b) Active and Index Global Equity Managers**

Investment results of the active and index Global Equity Managers are to be tested regularly against a long-term Benchmark Portfolio comprising:

Benchmark	%
MSCI World Index (C\$)	100

**(c) Active and Index Canadian Bond Managers – Long Bonds**

Investment results of the active and index Canadian Bond Managers for Long Bonds are to be tested regularly against a Benchmark Portfolio comprising:

Benchmark	%
FTSE Canada Long Bond Index	100

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- (d) **Active and Index Canadian Bond Managers – Real Return Bonds**  
Investment results of the active and index Canadian Bond Managers for Real Return Bonds are to be tested regularly against a Benchmark Portfolio comprising:

Benchmark	%
FTSE Canada Real Return Bond Index	100

#### **4.03 Compliance Reporting by Investment Manager**

The Investment Managers are required to complete and deliver a compliance report to the Chief Investments Officer and the Investment Consultant on at least an annual basis, or upon such more frequent basis as may be requested by City Council or its delegates from time to time. The compliance report will indicate whether or not the Investment Manager was in compliance with this Policy during the period covered in the report.

In the event that an Investment Manager is not in compliance with this Policy, the Investment Manager is required to advise the Chief Investments Officer immediately, detail the nature of the non-compliance and recommend an appropriate course of action to remedy the situation.

The Master Trust invests in pooled funds with separate investment policies. In that case, the Investment Manager must confirm compliance to the pooled fund policy. In addition, should a conflict arise between a pooled fund policy and this Policy, the Investment Manager is required to advise the Chief Investments Officer immediately and detail the nature of the conflict.

#### **4.04 Standard of Professional Conduct**

The Investment Managers are expected to comply, at all times and in all respects, with a written code of ethics that is no less stringent in all material respects than the Code of Ethics and Standards of Professional Conduct as promulgated by the CFA Institute.

The Investment Managers will manage the assets with the care, diligence and skill that an investment manager of ordinary prudence would use in dealing with pension plan assets. The Investment Managers will also use all relevant knowledge and skill that they possess or ought to possess as prudent investment managers.

## Section 5—Administration

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### 5.01 Conflicts of Interest

(a) **Responsibilities**

This standard applies to the City's staff, as well as to all agents employed by the City, in the execution of their responsibilities under the *Pension Benefits Act* (Ontario) (the "Affected Persons").

An "agent" is defined to mean a company, organization, association or individual, as well as its employees who are retained by the Administrator to provide specific services with respect to the investment, administration and management of the assets of the Master Trust.

(b) **Disclosure**

In the execution of their duties, the Affected Persons shall disclose any material conflict of interest relating to them, or any material ownership of securities, which could impair their ability to render unbiased advice, or to make unbiased decisions, affecting the administration of the Master Trust assets.

Further, it is expected that no Affected Person shall make any personal financial gain (direct or indirect) because of his or her fiduciary position. However, normal and reasonable fees and expenses incurred in the discharge of their responsibilities are permitted in accordance with City policies as approved by Council.

No Affected Person shall accept a gift or gratuity or other personal favour, other than one of nominal value, from a person with whom the employee deals in the course of performance of his or her duties and responsibilities for the Master Trust.

It is incumbent on any Affected Person who believes that he or she may have a conflict of interest, or who is aware of any conflict of interest, to disclose full details of the situation to the attention of the General Manager of Finance and Corporate Services and/or the Treasurer immediately. The General Manager of Finance and Corporate Services and/or the Treasurer, in turn, will decide what action is appropriate under the circumstances.

No Affected Person who has or is required to make a disclosure as contemplated in this Policy shall participate in any discussion, decision or vote relating to any proposed investment or transaction in respect of which he or she has made or is required to make disclosure, unless otherwise determined permissible by decision of the General Manager of Finance and Corporate Services and/or the Treasurer.

## 5.02 Related Party Transactions

The Chief Investments Officer shall not, on behalf of the Plans or the Master Trust, directly or indirectly,

- (i) lend the moneys of the Plans to a related party or use those moneys to hold an investment in the securities of a related party; or
- (ii) enter into a transaction with a related party.

The Chief Investments Officer may enter into a transaction with a related party:

- (i) for the operation or administration of the Plans if it is under terms and conditions that are not less favourable to the Plans than market terms and conditions and such transaction does not involve the making of loans to, or investments in, the related party or
- (ii) the value of the transaction is nominal or the transaction is immaterial. In assessing whether the value of the transaction is nominal or immaterial, two or more transactions with the same related party shall be considered as a single transaction.

For the purposes of Section 5.02, only the market value of the combined assets of the Fund shall be used as the criteria to determine whether a transaction is nominal or immaterial. Transactions less than 0.5% of the combined market value of the assets of the Fund are considered nominal.

The following investments are exempt from the related party rules:

- (i) investments in an investment fund or a segregated fund (as those terms are used in the *Pension Benefits Standards Regulations*) in which investors other than the administrator and its affiliates may invest and that complies with Section 9 and Section 11 of Schedule III to the *Pension Benefits Standards Regulations*;
- (ii) investments in an unallocated general fund of a person authorized to carry on a life insurance business in Canada;
- (iii) investments in securities issued or fully guaranteed by the Government of Canada, the government of a province, or an agency of either one of them;

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- (iv) investments in a fund composed of mortgage-backed securities that are fully guaranteed by the Government of Canada, the government of a province, or an agency of either one of them;
- (v) investments in a fund that replicates the composition of a widely recognized index of a broad class of securities traded at a marketplace (as that term is used in the *Pension Benefits Standards Regulations*); or
- (vi) investments that involve the purchase of a contract or agreement in respect of which the return is based on the performance of a widely recognized index of a broad class of securities traded at a marketplace (as that term is used in the *Pension Benefits Standards Regulations*).

A “related party” is defined to mean the Administrator of the Plans, including any officer, director or employee of the Administrator. It also includes, the Investment Managers and their employees, a union representing employees of the employer, a member of the Master Trust, a spouse or child of the persons named previously, or a corporation that is directly or indirectly controlled by the persons named previously, and any other person constituting a “related party” under the *Pension Benefits Act (Ontario)*. Related party does not include government or a government agency, or a bank, trust company or other financial institution that holds the assets of the Master Trust.

### **5.03 Selecting Investment Managers**

In the event that a new Investment Manager must be selected or additional Investment Manager(s) added to the existing Investment Manager(s), the Chief Investments Officer will undertake an Investment Manager search with or without the assistance of a third-party investment consultant depending on the expertise required. The criteria used for selecting an Investment Manager will be consistent with the investment and risk philosophy set out in Section 1.04 (Investment and Risk Philosophy).

### **5.04 Directed Brokerage Commissions**

Investment Managers may use directed brokerage to pay for research and other investment related services provided they comply with, and provide the disclosure required by, the Soft Dollar Standards promulgated by the CFA Institute.

### **5.05 Monitoring of Asset Mix**

In order to ensure that the Master Trust operates within the minimum and maximum guidelines stated in this Policy as outlined in Section 2, the Chief Investments Officer shall monitor the asset mix on at least an annual basis, or upon such more frequent basis as may be requested by City Council or its delegates from time to time. Rebalancing between the investment mandates can take place over a reasonably short period of time after an imbalance has been identified. Rebalancing may be effected by redirecting the net cash flows to and from the Master Trust, or by transferring cash or securities between portfolios and/or Investment Managers.

**Appendix "A" to Report FCS19073  
Page 24 of 38****5.06 Monitoring of Investment Managers**

An important element in the success of this Policy is the link between the Investment Managers and the Chief Investments Officer. It is expected that the Investment Managers will communicate with the Chief Investments Officer whenever necessary. Periodic, written investment reports from the Investment Managers are sent to and reviewed by the Chief Investments Officer and form part of the monitoring process.

Meetings including telephone conference call meetings between the Investment Managers and the Chief Investments Officer will be scheduled as required. At each meeting or telephone conference call meeting, it is expected that the Investment Managers will prepare a general economic and capital markets overview, which will be distributed prior to or during the meeting. They should also include the following in their presentations:

- review of the previous period's strategy and investment results,
- discussion of how the condition of the capital markets affects the investment strategy of their respective portfolios,
- economic and market expectations,
- anticipated changes in the asset mix within the limits provided in this Policy, and,
- discussion of compliance and any exceptions.
- discussion of any votes that were cast against the wishes of company management by the Investment Managers in exercising voting rights (Section 5.08).

**5.07 Dismissal of an Investment Manager**

Reasons for considering the termination of the services of an Investment Manager include, but are not limited to, the following factors:

- (a) performance results which are below the stated performance benchmarks;
- (b) changes in the overall structure of the Master Trusts' assets such that the Investment Manager's services are no longer required;
- (c) change in personnel, firm structure or investment philosophy which might adversely affect the potential return and/or risk level of the portfolio; and/or
- (d) failure to adhere to this Policy.

**5.08 Voting Rights**

The Administrator has delegated voting rights acquired through the investments held by the Master Trust to the custodian of the securities to be exercised in accordance with the Investment Manager's instructions. Investment Managers are expected to exercise all voting rights related to investments held by the Master Trust in the interests of the members of the underlying pension plans. The Investment Managers shall report when they vote against the wishes of the company management to the Chief Investments Officer, providing information as to the reasons behind this vote.

**5.09 Valuation of Investments Not Regularly Traded**

The following principles will apply for the valuation of investments that are not traded regularly:

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- (a) **Equities**  
Average of bid-and-ask prices from two major investment dealers, at least once every calendar quarter.
- (b) **Bonds**  
Same as for equities.
- (c) **Mortgages**  
Unless in arrears, the outstanding principal plus/minus the premium/discount resulting from the differential between face rate and the currently available rate for a mortgage of similar quality and term, determined at least once every month.
- (d) **Real Estate**  
A certified written appraisal from a qualified independent appraiser at least once every two years.

### **5.10 Policy Review**

This Policy may be reviewed and revised at any time, but at least once every calendar year it must be formally reviewed. Should the Investment Manager(s) wish to review this Policy at any time, it is his/her responsibility to contact the Chief Investments Officer with specific recommendations.

The appropriateness of the Dynamic Investment Policy asset allocation parameters should be reviewed on an ongoing basis. A new Dynamic Investment Policy Study (Dynamic Asset-Liability Modeling Study) may be undertaken if any of the following events occur:

- (a) The plan gets significantly closer to the end-state of the flight path, including if the flight path funded ratio measurement changes significantly (to over 84%) from the starting point of the 2010 study, which was 69%.
- (b) There are significant changes to the regulations that affect the key metrics used in making decisions in the 2010 Dynamic Investment Policy Study or should affect the asset allocation in the future;
- (c) Capital market conditions change significantly such that the assumptions embedded in the 2010 Dynamic Investment Policy Study are no longer reasonable; or
- (d) The plan sponsor’s risk posture changes significantly.

## Appendix A - Statement of Investment Policies & Procedures Hamilton Municipal Retirement Fund

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### Overview

#### 1.01 Purpose of Statement

This Statement of Investment Policies and Procedures (the "Hamilton Municipal Retirement Fund SIPP") provides the framework for the investment of the assets of the Hamilton Municipal Retirement Fund, registration number 0275123 (the "Plan");

The objective of the Hamilton Municipal Retirement Fund SIPP is to ensure that the assets of the Plan, together with expected contributions made by both the City and the Plan members, shall be invested in a continued prudent and effective manner.

The Hamilton Municipal Retirement Fund SIPP is based on the "prudent person portfolio approach" to ensure the prudent investment and administration of the assets of the Plan (the "Fund") are within the parameters set out in the *Pension Benefits Act*, (Ontario) and the Regulations thereunder.

All provisions in the Master Trust SIPP apply to this Appendix.

#### 1.02 Background of the Plan

The Hamilton Municipal Retirement Fund is a contributory defined benefit plan. The plan has been closed to new entrants since 1965. Municipal employees hired after June 30, 1965 participate in the OMERS Pension Plan. Therefore, this is a closed fund and will terminate upon the death of the last retiree or successor. Effective July 1, 2001, the last active member retired from the Plan.

#### 1.03 Plan Profile

##### a) Contributions

There are no active members in the Plan.

##### b) Benefits

2% of average annual earnings in best consecutive 5 years before retirement for each year of credited service up to 35 years reduced by 0.675% of the 5-year average earnings up to the final year's YMPE for each year of contributory service after January 1, 1966. CPP Offset suspended from date of retirement to age 65. Effective Jan 1, 2006 annual increases will not be less than the increase provided to retirees under the OMERS plan. .

##### c) Liabilities

As of the most recent actuarial valuation of the Plan as at December 31, 2017 there were no active members, 3 terminated vested members and 186 retirees and beneficiaries.



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As of December 31, 2017 the going-concern liability of the plan was \$73,940,300, including Provision for Adverse Deviation (PfAD) of 4,239,000, compared to the actuarial value of assets of \$77,679,500. On a solvency basis, the liability was \$63,784,500, while the assets (at market) were \$77,579,500 (net of provision for plan windup expenses of \$100,000). On a windup basis, the liability was \$79,960,200.

**1.04 Objective of the Plan**

The objective of the Plans is to provide members of the Plans with retirement benefits prescribed under the terms thereof.

**1.05 Investment and Risk Philosophy**

The primary investment objective is to provide an economic return on assets sufficient to fund plan liabilities over the long-term, while adhering to prudent investment practices.

The investment philosophies and strategies must take into account both return and risk objectives of the Plan and the City.

In recognition of the risk and return objectives of the Plan and the City, an initial Asset Allocation Policy was developed based on the Plan's current funded status and the characteristics of the Plan and City. It is recognized, however, that the Plan return requirements and risk tolerance will change over time, and the intent is to reallocate the portfolio to lower risk allocations dynamically as the Plan's funded status improves.

**1.06 Administration**

The General Manager of Finance and Corporate Services for the City of Hamilton is the designated contact at the City for administrative purposes.

**1.07 Pooling of Assets**

For investment purposes, certain assets of the Plan are invested in units of the City of Hamilton Defined Benefit Plans Master Trust, along with certain assets of the Hamilton-Wentworth Retirement Fund and the Hamilton Street Railway Pension Plan (1994).

Up to 2 % of Plan assets may be invested outside of the City of Hamilton Defined Benefit Plans Master Trust for operating expenses and liquidity purposes, in accordance with the parameters set out in Section 3.02 (c) and (e) of the City of Hamilton Defined Benefit Plans Master Trust SIPP. The provisions of the City of Hamilton Defined Benefit Plans Master Trust SIPP apply to the investment of these assets.

**1.08 Master Trust SIPP**

The Master Trust SIPP is the policy that should be followed while investing the pooled assets of the Hamilton Municipal Retirement Fund.

## Appendix B - Statement of Investment Policies & Procedures Hamilton Street Railway Pension Plan (1994)

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### Overview

#### 1.01 Purpose of Statement

This Statement of Investment Policies and Procedures (the "Hamilton Street Railway Pension Plan SIPP") provides the framework for the investment of the assets of the Hamilton Street Railway Pension Plan (1994), registration number 0253344 (the "Plan");

The objective of the Hamilton Street Railway Pension Plan SIPP is to ensure that the assets of the Plan, together with expected contributions made by both the City and the Plan members, shall be invested in a continued prudent and effective manner.

The Hamilton Street Railway Pension Plan SIPP is based on the "prudent person portfolio approach" to ensure the prudent investment and administration of the assets of the Plan (the "Fund") are within the parameters set out in the *Pension Benefits Act*, (Ontario) and the Regulations thereunder.

All provisions in the Master Trust SIPP apply to this Appendix.

#### 1.02 Background of the Plan

The current Plan dates from January 1, 1994 when two former plans – Canada Coach Lines and Hamilton Street Railway plans were merged. Effective January 1, 2009 this contributory defined benefit plan was closed to new members and active members stopped contributing and accruing service under the plan.

#### 1.03 Plan Profile

##### a) Contributions

Under the terms of the Plan text, members' contributions prior to 1999 were 7.5% of earnings less contributions made to Canada Pension Plan. For the calendar years 1999 through 2008, members (depending on the year) either enjoyed a contribution holiday or were limited to contribution rates of 1% of earnings. Effective January 2009, as members became City employees, no member contributions have been required or permitted to be made to the Plan.

##### b) Benefits

Members receive a pension equal to 1.5% of average pensionable earnings up to the average Year's Maximum Pensionable Earnings (YMPE) as established under the Canada Pension Plan, plus 2% of the excess, multiplied by years of credited service accrued up to December 31, 2008. The "average pensionable earnings" are defined as the average of best five years' earnings during the member's credited service and OMERS credited service, if any. The "average YMPE" is defined as the average of the YMPE for the last thirty-six complete months of plan membership.

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In the event that pensions accrued under the prior plan exceed the pension accrued under the current plan for service prior to July 1, 1980, then the pension is increased accordingly. Pensions are subject to annual indexing equal to the indexing provided to retirees under the OMERS plan (100% of inflation to a maximum of 6% per annum).

**c) *Liabilities***

As of the most recent actuarial valuation of the Plan as at January 1, 2017, there were 388 active members, 26 deferred members and 599 retirees and beneficiaries. The average age of the active members was approximately 52.8 years with average pensionable earnings of \$66,849.

As of January 1, 2017, the going-concern liability of the plan was \$214,681,400 compared to the actuarial value of assets of \$193,491,200. Approximately 34.2% of the accrued liability was related to active members, approximately 65.3% was related to retirees, and approximately 0.5% was related to deferred members. On a solvency basis, the liability was \$219,410,700 while the assets (at market) were \$193,291,200. Both the going-concern and solvency deficits are being eliminated through a series of special payments.

#### **1.04 Objective of the Plan**

The objective of the Plan is to provide members of the Plan with retirement benefits prescribed under the terms thereof.

#### **1.05 Investment and Risk Philosophy**

The primary investment objective is to provide an economic return on assets sufficient to fund plan liabilities over the long-term, while adhering to prudent investment practices.

The investment philosophies and strategies must take into account both return and risk objectives of the Plan and the City.

In recognition of the risk and return objectives of the Plan and the City, an initial Asset Allocation Policy was developed based on the Plan's current funded status and the characteristics of the Plan and City. It is recognized, however, that the Plan return requirements and risk tolerance will change over time, and the intent is to reallocate the portfolio to lower risk allocations dynamically as the Plan's funded status improves.

#### **1.06 Administration**

The General Manager of Finance and Corporate Services for the City of Hamilton is the designated contact at the City for administrative purposes.

#### **1.07 Pooling of Assets**

For investment purposes, certain assets of the Plan are invested in units of the City of Hamilton Defined Benefit Plans Master Trust, along with certain assets of the Hamilton-Wentworth Retirement Fund and the Hamilton Municipal Retirement Fund.

Up to 2 % of Plan assets may be invested outside of the City of Hamilton Defined Benefit Plans Master Trust for operating expenses and liquidity purposes, in accordance with the parameters set out in Section 3.02 (a), (c) and (e) of the City of Hamilton Defined Benefit

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Plans Master Trust SIPP. The provisions of the City of Hamilton Defined Benefit Plans Master Trust SIPP apply to the investment of these assets.

**1.08 Master Trust SIPP**

The Master Trust SIPP is the policy that should be followed while investing the pooled assets of the Hamilton Street Railway Pension Plan (1994).

## Appendix C - Statement of Investment Policies & Procedures The Hamilton-Wentworth Retirement Fund

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### Overview

#### 1.01 Purpose of Statement

This Statement of Investment Policies and Procedures (the "Hamilton-Wentworth Retirement Fund SIPP") provides the framework for the investment of the assets of the Hamilton-Wentworth Retirement Fund, registration number 1073352 (the "Plan");

The objective of the Hamilton-Wentworth Retirement Fund SIPP is to ensure that the assets of the Plan, together with expected contributions made by both the City and the Plan members, shall be invested in a continued prudent and effective manner.

The Hamilton-Wentworth Retirement Fund SIPP is based on the "prudent person portfolio approach" to ensure the prudent investment and administration of the assets of the Plan (the "Fund") are within the parameters set out in the *Pension Benefits Act*, (Ontario) and the Regulations thereunder.

All provisions in the Master Trust SIPP apply to this Appendix.

#### 1.02 Background of the Plan

The Plan is a contributory, defined benefit Plan. Effective January 1, 1985 all active Region Other Participants, excluding Police Civilians, were transferred to OMERS. The liability to transfer such members to OMERS was met by monthly payments of \$115,187 until December 31, 2000 and monthly payments of \$361 thereafter, concluding September 30, 2003. Effective January 1, 2002, the last active member retired from the plan.

#### 1.03 Plan Profile

##### a) Contributions

Under the terms of the Plan text:

For normal retirement age 60 class:

- 1) Senior Police Officers: contributions should be 7% of earnings up to the YMPE plus 8.5% of contributory earnings in excess of YMPE.
- 2) Other Police Officers: contributions should be 6.5% of earnings up to YMPE plus 8% of contributory earnings in excess of YMPE.

For a normal retirement age of 65 contributions should be 5.75% of earnings.

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**b) Benefits**

2% of average annual earnings in best 5 years before retirement for each year of credited service up to 35 years reduced by 0.675% of the 5-year average earnings up to the final year’s YMPE for each year of contributory service after January 1, 1966. CPP Offset suspended from date of retirement to age 65. Effective Jan 1, 2008 annual increases will not be less than the increase provided to retirees under the OMERS plan, which is currently equal to 100% of the increase in the Consumer Price Index to a maximum of 6.0% per annum.

**c) Liabilities**

As of the most recent actuarial valuation of the Plan as at December 31, 2016, there were no active members, no deferred members and 171 retirees and beneficiaries.

As of December 31, 2016, the going-concern liability of the plan was \$55,249,000 compared to the actuarial value of assets of \$59,443,000. On a solvency basis, the liabilities were \$63,005,000 while the assets were \$59,373,000. The solvency deficit is being eliminated through a series of special payments.

**1.04 Objective of the Plan**

The objective of the Plan is to provide members of the Plan with retirement benefits prescribed under the terms thereof.

**1.05 Investment and Risk Philosophy**

The primary investment objective is to provide an economic return on assets sufficient to fund plan liabilities over the long-term, while adhering to prudent investment practices.

The investment philosophies and strategies must take into account both return and risk objectives of the Plan and the City.

In recognition of the risk and return objectives of the Plan and the City, an initial Asset Allocation Policy was developed based on the Plan’s current funded status and the characteristics of the Plan and City. It is recognized, however, that the Plan return requirements and risk tolerance will change over time, and the intent is to reallocate the portfolio to lower risk allocations dynamically as the Plan’s funded status improves.

**1.06 Administration**

The General Manager of Finance and Corporate Services for the City of Hamilton is the designated contact at the City for administrative purposes.

**1.07 Pooling of Assets**

For investment purposes, certain assets of the Plan are invested in units of the City of Hamilton Defined Benefit Plans Master Trust, along with certain assets of the Hamilton Street Railway Pension Plan (1994) and the Hamilton Municipal Retirement Fund.

Up to 2 % of Plan assets may be invested outside of the City of Hamilton Defined Benefit Plans Master Trust for operating expenses and liquidity purposes, in accordance with the parameters set out in Section 3.02 (c) and (e) of the City of Hamilton Defined Benefit Plans Master Trust SIPP. The provisions of the City of Hamilton Defined Benefit Plans Master Trust SIPP apply to the investment of these assets.

**1.08 Master Trust SIPP**

The Master Trust SIPP is the policy that should be followed while investing the pooled assets of the Hamilton-Wentworth Retirement Fund Pension Plan.

## **Appendix D – Compliance Reports**

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**The City of Hamilton Master Trust  
Index Bond Manager**

**Compliance Report for the Quarter Ended \_\_\_\_\_  
(date)**

		<b>GUIDELINES</b>	<b>POLICY COMPLIED WITH YES/NO *</b>
<b>ASSET MIX (at Market Value)</b>		%	
<b>FIXED INCOME</b>	BONDS	100%	
<b>CASH</b>	SHORT-TERM & CASH	0%	
<b>CONSTRAINTS</b>			
<b>GENERAL</b>	Investment Policy Section 3.01 – General Guidelines		
<b>BONDS</b>	Investment Policy Section 3.02 (b) – Bonds		
<b>CASH</b>	Investment Policy Section 3.02 (c) – Cash		
<b>DERIVATIVES</b>	Investment Policy Section 3.02 (c) – Derivatives		
<b>OTHER</b>	Investment Policy Section 3.02 (e) – Other Investments		
<b>INDEX</b>	Investment Policy Section 3.02 (f) – Index Mandates		
<b>QUALITY REQUIREMENTS</b>	Investment Policy Section 3.03 – Minimum Quality Requirements		
<b>QUANTITY RESTRICTIONS</b>	Investment Policy Section 3.04 – Maximum Quantity Restrictions		
<b>PRIOR PERMISSION</b>	Investment Policy Section 3.05 – Prior Permission Required		
<b>PROHIBITED INVESTMENTS</b>	Investment Policy Section 3.06 – Prohibited Investments		
<b>SECURITIES LENDING</b>	Investment Policy Section 3.07 – Securities Lending		
<b>RESPONSIBILITIES</b>	Investment Policy Section 4.01 (b) – Delegation of Responsibilities – Investment Managers		
<b>STANDARDS OF PROFESSIONAL CONDUCT</b>	Investment Policy Section 4.04 - Standards of Professional Conduct		
<b>CONFLICTS OF INTEREST</b>	Investment Policy Section 5.01 - Conflicts of Interest		
<b>VOTING RIGHTS</b>	Investment Policy Section 5.08 - Voting Rights		

\* If policy not complied with, comment on specifics

**COMPLETED BY:** \_\_\_\_\_ **SIGNED BY:** \_\_\_\_\_

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**The City of Hamilton Master Trust  
Index Equity Manager**

**Compliance Report for the Quarter Ended \_\_\_\_\_  
(date)**

		<b>GUIDELINES</b>	<b>POLICY COMPLIED WITH YES/NO *</b>
<b>ASSET MIX (at Market Value)</b>		%	
<b>EQUITIES</b>			
	U.S.		
	EAFE		
	TOTAL FOREIGN		
<b>CASH</b>	SHORT-TERM & CASH		
<b>CONSTRAINTS</b>			
<b>GENERAL</b>	Investment Policy Section 3.01 – General Guidelines		
<b>EQUITIES</b>	Investment Policy Section 3.02 (a) – Canadian and Foreign Equities		
<b>CASH</b>	Investment Policy Section 3.02 (c) – Cash and Short Term Investments		
<b>DERIVATIVES</b>	Investment Policy Section 3.02 (d) – Derivatives		
<b>OTHER INVESTMENTS</b>	Investment Policy Section 3.02 (e) – Other Investments		
<b>INDEX</b>	Investment Policy Section 3.02 (f) – Index Mandates		
<b>QUALITY REQUIREMENTS</b>	Investment Policy Section 3.03 – Minimum Quality Requirements		
<b>QUANTITY RESTRICTIONS</b>	Investment Policy Section 3.04 – Maximum Quantity Restrictions		
<b>PRIOR PERMISSION</b>	Investment Policy Section 3.05 – Prior Permission Required		
<b>PROHIBITED INVESTMENTS</b>	Investment Policy Section 3.06 – Prohibited Investments		
<b>SECURITIES LENDING</b>	Investment Policy Section 3.07 – Securities Lending		
<b>BORROWING</b>	Investment Policy Section 3.08 – Borrowing		
<b>RESPONSIBILITIES</b>	Investment Policy Section 4.01 (b) – Delegation of Responsibilities – Investment Managers		
<b>STANDARDS OF PROFESSIONAL CONDUCT</b>	Investment Policy Section 4.04 - Standards of Professional Conduct		
<b>CONFLICTS OF INTEREST</b>	Investment Policy Section 5.01 - Conflicts of Interest		
<b>VOTING RIGHTS</b>	Investment Policy Section 5.08 - Voting Rights		

\* If policy not complied with, comment on specifics

**COMPLETED BY:** \_\_\_\_\_ **SIGNED BY:** \_\_\_\_\_

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**The City of Hamilton Master Trust  
Active Bond Manager**

**Compliance Report for the Quarter Ended \_\_\_\_\_  
(date)**

		GUIDELINES	POLICY COMPLIED WITH  YES/NO *
<b>ASSET MIX (at Market Value)</b>		%	
<b>FIXED INCOME</b>	BONDS	100%	
<b>CASH</b>	SHORT-TERM & CASH	0%	
<b>CONSTRAINTS</b>			
<b>GENERAL</b>	Investment Policy Section 3.01 – General Guidelines		
<b>BONDS</b>	Investment Policy Section 3.02 (b) – Bonds		
<b>CASH</b>	Investment Policy Section 3.02 (c) – Cash		
<b>DERIVATIVES</b>	Investment Policy Section 3.02 (c) – Derivatives		
<b>OTHER</b>	Investment Policy Section 3.02 (e) – Other Investments		
<b>INDEX</b>	Investment Policy Section 3.02 (f) – Index Mandates		
<b>QUALITY REQUIREMENTS</b>	Investment Policy Section 3.03 – Minimum Quality Requirements		
<b>QUANTITY RESTRICTIONS</b>	Investment Policy Section 3.04 – Maximum Quantity Restrictions		
<b>PRIOR PERMISSION</b>	Investment Policy Section 3.05 – Prior Permission Required		
<b>PROHIBITED INVESTMENTS</b>	Investment Policy Section 3.06 – Prohibited Investments		
<b>SECURITIES LENDING</b>	Investment Policy Section 3.07 – Securities Lending		
<b>RESPONSIBILITIES</b>	Investment Policy Section 4.01 (b) – Delegation of Responsibilities – Investment Managers		
<b>STANDARDS OF PROFESSIONAL CONDUCT</b>	Investment Policy Section 4.04 - Standards of Professional Conduct		
<b>CONFLICTS OF INTEREST</b>	Investment Policy Section 5.01 - Conflicts of Interest		
<b>VOTING RIGHTS</b>	Investment Policy Section 5.08 - Voting Rights		

\* If policy not complied with, comment on specifics

**COMPLETED BY:** \_\_\_\_\_ **SIGNED BY:** \_\_\_\_\_

**Appendix "A" to Report FCS19073  
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**The City of Hamilton Master Trust  
Active Equity Manager**

Compliance Report for the Quarter Ended \_\_\_\_\_  
(date)

		GUIDELINES	POLICY COMPLIED WITH YES/NO *
<b>ASSET MIX (at Market Value)</b>		%	
<b>EQUITIES</b>	CANADIAN		
	U.S.		
	EAFE		
	TOTAL FOREIGN		
<b>CASH</b>	SHORT-TERM & CASH		
<b>CONSTRAINTS</b>			
<b>GENERAL</b>	Investment Policy Section 3.01 – General Guidelines		
<b>EQUITIES</b>	Investment Policy Section 3.02 (a) – Canadian and Foreign Equities		
<b>CASH</b>	Investment Policy Section 3.02 (c) – Cash and Short Term Investments		
<b>DERIVATIVES</b>	Investment Policy Section 3.02 (d) – Derivatives		
<b>OTHER INVESTMENTS</b>	Investment Policy Section 3.02 (e) – Other Investments		
<b>INDEX</b>	Investment Policy Section 3.02 (f) – Index Mandates		
<b>QUALITY REQUIREMENTS</b>	Investment Policy Section 3.03 – Minimum Quality Requirements		
<b>QUANTITY RESTRICTIONS</b>	Investment Policy Section 3.04 – Maximum Quantity Restrictions		
<b>PRIOR PERMISSION</b>	Investment Policy Section 3.05 – Prior Permission Required		
<b>PROHIBITED INVESTMENTS</b>	Investment Policy Section 3.06 – Prohibited Investments		
<b>SECURITIES LENDING</b>	Investment Policy Section 3.07 – Securities Lending		
<b>BORROWING</b>	Investment Policy Section 3.08 – Borrowing		
<b>RESPONSIBILITIES</b>	Investment Policy Section 4.01 (b) – Delegation of Responsibilities – Investment Managers		
<b>STANDARDS OF PROFESSIONAL CONDUCT</b>	Investment Policy Section 4.04 - Standards of Professional Conduct		
<b>CONFLICTS OF INTEREST</b>	Investment Policy Section 5.01 - Conflicts of Interest		
<b>VOTING RIGHTS</b>	Investment Policy Section 5.08 - Voting Rights		

\* If policy not complied with, comment on specifics

**COMPLETED BY:** \_\_\_\_\_ **SIGNED BY:** \_\_\_\_\_