



City of Hamilton
HMRF-HWRF PENSION ADMINISTRATION

SUB-COMMITTEE REVISED

Meeting #: 21-001
Date: December 1, 2021
Time: 1:30 p.m.
Location: Due to the COVID-19 and the Closure of City Hall (OS)

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

	Pages
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	
6. DELEGATION REQUESTS	
7. CONSENT ITEMS	
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15.	ADJOURNMENT	



Hamilton

HMRP/HWRF PENSION ADMINISTRATION SUB-COMMITTEE MINUTES 20-001

9:30 a.m.

November 24, 2020

Virtual Meeting

Hamilton City Hall

71 Main Street West

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

Regrets: HWRF Member: H. Hicks

THE FOLLOWING ITEMS WERE REFERRED TO THE AUDIT, FINANCE AND ADMINISTRATION COMMITTEE FOR CONSIDERATION:

**1. 2020 Master Trust Pension Statement of Investment Policies and
Procedures (FCS20074) (City Wide) (Item 8.1)**

(Garchinski/Alford)

- (a) That Appendix "A" attached to Report FCS20074 respecting the 2020 City of Hamilton Defined Benefit Pension Plans Master Trust Statement of Investment Policies and Procedures be approved and replace the previous 2019 City of Hamilton Defined Benefit Pension Plans Master Trust Statement of Investment Policies and Procedures contained in Report FCS19073 and approved by Council on January 22, 2020; and,
- (b) That Appendix "A" attached to Report FCS20074 respecting the 2020 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.

CARRIED

(Garchinski/Alford)

- (c) That an Asset Liability Modelling Study be performed on the HMRP/HWRF/HSR Pension Plans up to a limit of \$90,000, to be funded from the respective Pension Plans based on their prorated share of total assets.

CARRIED

2. Hamilton Wentworth Retirement Fund (HWRF) Valuation at December 31, 2019 (FCS20064) (City Wide) (Item 8.2)

(Ferguson/Skarratt)

That the December 31, 2019 actuarial valuation for the Hamilton Wentworth Retirement Fund (HWRF) per Appendix "A" to Report FCS20064 be received for information. **CARRIED**

3. Hamilton Municipal Retirement Fund (HMRP) Valuation at December 31, 2019 (FCS20065) (City Wide) (Item 8.3)

(Slack/Skarratt)

That the December 31, 2019 actuarial valuation for the Hamilton Municipal Retirement Fund (HMRP) per Appendix "A" to Report FCS20065 be received for information. **CARRIED**

4. Master Trust Pension Investment Performance Report as at December 31, 2019 (FCS19075(a)) (City Wide) (Item 9.1)

(Skarratt/Alford)

That Report FCS19075(a), respecting the Master Trust Pension Investment Performance Report as at December 31, 2019, be received. **CARRIED**

5. Master Trust Pension Investment Performance Report as at June 30, 2020 (FCS20075) (City Wide) (Item 9.2)

(Slack/Garchinski)

That Report FCS20075, respecting the Master Trust Pension Investment Performance Report as at June 30, 2020, be received. **CARRIED**

FOR INFORMATION:

(a) APPROVAL OF AGENDA (Item 1)

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

(Garchinski/Skarratt)

That the agenda for the November 24, 2020 meeting of the HMRP/HWRF Pension Administration Sub-committee be approved, as presented. **CARRIED**

(b) DECLARATIONS OF INTEREST (Item 2)

There were no declarations of interest.

(c) APPROVAL OF MINUTES OF PREVIOUS MEETING (Item 3)**(i) December 10, 2019 (Item 3.1)****(Ferguson/Slack)**

That the December 10, 2019 Minutes of the HMRF / HWRF Pension Administration Sub-Committee meeting be approved, as presented.

CARRIED**(d) PRESENTATIONS (Item 8)****(i) 2020 Master Trust Pension Statement of Investment Policies and Procedures (FCS20074) (City Wide) (Item 8.1)**

Nathan LaPierre, Aon, addressed the Committee with a presentation on Asset Liability Modelling.

(Garchinski/Alford)

That the presentation from Nathan LaPierre, Aon, respecting Asset Liability Modelling, be received.

CARRIED

For disposition of this matter, refer to Item 1.

(ii) Hamilton Wentworth Retirement Fund (HWRF) Valuation at December 31, 2019 (FCS20064) (City Wide) (Item 8.2)

Mark Pearson, Aon, addressed the Committee with a presentation on the Hamilton Wentworth Retirement Fund (HWRF) Valuation at December 31, 2019.

(Ferguson/Skarratt)

That the presentation from Mark Pearson, Aon, respecting the Hamilton Wentworth Retirement Fund (HWRF) Valuation at December 31, 2019, be received.

CARRIED

For disposition of this matter, refer to Item 2.

(iii) Hamilton Municipal Retirement Fund (HMRF) Valuation at December 31, 2019 (FCS20065) (City Wide) (Item 8.3)

Bill Liu, Willis Towers Watson, addressed the Committee with a presentation on the Hamilton Municipal Retirement Fund (HMRF) Valuation at December 31, 2019.

(Slack/Skarratt)

- (a) That the presentation from Bill Liu, Willis Towers Watson, respecting the Hamilton Municipal Retirement Fund (HMRF) Valuation at December 31, 2019, be received.

CARRIED

(Ferguson/Garchinski)

- (b) That staff be directed to review the feasibility and benefit of a mortality assumption review for the HSR/HWRF/HSR Pension plans.

CARRIED

For further disposition of this matter, refer to Item 3.

(e) ADJOURNMENT (Item 14)

(Ferguson/Alford)

That there being no further business, the HMRF/HWRF Pension Administration Sub-Committee be adjourned at 11:25 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

TO:	Chair and Members HMRF/HWRF Pension Administration Committee
COMMITTEE DATE:	December 01, 2021
SUBJECT/REPORT NO:	2020 Hamilton-Wentworth Retirement Fund Financial Statements (FCS21098) (City Wide)
WARD(S) AFFECTED:	City Wide
PREPARED BY:	Barb Howe (905) 546-2424 Ext. 5599
SUBMITTED BY:	Rick Male Director, Financial Services and Taxation & Corporate Controller Corporate Services Department
SIGNATURE:	

COUNCIL DIRECTION

N/A

INFORMATION

Appendix 'A' to Report FCS21098 Financial Statements of the Hamilton-Wentworth Retirement Fund Pension Plan December 31, 2020 is attached for information purposes for Committee members.

APPENDICES AND SCHEDULES ATTACHED

Appendix A – Financial Statements of the Hamilton-Wentworth Retirement Fund Pension Plan December 31, 2020

BH/dw

Financial Statements of the Hamilton- Wentworth Retirement Fund Pension Plan

December 31, 2020

Financial Statements December 31, 2020

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INDEPENDENT AUDITORS' REPORT

To the Pension Committee of the Corporation of the City of Hamilton for the Hamilton-Wentworth Retirement Fund Pension Plan.

Opinion

We have audited the accompanying fund financial statements of the Hamilton-Wentworth Retirement Fund Pension Plan (the Plan), which comprise:

- the statement of net assets available for benefits as at end of December 31, 2020
- the statement of changes in net assets available for benefits for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies (Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements, present fairly, in all material respects, the financial position of the Plan as at end of December 31, 2020, and its results of operations and its cash flows for the year then ended in accordance with the financial reporting provisions of Section 76 of Regulation 909 of the Pension Benefits Act (Ontario).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "Auditors' Responsibilities for the Audit of the Financial Statements" section of our auditors' report.

We are independent of the Plan in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – Financial Reporting Framework

We draw attention to Note 2 in the financial statements, which describes the applicable financial reporting framework and the purpose of the financial statements.

As a result, the financial statements may not be suitable for another purpose.

Our opinion is not modified in respect of this matter.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the financial reporting provisions of Section 76 of Regulation 909 of the Pension Benefits Act (Ontario), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Plan's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Plan or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Plan's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Plan's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Plan to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Hamilton, Canada

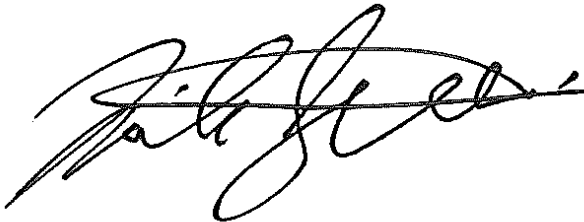
June 22, 2021

Statement of Net Assets Available For Benefits

DECEMBER 31, 2020, with comparative information for 2019

	2020	2019
	\$	\$
ASSETS		
Investments		
Investment in Master Trust (note 4a)	53,567,272	54,732,979
Cash in Plan (note 4a)	99,526	73,752
Accrued investment income	51,634	50,641
	53,718,432	54,857,372
LIABILITIES		
Accrued liabilities	28,787	36,497
	53,689,645	54,820,875
NET ASSETS AVAILABLE FOR BENEFITS	53,689,645	54,820,875

On behalf of the Pension Plan Administrator



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

Statement of Changes In Net Assets Available For Benefits

Year Ended DECEMBER 31, 2020, with comparative information for 2019

	2020 \$	2019 \$
INCREASE IN NET ASSETS		
Investment income (note 5)	4,359,950	4,526,505
Net realized gain (loss) on investments	(145,146)	647,884
Change in fair value of investments	99,534	2,036,719
	4,314,338	7,211,108
CONTRIBUTIONS		
Sponsor		
Special payment for unfunded liabilities (note 7)	368,944	1,429,644
DECREASE IN NET ASSETS		
Pension benefits	5,615,377	5,860,844
Administrative expenses and professional fees (note 6)	199,135	206,826
	5,814,512	6,067,670
NET INCREASE (DECREASE) FOR THE YEAR	(1,131,230)	2,573,082
NET ASSETS AVAILABLE FOR BENEFITS AT THE BEGINNING OF THE YEAR	54,820,875	52,247,793
NET ASSETS AVAILABLE FOR BENEFITS AT THE END OF THE YEAR	53,689,645	54,820,875

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

Notes to Financial Statements

DECEMBER 31, 2020

1. Description of the Plan

The Hamilton-Wentworth Retirement Fund ("HWRF") Pension Plan (the "Pension Plan") is a contributory defined benefit pension plan. The Pension Plan is registered under the Pension Benefits Act, 1987 (Ontario) (the "Act"), Registration Number 1073352. In accordance with a provision of the Ontario Municipal Employees Retirement System (OMERS) all new employees of the Corporation of the City of Hamilton are included under OMERS rather than the Pension Plan. As a consequence, the membership of the Pension Plan has become closed to new entrants and will decrease as existing members terminate. The Pension Plan's head office is located at 71 Main Street West, Hamilton, Ontario.

These fund financial statements have been approved and authorized for issue by the Treasurer of the City, as plan sponsor of the Hamilton-Wentworth Retirement Fund Pension Plan on June 22, 2021.

The majority of the net assets of the Pension Plan are combined in a pooled fund under a Master Trust agreement administered by RBC Investor Services Trust.

RBC Investor Services Trust (the "Trustee") is the custodial trustee of the Pension Plan. Investment decisions are made by independent investment managers using guidelines established by the City of Hamilton's Pension Committee for the Pension Plan while AON Hewitt is the Pension Plan's actuary for the defined benefit plan.

The Master Trust is divided into units of equal value, without priority or preference. The Master Trust issues units to the individual pension plans representing their proportionate ownership of the total assets in the Master Trust. Each plan is credited with units each time contributions are made while disbursements from the individual plans result in reductions of their unit holdings. Investment income in the Master Trust does not result in additional units for the individual plans but serves to increase the value of the units.

2. Basis of preparation

a) Basis of presentation

As permitted by the Financial Services Regulatory Authority of Ontario ("FSRA") these fund financial statements are prepared in accordance with Canadian accounting standards for pension plans excluding pension obligations and any resulting surplus or deficit.

In selecting accounting policies that do not relate to the Plan's investment portfolio or pension obligations and in accordance with Canadian accounting standards for pension plans, the Plan has chosen to comply on a consistent basis with International Financial Reporting Standards ("IFRS") in Part 1 of the Chartered Professional Accountants ("CPA Canada") Handbook.

These fund financial statements have been prepared to assist the Administrator of the Pension Plan to comply with the requirements of the Financial Services Regulatory Authority of Ontario ("FSRA") under section 76 of Regulation 909 of the Pension Benefits Act (Ontario). As a result, the fund financial statements may not be suitable for another purpose.

These fund financial statements of the Pension Plan do not purport to show the adequacy of the Pension Plan's assets to meet its pension obligation. Such an assessment requires additional information, such as the Pension Plan's actuarial reports and information about the City's financial health.

Notes to Financial Statements

DECEMBER 31, 2020

2. Basis of preparation (continued)

b) Basis of measurement

The financial statements have been prepared on the historical cost basis, except for financial instruments which are measured at fair value through the statement of changes in net assets available for benefits.

c) Functional and presentation currency

These fund financial statements are presented in Canadian dollars, which is the Pension Plan's Functional currency.

3. Significant accounting policies

a) Financial assets and financial liabilities

(i) Non-derivative financial assets

Financial assets are recognized initially on the trade date, which is the date that the Pension Plan becomes a party to the contractual provisions of the instrument. Transaction costs are not included in the fair value of investments either on initial recognition or on subsequent re-measurement. Transaction costs are included in the statement of changes in net assets available for benefits as part of administrative expenses and professional fees incurred for the period.

The Pension Plan measures all of its investments at fair value through the statement of changes in net assets available for benefits. All other non-derivative financial assets including accrued investment income, are measured at amortized cost.

The Pension Plan derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Pension Plan neither transfers nor retains substantially all the risks and rewards of ownership and does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset and consideration received is recognized in the statement of changes in net assets available for benefits, as a net realized gain on investments.

(ii) Non-derivative financial liabilities

All financial liabilities are recognized initially on the trade date at which the Pension Plan becomes a party to the contractual provisions of the instrument. The Pension Plan derecognizes a financial liability when its contractual obligations are discharged, cancelled or expired.

Financial assets and liabilities are offset, and the net amount presented in the statement of net assets available for benefits when, and only when, the Pension Plan has a legal right to offset the amounts and it intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. The Pension Plan considers its accrued liabilities to be a non-derivative financial liability.

Notes to Financial Statements

DECEMBER 31, 2020

3. Significant accounting policies (continued)

a) Financial assets and financial liabilities (continued)

(iii) Derivative financial instruments

Derivative financial instruments are recognized initially at fair value and attributable transaction costs are recognized in the statement of changes in net assets available for benefits as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and all changes are recognized immediately in the statement of changes in net assets available for benefits.

b) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between knowledgeable, willing parties in an arm's length transaction at the measurement date.

As allowed under IFRS 13, in determining fair value, the Pension Plan has adopted the guidance in IFRS 13, Fair Value measurement, ("IFRS13") in Part I of the CPA Canada Handbook.

If an asset or a liability measured at fair value has a bid and an ask price, the price within the bid-ask spread that is the most representative of fair value in the circumstances shall be used to measure fair value. The Pension Plan uses closing market price as a practical expedient for fair value measurement.

When available, the Pension Plan measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis.

If a market for a financial instrument is not active, then the Pension Plan establishes fair value using a valuation technique. Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, discounted cash flow analyses and option pricing models.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price, i.e. the fair value of the consideration given or received, unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets. When transaction price provides the best evidence of fair value at initial recognition, the financial instrument is initially measured at the transaction price and any difference between this price and the value initially obtained from a valuation model is subsequently recognized in profit or loss on an appropriate basis over the life of the instrument but not later than when the valuation is supported wholly by observable market data or the transaction is closed out.

Notes to Financial Statements

DECEMBER 31, 2020

3. Significant accounting policies (continued)

b) Fair value measurement (continued)

All changes in fair value, other than interest and dividend income and expense, are recognized in the statement of changes in net assets available for benefits as part of the change in value of investments.

Investments are stated at fair value. Fair value of investments including those held within the Master Trust is determined as follows:

- (i) Short-term notes, treasury bills and deposits maturing within a year are stated at cost, which together with accrued interest income approximates fair value given the short-term nature of these investments.
- (ii) Bonds and equities are valued at closing bid prices. Where quoted prices are not available, estimated fair values are calculated using comparable securities.
- (iii) Pooled funds are valued at the unit value supplied by the pooled fund administrator and which represents the Pension Plan's proportionate share of the underlying net assets at fair value determined using closing bid prices.

c) Net investment income

Income from investments is recognized on an accrual basis and includes dividend and interest income.

d) Realized and unrealized gain (loss) on investments

Realized gains or losses on sales of investments is the difference between the proceeds received and the average cost of the investments sold.

Change in fair value of investments represents the change in the difference between the fair value and cost of investments at the beginning and end of the year.

e) Income taxes

The Pension Plan is a registered pension plan, as defined by the Income Tax Act (Canada) and, accordingly, is not subject to income taxes.

f) Foreign currency

Transactions in foreign currencies are translated into Canadian dollars at the exchange rate at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated into Canadian dollars at the exchange rate at that date.

Foreign currency differences arising on retranslation are recognized in the statement of changes in net assets available for benefits.

Notes to Financial Statements

DECEMBER 31, 2020

3. Significant accounting policies (continued)

g) Use of estimates and judgments

The preparation of the fund financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities at the date of the statement of net assets available for benefits and the reported amounts of changes in net assets available for benefits during the year. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future years affected.

4. Investments

a) Plan and Master Trust investments

The following table provides details of the underlying investments held by the Master Trust:

Master Trust	2020			2019		
	Cost	Market Value	Unrealized Gain (Loss)	Cost	Market Value	Unrealized Gain (Loss)
	\$	\$	\$	\$	\$	\$
Cash	153,960	153,960	-	211,572	211,572	-
Short term notes and treasury bills	3,295,721	3,295,721	-	4,020,876	4,020,876	-
Canadian bonds and debentures	56,163,514	64,529,135	8,365,621	73,782,289	75,951,148	2,168,859
Canadian pooled bond fund	88,279,275	79,221,110	(9,058,165)	82,381,215	85,131,885	2,750,670
Canadian corporate shares	76,448,759	94,425,136	17,976,377	74,476,103	92,750,854	18,274,751
Other Equity Investments - Warrants	-	-	-	-	13	13
Canadian pooled equity fund	44,432,642	22,403,565	(22,029,077)	40,109,562	15,465,372	(24,644,190)
Foreign corporate shares	4,352,002	3,872,626	(479,376)	4,244,967	4,827,542	582,575
Foreign pooled equity fund	54,364,546	75,738,253	21,373,707	43,020,289	58,781,222	15,760,933
	327,490,419	343,639,506	16,149,087	322,246,873	337,140,484	14,893,611

Notes to Financial Statements

DECEMBER 31, 2020

4. Investments (continued)

a) Plan and Master Trust investments (continued)

The following table provides details of the Pension Plan's proportionate interest of 15.6% (2019 - 16.2%) of underlying investments held within the Master Trust:

Master Trust HWRF Shares	2020			2019		
	Cost	Market Value	Unrealized Gain (Loss)	Cost	Market Value	Unrealized Gain (Loss)
	\$	\$	\$	\$	\$	\$
Cash	24,002	24,000	(2)	34,350	34,348	(2)
Short term notes and treasury bills	513,783	513,744	(39)	652,817	652,768	(49)
Canadian bonds and debentures	8,755,557	10,058,942	1,303,385	11,979,072	12,330,268	351,196
Canadian pooled bond fund	13,762,212	12,349,159	(1,413,053)	13,375,168	13,820,712	445,544
Canadian corporate shares	11,917,905	14,719,195	2,801,290	12,091,718	15,057,612	2,965,894
Other Equity Investments - Warrants	-	-	-	-	2	2
Canadian pooled equity fund	6,926,782	3,492,316	(3,434,466)	6,512,069	2,510,722	(4,001,347)
Foreign corporate shares	678,451	603,673	(74,778)	689,200	783,726	94,526
Foreign pooled equity fund	8,475,108	11,806,243	3,331,135	6,984,646	9,542,821	2,558,175
	51,053,800	53,567,272	2,513,472	52,319,040	54,732,979	2,413,939

The Pension Plan also directly holds cash of \$99,526 (2019 - \$73,752).

b) Fair value

The following table presents financial assets measured at fair value in the statement of net assets available for benefits in accordance with the fair value hierarchy. This hierarchy groups financial assets into three levels based on the significance of inputs used in measuring the fair value of the financial assets. The fair value hierarchy has the following levels:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and

Level 3: Inputs for assets and liabilities which are not based on observable market data.

Notes to Financial Statements

DECEMBER 31, 2020

4. Investments (continued)

b) Fair value (continued)

The level within which the financial asset is classified is determined based on the lowest level of significant input to the fair value measurement. The financial assets measured at fair value in the statement of net assets available for benefits are grouped into the fair value hierarchy as follows:

The Pension Plan's investment in Master Trust is classified as Level 2. The following table presents the classification of the investments held within the Master Trust and those held directly by the Pension Plan at December 31, 2020, using the fair value hierarchy:

	2020			2020 Market Value		
	Cost	Market Value	Unrealized Gain (Loss)	Level 1	Level 2	Level 3
	\$	\$	\$	\$	\$	\$
Cash	123,528	123,526	(2)	123,526	-	-
Short term notes and treasury bills	513,783	513,744	(39)	-	513,744	-
Canadian bonds and debentures	8,755,557	10,058,942	1,303,385	-	10,058,942	-
Canadian pooled bond fund	13,762,212	12,349,159	(1,413,053)	-	12,349,159	-
Canadian corporate shares	11,917,905	14,719,195	2,801,290	14,719,195	-	-
Canadian pooled equity fund	6,926,782	3,492,316	(3,434,466)	-	3,492,316	-
Foreign corporate shares	678,451	603,673	(74,778)	603,673	-	-
Foreign pooled equity fund	8,475,108	11,806,243	3,331,135	-	11,806,243	-
	51,153,326	53,666,798	2,513,472	15,446,394	38,220,404	-
	2019			2019 Market Value		
	Cost	Market Value	Unrealized Gain (Loss)	Level 1	Level 2	Level 3
	\$	\$	\$	\$	\$	\$
Cash	108,102	108,100	(2)	108,100	-	-
Short term notes and treasury bills	652,817	652,768	(49)	-	652,768	-
Canadian bonds and debentures	11,979,072	12,330,268	351,196	-	12,330,268	-
Canadian pooled bond fund	13,375,168	13,820,712	445,544	-	13,820,712	-
Canadian corporate shares	12,091,718	15,057,612	2,965,894	15,057,612	-	-
Other Equity Investments - Warrants	-	2	2	2	-	-
Canadian pooled equity fund	6,512,069	2,510,722	(4,001,347)	-	2,510,722	-
Foreign corporate shares	689,200	783,726	94,526	783,726	-	-
Foreign pooled equity fund	6,984,646	9,542,821	2,558,175	-	9,542,821	-
	52,392,792	54,806,731	2,413,939	15,949,440	38,857,291	-

Notes to Financial Statements

DECEMBER 31, 2020

4. Investments (continued)

b) Fair value (continued)

The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the prior year reporting period. There were no changes in the classification of these financial instruments during the current year.

c) Investments – Financial instrument risk

The Pension Plan's investment activities expose it to a variety of financial risks including credit risk, market price risk, currency risk, interest rate risk and liquidity risk.

Credit risk

Credit risk is the risk of loss arising from the failure of a counterparty to fully honour its financial obligations with the Pension Plan, including its inability or unwillingness to pay borrowed principal, interest or rent when they come due. Credit risk can also lead to losses when issuers and debtors are downgraded by credit rating agencies, usually leading to a fall in the market value of the debtors' obligations.

Fixed income investments include cash, short-term notes and treasury bills, Canadian bonds and debentures and Canadian pooled bond funds. As at December 31, 2020, the Pension Plan's fixed income investments exposure to credit risk is as follows:

Type	Credit Rating	2020 % of Total Fund	2020 Amount \$	2019 % of Total Fund	2019 Amount \$
Corporate	AAA/AA	0.3%	70,342	0.4%	96,652
	A	13.1%	3,021,015	10.3%	2,783,586
	BBB	7.2%	1,649,958	6.4%	1,724,553
Provincial	n/a	24.8%	5,726,457	26.3%	7,083,232
Federal	n/a	50.6%	11,651,815	53.7%	14,441,890
Cash	n/a	4.0%	925,783	2.9%	781,935
		100.0%	23,045,370	100.0%	26,911,848

The fixed income investments mature as follows: \$1,982,068 within 1 year and \$21,063,302 in greater than 10 years.

Market price risk

Market price risk is the risk that the fair value of a financial instrument will fluctuate as a result of changes in the market prices caused by factors specific to the individual financial instruments, its issuer, or factors affecting similar financial instruments traded in the public capital markets. As at December 31, 2020, the Pension Plan's equity exposure of \$30,621,428 (2019 - \$27,894,883) represented 57.1% (2019 – 50.9%) of the Pension Plan's investments. As at December 31, 2020, if the prices of securities had increased or decreased by ten percent, the effect on the assets, with all other variables held constant, would be \$3,062,143 (2019 - \$2,789,488).

Notes to Financial Statements

DECEMBER 31, 2020

4. Investments (continued)

c) Investments – financial instrument risk (continued)

Currency Risk

Investments denominated in currencies other than the Canadian dollar expose the Pension Plan to fluctuations in foreign exchange rates. Fluctuations in the relative value of the Canadian dollar against these foreign currencies can result in a positive or a negative effect on the fair value of the investments.

As at December 31, 2020, the Pension Plan's exposure to foreign currency, in Canadian dollars, is as follows:

Type	2020 % of Total Fund	2020 Amount \$	2019 % of Total Fund	2019 Amount \$
United States dollar	10.6%	5,683,254	8.3%	4,495,272
Euro	4.0%	2,131,590	3.3%	1,804,319
Pound sterling	2.3%	1,218,605	2.1%	1,123,158
Japanese yen	2.8%	1,494,593	2.1%	1,152,504
Swiss franc	0.9%	507,596	0.9%	486,400
South Korean Won	0.2%	129,869	0.2%	124,057
New Taiwan dollar	1.5%	779,212	0.8%	438,970
Renminbi	2.2%	1,180,624	0.9%	1,030,625
Hong Kong dollar	0.7%	359,813	0.4%	215,631
Russian ruble	1.0%	543,087	0.8%	458,055
Thai baht	0.0%	23,613	0.0%	9,543
Swedish kronor	0.3%	174,785	0.4%	209,451
Brazilian real	0.1%	59,031	0.1%	9,543
Indian rupee	0.3%	141,675	0.1%	76,343
South African rand	0.2%	94,450	0.1%	76,343
Australian dollar	0.6%	314,933	0.5%	264,087
Other foreign currencies	1.6%	904,066	0.3%	617,283
	29.3%	15,740,796	21.3%	12,591,584

Notes to Financial Statements

DECEMBER 31, 2020

4. Investments (continued)

d) Investments – financial instrument risk (continued)

Currency Risk (continued)

As at December 31, 2020, if the Canadian dollar had strengthened/weakened by five percent in relation to other currencies, with all other variables held constant, the effect on the assets would be as follows:

Type	2020 Change in Currency	2020 Amount \$	2019 Change in Currency	2019 Amount \$
United States dollar	+/- 5%	284,163	+/- 5%	224,764
Euro		106,579		90,216
Pound sterling		60,930		56,158
Japanese yen		74,730		57,625
Swiss franc		25,380		24,320
South Korean Won		6,493		6,203
New Taiwan dollar		38,961		21,948
Renminbi		59,031		51,531
Hong Kong dollar		17,991		10,782
Russian ruble		27,154		22,903
Thai baht		1,181		477
Swedish kronor		8,739		10,473
Brazilian real		2,952		477
Indian rupee		7,084		3,817
South African rand		4,722		3,817
Australian dollar		15,747		13,204
Other foreign currencies		45,203		30,861
		787,040		629,576

Interest rate risk

Interest rate risk refers to the effect on the market value of the Pension Plan's assets and liabilities due to fluctuations in interest rates. As at December 31, 2020, the Pension Plan's fixed income investments with exposure to interest rate risk is \$22,119,587 (2019 - \$26,129,913). As at December 31, 2020, if the nominal interest rate had increased or decreased by one percent, the effect on the assets, with all other variables held constant, would be \$3,521,438 (2019 – \$4,081,492).

Liquidity risk

Liquidity risk is the exposure of the Pension Plan to the risk of not being able to meet its financial obligations as they become due. The Pension Plan maintains an investment policy which contains asset mix guidelines which help ensure the Pension Plan is able to liquidate investments to meet its pension benefit or other obligations.

Notes to Financial Statements

DECEMBER 31, 2020

4. Investments (continued)

d) Statutory disclosure

The following information is provided in respect of individual investments, including those held within the Master Trust, with a cost or fair value in excess of 1% of the cost or fair value of the Pension Plan's investments as required to meet disclosure requirements under the Pension Benefits Act (Ontario):

	Rate or Units	Maturity	Fair Value 2020 \$
Canadian bonds and debentures			
Government of Canada Unsecured Inflation Linked	1.25%	12/1/2047	2,354,764
Canada Real Return Bond	4.00%	12/1/2031	1,969,845
Canada Real Return Bond	4.25%	12/1/2021	1,400,154
Government of Canada Real Return Bond	1.50%	12/1/2044	2,129,449
Government of Canada Series	2.00%	12/1/2041	1,962,038
Canadian pooled bond fund			
TD Emerald Active CDN Long Bond Pooled Fund	1,413,961		12,349,159
Canadian corporate shares			
Suncor Energy Inc. - New Common	20,987		448,043
Magna International Inc.	6,505		586,092
Bank of Montreal	5,593		541,220
Royal Bank of Canada	6,653		695,761
Canadian and foreign pooled equity funds			
Aberdeen Canada Global Equity Fund	874,205		3,426,447
Global Equity Allocation Fund III	324,274		11,806,243

Notes to Financial Statements

DECEMBER 31, 2020

5. Investment income

	2020	2019
	\$	\$
Fixed income	878,786	1,200,234
Equities	3,420,381	3,300,960
Cash	60,783	25,311
	4,359,950	4,526,505

6. Administrative expenses and professional fees

	2020	2019
	\$	\$
Actuarial fees	47,531	16,524
Trustee and legal fees	7,689	14,327
Administrative expenses	60,976	60,976
Investment management fees	82,939	114,999
	199,135	206,826

Audit fees are paid by the City of Hamilton on behalf of the Pension Plan.

7. Related party transactions

During the year, the City of Hamilton charged administrative expenses to the Pension Plan in the amount of \$60,976 (2019 - \$60,976).

The City of Hamilton also made actuarial deficiency payments in the amount of \$368,944 (2019 - \$1,429,644) in connection with the Pension Plan's unfunded liability as at the last actuarial valuation date of December 31, 2019 based on membership data as at December 31, 2019.

The next actuarial valuation date is to occur no later than December 31, 2022.

Notes to Financial Statements

DECEMBER 31, 2020

8. Capital risk management

The main objective of the Pension Plan is to sustain a certain level of net assets in order to meet the pension obligations of the Hamilton-Wentworth Retirement Fund Pension Plan, which are not presented or discussed in these specified-purpose financial statements. The Pension Plan fulfils its primary objective by adhering to specific investment policies outlined in the Statement of Investment Policies and Procedures (the "SIP&P"), which is reviewed annually by the City. The inception date of the Master Trust and SIP&P is November 1, 1999. The SIP&P was last amended and approved on January 12, 2021. The amendment contains an update on information on liabilities and members of the Pension Plan, as well as minor changes made to enhance clarity.

The Pension Plan manages net assets by engaging knowledgeable investment managers who are charged with the responsibility of investing existing funds and new funds (current year employer contributions) in accordance with the approved SIP&P. Increases in net assets available for benefits are direct results of investment income generated by investments held by the Plan and contributions into the Plan by eligible employees and by the City. The main use of net assets available for benefits is for the benefit payments to eligible Plan members. Although there are no regulatory requirements relating to the level of assets, the funding to be maintained by the Plan is determined through triennial actuarial valuations. There were no contributions that were past due at December 31, 2020. The Pension Plan is required to file fund financial statements with FSRA.

In accordance with the SIP&P, the Plan's asset allocation is dependent upon the determined funded ratio of the plan as at year-end. As at year-end, the Plan was approximately 75% funded on a wind-up basis which results in a mix of return seeking target of 54%. This results in a target asset allocation mix as follows, with an acceptable range of +/- 5% for each of the identified allocations:

Asset category	Classification based on SIP&P	SIP&P allocation target (%)	2020	2019
Canadian Equity	Return seeking	27%	29.7%	30.0%
Global Equity	Return seeking	27%	28.4%	22.0%
Long-term bonds	Liability hedging	23%	23.1%	25.0%
Real Return bonds	Liability hedging	23%	18.8%	23.0%
		100%	100%	100%

As at December 31, 2020, the Plan was in compliance with the asset allocation identified in the SIP&P.

Notes to Financial Statements

DECEMBER 31, 2020

9. COVID-19:

In March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization and continued throughout the fiscal year. Globally, the virus had a significant financial, market and social dislocating impact across the world. This has resulted in governments worldwide, including the Canadian and Ontario governments, enacting emergency measures to combat the spread of the virus.

During the early onset of the pandemic the investment markets became very volatile. Low valuations were experienced. However, Governments and the central banks reacted with significant monetary and fiscal interventions which stabilized the economy. The original asset value recovered. There were no permanent impairments to any assets. Contributions as required through the year were made, expenses and benefits were all paid out.

The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and the financial effect on the pension fund and the sponsor in the future is not known at this time.

Supplemental Appendix (Unaudited)


This supplemental disclosure is attached as an unaudited appendix to the financial statements for reporting under FSRA disclosures requirements.

The following table presents the annual rate of investment return by asset category as determined by Aon Hewitt.

Asset Categories	Benchmark	Annual rate of investment return (%)	
		As at December 31	
		2020	2019
Long-term Bonds	FTSE Canada Long-term Bond Index	12.3%	13.0%
Real Return Bonds	FTSE Canada Real Return Bond Index	13.2%	8.4%
Canadian Equities	S&P/TSX Composite	-0.5%	16.7%
Global Equities	MSCI World Index (C\$)	8.6%	18.3%



INFORMATION REPORT

TO:	Chair and Members HMRF/HWRF Pension Administration Committee
COMMITTEE DATE:	December 1, 2021
SUBJECT/REPORT NO:	2020 Hamilton Municipal Retirement Fund Financial Statements (FCS21099) (City Wide)
WARD(S) AFFECTED:	City Wide
PREPARED BY:	Barb Howe (905) 546-2424 Ext. 5599
SUBMITTED BY:	Rick Male Director, Financial Services and Taxation & Corporate Controller Corporate Services Department
SIGNATURE:	

COUNCIL DIRECTION

N/A

INFORMATION

Appendix 'A' to Report FCS21099 "Financial Statements of the Hamilton Municipal Retirement Fund Pension Plan December 31, 2020" is attached for information purposes for Committee members.

APPENDICES AND SCHEDULES ATTACHED

Appendix A – Financial Statements of the Hamilton Municipal Retirement Fund Pension Plan December 31, 2020

BH/dw

**Financial Statements of the Hamilton
Municipal Retirement Fund Pension Plan**
December 31, 2020

Financial Statements December 31, 2020

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Canada
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INDEPENDENT AUDITORS' REPORT

To the Pension Committee of the Corporation of the City of Hamilton for the Hamilton Municipal Retirement Fund Pension Plan.

Opinion

We have audited the accompanying fund financial statements of the Hamilton Municipal Retirement Fund Pension Plan (the Plan), which comprise:

- the statement of net assets available for benefits as at end of December 31, 2020
- the statement of changes in net assets available for benefits for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies (Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements, present fairly, in all material respects, the financial position of the Plan as at end of December 31, 2020, and its results of operations and its cash flows for the year then ended in accordance with the financial reporting provisions of Section 76 of Regulation 909 of the Pension Benefits Act (Ontario).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "Auditors' Responsibilities for the Audit of the Financial Statements" section of our auditors' report.

We are independent of the Plan in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – Financial Reporting Framework

We draw attention to Note 2 in the financial statements, which describes the applicable financial reporting framework and the purpose of the financial statements.

As a result, the financial statements may not be suitable for another purpose.

Our opinion is not modified in respect of this matter.



Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the financial reporting provisions of Section 76 of Regulation 909 of the Pension Benefits Act (Ontario), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Plan's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Plan or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Plan's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Plan's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Plan to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Hamilton, Canada

June 22, 2021

Statement of Net Assets Available For Benefits

DECEMBER 31, 2020, with comparative information for 2019

	2020	2019
	\$	\$
ASSETS		
Investments		
Investment in Master Trust (note 4a)	70,927,158	71,375,964
Cash in Plan (note 4a)	67,585	50,881
Accrued investment income	68,367	66,040
	71,063,110	71,492,885
LIABILITIES		
Accrued liabilities	32,658	47,595
	71,030,452	71,445,290
NET ASSETS AVAILABLE FOR BENEFITS	71,030,452	71,445,290

On behalf of the Pension Plan Administrator

_____  _____

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

Statement of Changes In Net Assets Available For Benefits

Year Ended DECEMBER 31, 2020, with comparative information for 2019

	2020	2019
	\$	\$
INCREASE IN NET ASSETS		
Investment income (note 5)	5,764,658	5,903,837
Net realized gain (loss) on investments	(220,844)	889,606
Change in fair value of investments	179,997	2,654,467
	5,723,811	9,447,910
DECREASE IN NET ASSETS		
Pension benefits	5,900,352	6,036,522
Administrative expenses and professional fees (note 6)	238,297	273,235
	6,138,649	6,309,757
NET INCREASE (DECREASE) FOR THE YEAR	(414,838)	3,138,153
NET ASSETS AVAILABLE FOR BENEFITS AT THE BEGINNING OF THE YEAR	71,445,290	68,307,137
NET ASSETS AVAILABLE FOR BENEFITS AT THE END OF THE YEAR	71,030,452	71,445,290

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

Notes to Financial Statements

DECEMBER 31, 2020

1. Description of the Plan

The Hamilton Municipal Retirement Fund ("HMRF") Pension Plan (the "Pension Plan") is a contributory defined benefit pension plan. The Pension Plan is registered under the Pension Benefits Act, 1987 (Ontario) (the "Act"), Registration Number 0275123. In accordance with a provision of the Ontario Municipal Employees Retirement System (OMERS) from July 1, 1965, all new employees of the City of Hamilton (the "City") are included under OMERS rather than the Pension Plan. As a consequence, the membership of the Pension Plan has become closed to new entrants and will decrease as existing members terminate. The Pension Plan's head office is located at 71 Main Street West, Hamilton, Ontario.

These fund financial statements have been approved and authorized for issue by the Treasurer of the City, as plan sponsor of the Hamilton Municipal Retirement Fund Pension Plan on June 22, 2021.

The majority of the net assets of the Pension Plan are combined in a pooled fund under a Master Trust agreement administered by RBC Investor Services Trust.

RBC Investor Services Trust (the "Trustee") is the custodial trustee of the Pension Plan. Investment decisions are made by independent investment managers using guidelines established by the City of Hamilton's Pension Committee while Willis Towers Watson is the Pension Plan's actuary for the defined benefit plan.

The Master Trust is divided into units of equal value, without priority or preference. The Master Trust issues units to the individual pension plans representing their proportionate ownership of the total assets in the Master Trust. Each plan is credited with units each time contributions are made while disbursements from the individual plans result in reductions of their unit holdings. Investment income in the Master Trust does not result in additional units for the individual plans but serves to increase the value of the units.

2. Basis of preparation

a) Basis of presentation

As permitted by the Financial Services Regulatory Authority of Ontario ("FSRA") these fund financial statements are prepared in accordance with Canadian accounting standards for pension plans excluding pension obligations and any resulting surplus or deficit.

In selecting accounting policies that do not relate to the Plan's investment portfolio or pension obligations and in accordance with Canadian accounting standards for pension plans, the Plan has chosen to comply on a consistent basis with International Financial Reporting Standards ("IFRS") in Part 1 of the Chartered Professional Accountants ("CPA Canada") Handbook.

These fund financial statements have been prepared to assist the Administrator of the Pension Plan to comply with the requirements of the Financial Services Regulatory Authority of Ontario ("FSRA") under Section 76 of Regulation 909 of the Pension Benefits Act (Ontario). As a result, the fund financial statements may not be suitable for another purpose.

These fund financial statements of the Pension Plan do not purport to show the adequacy of the Pension Plan's assets to meet its pension obligation. Such an assessment requires additional information, such as the Pension Plan's actuarial reports and information about the City's financial health.

Notes to Financial Statements

DECEMBER 31, 2020

2. Basis of preparation (continued)

b) Basis of measurement

The financial statements have been prepared on the historical cost basis, except for financial instruments which are measured at fair value through the statement of changes in net assets available for benefits.

c) Functional and presentation currency

These fund financial statements are presented in Canadian dollars, which is the Pension Plan's functional currency.

3. Significant accounting policies

a) Financial assets and financial liabilities

(i) Non-derivative financial assets

Financial assets are recognized initially on the trade date, which is the date that the Pension Plan becomes a party to the contractual provisions of the instrument. Transaction costs are not included in the fair value of investments either on initial recognition or on subsequent re-measurement. Transaction costs are included in the statement of changes in net assets available for benefits as part of administrative expenses and professional fees incurred for the period.

The Pension Plan measures all of its investments at fair value through the statement of changes in net assets available for benefits. All other non-derivative financial assets including accrued investment income are measured at amortized cost.

The Pension Plan derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Pension Plan neither transfers nor retains substantially all the risks and rewards of ownership and does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset and consideration received is recognized in the statement of changes in net assets available for benefits, as a net realized gain on investments.

Notes to Financial Statements

DECEMBER 31, 2020

3. Significant accounting policies (continued)

a) Financial assets and financial liabilities (continued)

(ii) Non-derivative financial liabilities

All financial liabilities are recognized initially on the trade date at which the Pension Plan becomes a party to the contractual provisions of the instrument. The Pension Plan derecognizes a financial liability when its contractual obligations are discharged, cancelled or expired.

Financial assets and liabilities are offset and the net amount presented in the statement of net assets available for benefits when, and only when, the Pension Plan has a legal right to offset the amounts and it intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. The Pension Plan considers its accrued liabilities to be a non-derivative financial liability.

(iii) Derivative financial instruments

Derivative financial instruments are recognized initially at fair value and attributable transaction costs are recognized in the statement of changes in net assets available for benefits as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and all changes are recognized immediately in the statement of changes in net assets available for benefits.

b) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between knowledgeable, willing parties in an arm's length transaction at the measurement date.

As allowed under IFRS 13, in determining fair value, the Pension Plan has adopted the guidance in IFRS 13, Fair Value measurement, ("IFRS13") in Part I of the CPA Canada Handbook.

If an asset or a liability measured at fair value has a bid and an ask price, the price within the bid-ask spread that is the most representative of fair value in the circumstances shall be used to measure fair value. The Pension Plan uses closing market price as a practical expedient for fair value measurement.

When available, the Pension Plan measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis.

If a market for a financial instrument is not active, then the Pension Plan establishes fair value using a valuation technique. Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, discounted cash flow analyses and option pricing models.

Notes to Financial Statements

DECEMBER 31, 2020

3. Significant accounting policies (continued)

b) Fair value measurement (continued)

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price, i.e. the fair value of the consideration given or received, unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets. When transaction price provides the best evidence of fair value at initial recognition, the financial instrument is initially measured at the transaction price and any difference between this price and the value initially obtained from a valuation model is subsequently recognized in profit or loss on an appropriate basis over the life of the instrument but not later than when the valuation is supported wholly by observable market data or the transaction is closed out.

All changes in fair value, other than interest and dividend income and expense, are recognized in the statement of changes in net assets available for benefits as part of the change in value of investments.

Investments are stated at fair value. Fair value of investments including those held within the Master Trust is determined as follows:

- (i) Short-term notes, treasury bills and deposits maturing within a year are stated at cost, which together with accrued interest income approximates fair value given the short-term nature of these investments.
- (ii) Bonds and equities are valued at closing bid prices. Where quoted prices are not available, estimated fair values are calculated using comparable securities.
- (iii) Pooled funds are valued at the unit value supplied by the pooled fund administrator and which represents the Pension Plan's proportionate share of the underlying net assets at fair value determined using closing bid prices.

c) Net investment income

Income from investments is recognized on an accrual basis and includes dividend and interest income.

d) Realized and unrealized gain (loss) on investments

Realized gains or losses on sales of investments are the difference between the proceeds received and the average cost of the investments sold.

Change in fair value of investments represents the change in the difference between the fair value and cost of investments at the beginning and end of the year.

e) Income taxes

The Pension Plan is a registered pension plan, as defined by the Income Tax Act (Canada) and, accordingly, is not subject to income taxes.

Notes to Financial Statements

DECEMBER 31, 2020

3. Significant accounting policies (continued)

f) Foreign currency

Transactions in foreign currencies are translated into Canadian dollars at the exchange rate at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated into Canadian dollars at the exchange rate at that date.

Foreign currency differences arising on retranslation are recognized in the statement of changes in net assets available for benefits.

g) Use of estimates and judgments

The preparation of the fund financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets liabilities at the date of the statement of net assets available for benefits and the reported amounts of changes in net assets available for benefits during the year. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future years affected.

4. Investments

a) Plan and Master Trust investments

The following table provides details of the underlying investments held by the Master Trust:

Master Trust	2020			2019		
	Cost	Market Value	Unrealized Gain (Loss)	Cost	Market Value	Unrealized Gain (Loss)
	\$	\$	\$	\$	\$	\$
Cash	153,960	153,960	-	211,572	211,572	-
Short term notes and treasury bills	3,295,721	3,295,721	-	4,020,876	4,020,876	-
Canadian bonds and debentures	56,163,514	64,529,135	8,365,621	73,782,289	75,951,148	2,168,859
Canadian pooled bond fund	88,279,275	79,221,110	(9,058,165)	82,381,215	85,131,885	2,750,670
Canadian corporate shares	76,448,759	94,425,136	17,976,377	74,476,103	92,750,854	18,274,751
Other Equity Investments - Warrants	-	-	-	-	13	13
Canadian pooled equity fund	44,432,642	22,403,565	(22,029,077)	40,109,562	15,465,372	(24,644,190)
Foreign corporate shares	4,352,002	3,872,626	(479,376)	4,244,967	4,827,542	582,575
Foreign pooled equity fund	54,364,546	75,738,253	21,373,707	43,020,289	58,781,222	15,760,933
	327,490,419	343,639,506	16,149,087	322,246,873	337,140,484	14,893,611

Notes to Financial Statements

DECEMBER 31, 2020

4. Investments (continued)

a) Plan and Master Trust investments (continued)

The following table provides details of the Pension Plan's proportionate interest of 20.6% (2019 – 21.2%) of underlying investments held within the Master Trust:

Master Trust HMRF Shares	2020			2019		
	Cost \$	Market Value \$	Unrealized Gain (Loss) \$	Cost \$	Market Value \$	Unrealized Gain (Loss) \$
Cash	31,777	31,778	1	44,790	44,792	2
Short term notes and treasury bills	680,208	680,236	28	851,223	851,259	36
Canadian bonds and debentures	11,591,659	13,318,807	1,727,148	15,619,779	16,079,607	459,828
Canadian pooled bond fund	18,220,072	16,351,229	(1,868,843)	17,440,180	18,023,259	583,079
Canadian corporate shares	15,778,356	19,489,338	3,710,982	15,766,661	19,636,270	3,869,609
Other Equity Investments - Warrants	-	-	-	-	3	3
Canadian pooled equity fund	9,170,509	4,624,094	(4,546,415)	8,491,232	3,274,172	(5,217,060)
Foreign corporate shares	898,215	799,309	(98,906)	898,664	1,022,038	123,374
Foreign pooled equity fund	11,220,367	15,632,367	4,412,000	9,107,435	12,444,564	3,337,129
	67,591,163	70,927,158	3,335,995	68,219,964	71,375,964	3,156,000

The Pension Plan also directly holds cash of \$67,585 (2019 - \$50,881).

b) Fair value

The following table presents financial assets measured at fair value in the statement of net assets available for benefits in accordance with the fair value hierarchy. This hierarchy groups financial assets into three levels based on the significance of inputs used in measuring the fair value of the financial assets. The fair value hierarchy has the following levels:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and

Level 3: Inputs for assets and liabilities which are not based on observable market data.

Notes to Financial Statements

DECEMBER 31, 2020

4. Investments (continued)

b) Fair value (continued)

The level within which the financial asset is classified is determined based on the lowest level of significant input to the fair value measurement. The financial assets measured at fair value in the statement of net assets available for benefits are grouped into the fair value hierarchy as follows:

The Pension Plan's investment in Master Trust is classified as Level 2. The following table presents the classification of the investments held within the Master Trust and those held directly by the Pension Plan at December 31, 2020, using the fair value hierarchy:

	2020			2020 Market Value		
	Cost	Market Value	Unrealized Gain (Loss)	Level 1	Level 2	Level 3
	\$	\$	\$	\$	\$	\$
Cash	99,362	99,363	1	99,363	-	-
Short term notes and treasury bills	680,208	680,236	28	-	680,236	-
Canadian bonds and debentures	11,591,659	13,318,807	1,727,148	-	13,318,807	-
Canadian pooled bond fund	18,220,072	16,351,229	(1,868,843)	-	16,351,229	-
Canadian corporate shares	15,778,356	19,489,338	3,710,982	19,489,338	-	-
Canadian pooled equity fund	9,170,509	4,624,094	(4,546,415)	-	4,624,094	-
Foreign corporate shares	898,215	799,309	(98,906)	799,309	-	-
Foreign pooled equity fund	11,220,367	15,632,367	4,412,000	-	15,632,367	-
	67,658,748	70,994,743	3,335,995	20,388,010	50,606,733	-
	2019			2019 Market Value		
	Cost	Market Value	Unrealized Gain (Loss)	Level 1	Level 2	Level 3
	\$	\$	\$	\$	\$	\$
Cash	95,671	95,673	2	95,673	-	-
Short term notes and treasury bills	851,223	851,259	36	-	851,259	-
Canadian bonds and debentures	15,619,779	16,079,607	459,828	-	16,079,607	-
Canadian pooled bond fund	17,440,180	18,023,259	583,079	-	18,023,259	-
Canadian corporate shares	15,766,661	19,636,270	3,869,609	19,636,270	-	-
Other Equity Investments - Warrants	-	3	3	3	-	-
Canadian pooled equity fund	8,491,232	3,274,172	(5,217,060)	-	3,274,172	-
Foreign corporate shares	898,664	1,022,038	123,374	1,022,038	-	-
Foreign pooled equity fund	9,107,435	12,444,564	3,337,129	-	12,444,564	-
	68,270,845	71,426,845	3,156,000	20,753,984	50,672,861	-

Notes to Financial Statements

DECEMBER 31, 2020

4. Investments (continued)

b) Fair value (continued)

The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting period. There were no changes in the classification of these financial instruments during the current year.

c) Investments – Financial instrument risk

The Pension Plan's investment activities expose it to a variety of financial risks including credit risk, market price risk, currency risk, interest rate risk and liquidity risk.

Credit risk

Credit risk is the risk of loss arising from the failure of a counterparty to fully honour its financial obligations with the Pension Plan, including its inability or unwillingness to pay borrowed principal, interest or rent when they come due. Credit risk can also lead to losses when issuers and debtors are downgraded by credit rating agencies, usually leading to a fall in the market value of the debtors' obligations.

Fixed income investments include cash, short-term notes and treasury bills, Canadian bonds and debentures and Canadian pooled bond funds. As at December 31, 2020, the Pension Plan's fixed income investments exposure to credit risk is as follows:

Type	Credit Rating	2020 % of Total Fund	2020 Amount \$	2019 % of Total Fund	2019 Amount \$
Corporate	AAA/AA	0.3%	93,139	0.4%	126,042
	A	13.1%	4,000,055	10.3%	3,630,008
	BBB	7.2%	2,184,670	6.4%	2,248,948
Provincial	n/a	24.9%	7,582,267	26.4%	9,237,073
Federal	n/a	50.7%	15,427,892	53.7%	18,833,322
Cash	n/a	3.8%	1,161,612	2.8%	974,405
		100.0%	30,449,635	100.0%	35,049,798

The fixed income investments mature as follows; \$2,618,887 within 1 year and \$27,830,748 in greater than 10 years.

Market price risk

Market price risk is the risk that the fair value of a financial instrument will fluctuate as a result of changes in the market prices caused by factors specific to the individual financial instruments, its issuer, or factors affecting similar financial instruments traded in the public capital markets. As at December 31, 2020, the Pension Plan's equity exposure of \$40,545,108 (2019 - \$36,377,047) represented 57.1% (2019 - 50.9%) of the Pension Plan's investments. As at December 31, 2020, if the prices of securities had increased or decreased by ten percent, the effect on the assets, with all other variables held constant, would be \$4,054,511 (2019 - \$3,637,705).

Notes to Financial Statements

DECEMBER 31, 2020

4. Investments (continued)

c) Investments – Financial instrument risk (continued)

Currency risk

Investments denominated in currencies other than the Canadian dollar expose the Pension Plan to fluctuations in foreign exchange rates. Fluctuations in the relative value of the Canadian dollar against these foreign currencies can result in a positive or a negative effect on the fair value of the investments.

As at December 31, 2020, the Pension Plan's exposure to foreign currency, in Canadian dollars, is as follows:

Type	2020 % of Total Fund	2020 Amount \$	2019 % of Total Fund	2019 Amount \$
United States dollar	10.6%	7,525,062	8.3%	5,862,176
Euro	4.0%	2,822,387	3.3%	2,352,969
Pound sterling	2.3%	1,613,526	2.0%	1,464,683
Japanese yen	2.8%	1,978,955	2.0%	1,502,952
Swiss franc	0.9%	672,096	0.9%	634,303
South Korean Won	0.2%	171,956	0.0%	161,779
New Taiwan dollar	1.5%	1,031,736	0.8%	572,450
Renminbi	2.2%	1,563,237	1.9%	1,344,013
Hong Kong dollar	0.7%	476,420	0.0%	281,199
Russian ruble	1.0%	719,089	0.8%	597,339
Thai baht	0.0%	31,265	0.0%	12,445
Swedish kronor	0.3%	231,429	0.0%	273,140
Brazilian real	0.1%	78,162	0.0%	12,445
Indian rupee	0.3%	187,588	0.0%	99,557
South African rand	0.2%	125,059	0.0%	99,557
Australian dollar	0.6%	416,995	0.4%	344,390
Other foreign currencies	1.6%	1,197,056	0.8%	804,983
	29.3%	20,842,018	21.2%	16,420,380

Notes to Financial Statements

DECEMBER 31, 2020

4. Investments (continued)

c) Investments – Financial instrument risk (continued)

Currency risk (continued)

As at December 31, 2020, if the Canadian dollar had strengthened/weakened by five percent in relation to other currencies, with all other variables held constant, the effect on the assets would be as follows:

Type	2020 Change in Currency	2020 Amount \$	2019 Change in Currency	2019 Amount \$
United States dollar	+/- 5%	376,253	+/- 5%	293,109
Euro		141,119		117,648
Pound sterling		80,676		73,234
Japanese yen		98,948		75,148
Swiss franc		33,605		31,715
South Korean Won		8,598		8,089
New Taiwan dollar		51,587		28,622
Renminbi		78,162		67,201
Hong Kong dollar		23,821		14,060
Russian ruble		35,954		29,867
Thai baht		1,563		622
Swedish kronor		11,571		13,657
Brazilian real		3,908		622
Indian rupee		9,379		4,978
South African rand		6,253		4,978
Australian dollar		20,850		17,220
Other foreign currencies		59,854		40,247
		1,042,101		821,017

Interest rate risk

Interest rate risk refers to the effect on the market value of the Pension Plan's assets and liabilities due to fluctuations in interest rates. As at December 31, 2020, the Pension Fund's fixed income investments with exposure to interest rate risk is \$29,288,023 (2019 - \$34,075,393). As at December 1, 2020, if the nominal interest rate had increased or decreased by one percent, the effect on the assets, with all other variables held constant, would be \$4,662,653 (2019 – \$5,322,576).

Notes to Financial Statements

DECEMBER 31, 2020

4. Investments (continued)

c) Investments – Financial instrument risk (continued)

Liquidity risk

Liquidity risk is the exposure of the Pension Plan to the risk of not being able to meet its financial obligations as they become due. The Pension Plan maintains an investment policy which contains asset mix guidelines which help ensure the Pension Plan is able to liquidate investments to meet its pension benefit or other obligations.

d) Statutory disclosure

The following information is provided in respect of individual investments, including those held within the Master Trust, with a cost or fair value in excess of 1% of the cost or fair value of the Pension Plan's investments as required to meet disclosure requirements under the Pension Benefits Act (Ontario):

	Rate or Units	Maturity	Fair Value 2020 \$
Canadian bonds and debentures			
Government of Canada Unsecured Inflation Linked	1.25%	12/1/2047	3,117,887
Canada Real Return Bond	4.00%	12/1/2031	2,608,225
Canada Real Return Bond	4.25%	12/1/2021	1,853,911
Government of Canada Real Return Bond	1.50%	12/1/2044	2,819,553
Government of Canada Series	2.00%	12/1/2041	2,597,888
Canadian pooled bond fund			
TD Emerald Active CDN Long Bond Pooled Fund	1,871,971		16,351,229
Canadian corporate shares			
Suncor Energy Inc., - New Common	27,785		593,244
Magna International Inc.	8,612		776,031
Bank of Montreal	7,404		716,617
Royal Bank of Canada	8,808		921,241
Canadian and foreign pooled equity funds			
Aberdeen Canada Global Equity Fund	1,157,377		4,536,877
Global Equity Allocation Fund III	429,313		15,632,367

Notes to Financial Statements

DECEMBER 31, 2020

5. Investment income

	2020	2019
	\$	\$
Fixed income	1,161,333	1,565,851
Equities	4,524,000	4,306,460
Cash	79,325	31,526
	5,764,658	5,903,837

6. Administrative expenses and professional fees

	2020	2019
	\$	\$
Actuarial fees	51,209	36,199
Trustee and legal fees	10,094	18,719
Administrative expenses	68,082	68,082
Investment management fees	108,912	150,235
	238,297	273,235

Audit fees are paid by the City of Hamilton on behalf of the Pension Plan.

7. Related party transactions

During the year, the City of Hamilton charged administrative expenses to the Pension Plan in the amount of \$68,082 (2019 - \$68,082). The next actuarial valuation should be performed with an effective date not later than December 31, 2022.

8. Capital risk management

The main objective of the Pension Plan is to sustain a certain level of net assets in order to meet the pension obligations of the Hamilton Municipal Retirement Fund Pension Plan, which are not presented or discussed in these specified-purpose financial statements. The Pension Plan fulfils its primary objective by adhering to specific investment policies outlined in the Statement of Investment Policies and Procedures (the "SIP&P"), which is reviewed annually by the City. The inception date of the Master Trust and SIP&P is November 1, 1999. The SIP&P was last amended and approved on January 12, 2021. The amendment contains minor changes made to enhance clarity.

The Pension Plan manages net assets by engaging knowledgeable investment managers who are charged with the responsibility of investing existing funds and new funds (current year employer contributions) in accordance with the approved SIP&P. Increases in net assets available for benefits are direct results of investment income generated by investments held by the Plan and contributions into the Plan by eligible employees and by the City. The main use of net assets available for benefits is for the benefit payments to eligible Plan members. Although there are no regulatory requirements relating to the level of assets, the funding to be maintained by the Plan is determined through triennial actuarial valuations. There were no contributions that were past due at December 31, 2020. The Pension Plan is required to file fund financial statements with FSRA.

Notes to Financial Statements

DECEMBER 31, 2020

8. Capital risk management (continued)

In accordance with the SIP&P, the Plan's asset allocation is dependent upon the determined funded ratio of the plan as at year-end. As at year-end, the Plan was approximately 75% funded on a wind-up basis which results in a mix of return seeking target of 54%. This results in a target asset allocation mix as follows, with an acceptable range of +/- 5% for each of the identified allocations:

Asset category	Classification based on SIP&P	SIP&P allocation target (%)	2020	2019
Canadian Equity	Return seeking	27%	29.7%	30.0%
Global Equity	Return seeking	27%	28.4%	22.0%
Long-term bonds	Liability hedging	23%	23.1%	25.0%
Real Return bonds	Liability hedging	23%	18.8%	23.0%
		100%	100%	100%

As at December 31, 2020, the Plan was in compliance with the asset allocation identified in the SIP&P.

9. COVID-19:

In March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization and continued throughout the fiscal year. Globally, the virus had a significant financial, market and social dislocating impact across the world. This has resulted in governments worldwide, including the Canadian and Ontario governments, enacting emergency measures to combat the spread of the virus.

During the early onset of the pandemic the investment markets became very volatile. Low valuations were experienced. However, Governments and the central banks reacted with significant monetary and fiscal interventions which stabilized the economy. The original asset value recovered. There were no permanent impairments to any assets. Contributions as required through the year were made, expenses and benefits were all paid out.

The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and the financial effect on the pension fund and the sponsor in the future is not known at this time.

Supplemental Appendix (Unaudited)

This supplemental disclosure is attached as an unaudited appendix to the financial statements for reporting under FSRA disclosures requirements.

The following table presents the annual rate of investment return by asset category as determined by Aon Hewitt.

Asset Categories	Benchmark	Annual rate of investment return (%)	
		As at December 31	
		2020	2019
Long-term Bonds	FTSE Canada Long-term Bond Index	12.3%	13.0%
Real Return Bonds	FTSE Canada Real Return Bond Index	13.2%	8.4%
Canadian Equities	S&P/TSX Composite	-0.5%	16.7%
Global Equities	MSCI World Index (C\$)	8.6%	18.3%



INFORMATION REPORT

TO:	Chair and Members HMRF / HWRF Pension Administration Sub-Committee
COMMITTEE DATE:	December 1, 2021
SUBJECT/REPORT NO:	Master Trust Pension Investment Performance Report as at December 31, 2020 (FCS20075(a)) (City Wide)
WARD(S) AFFECTED:	City Wide
PREPARED BY:	Gerald T. Boychuk (905) 546-2424 Ext. 4321
SUBMITTED BY:	Brian McMullen Director, Financial Planning, Administration and Policy Corporate Services Department
SIGNATURE:	

COUNCIL DIRECTION

Not applicable.

INFORMATION

Attached, as Appendix “A” to Report FCS20075(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, 2020. Together, the three pension funds make up the Master Trust, which is referred to as the “Plan” throughout Report FCS20075(a).

As of December 31, 2020, the market value of the assets of the Plan was \$344.0 M, an increase of \$6.5 M compared with \$337.5 M as at December 31, 2019. The funded ratio dropped from 78.6% to 74.9% at year-end due to very low interest rates, lower resource prices and economic outlook.

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
December 31, 2020 (FCS20075(a)) (City Wide) – Page 2 of 6**

For the one-year period ending December 31, 2020, the Plan's return was 8.7%, underperforming its benchmark return of 13.5% by 4.8%. The benchmark return is based on the benchmark asset mix for the Plan. The Plan return overall of 8.7% outperformed the OMERS (Gross) plan return of -2.7% by 11.4%.

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. 31/20	12 Months Ended Dec. 31/19	12 Months Ended Dec. 31/18	12 Months Ended Dec. 31/17	12 Months Ended Dec. 31/16
Plan Return	8.7%	13.8%	-4.2%	9.5%	9.3%
Benchmark	13.5%	16.4%	-2.6%	8.3%	8.0%
Value Added	-4.8%	-2.6%	-1.6%	1.2%	1.3%
Market Value	\$344.0 M	\$337.5 M	\$311.5 M	\$341.9 M	\$330.3 M
Funded Ratio	74.9%	78.6%	75.4%	75.2%	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 FCS20075(a), RBC Investor & Treasury Service (I&TS) reports its universe of pension funds, which totals C\$650 B and had an average annual return of 9.2% in the year ended December 31, 2020. The Plan's return of 8.7% underperformed the RBC I&TS average annual return by 0.5%. Fixed income and global equity returns were major contributors to the Plan's overall return and the significant drop in interest rates in early 2020.

Table 2 compares the Plan's returns to OMERS fund's gross returns over one, five and ten-year periods, all ending December 31, 2020. The Plan's gross returns are greater than OMERS gross returns for all three periods. This is unexpected due to OMERS strategy of emphasizing alternative investments and public equity and fixed income securities, which remained stable but generated very poor returns in 2020 where OMERS (Gross) returned negative – 2.7% compared to a 6.9% benchmark for the plan and while capital markets returned -3.1% compared to its benchmark of 5.5%.

**SUBJECT: Master Trust Pension Investment Performance Report as at
December 31, 2020 (FCS20075(a)) (City Wide) – Page 3 of 6**

**Table 2
Annualized Returns**

	Dec.31/20 One-Year Annualized Return	5-Year Annualized Return	10-Year Annualized Return
Plan (HSR, HMRF, HWRF)	8.7%	7.2%	7.4%
Plan Benchmark	13.5%	8.7%	7.9%
OMERS (Gross)	-2.7%	6.5%	6.7%
OMERS Benchmark (Gross)	6.9%	N/A	N/A
OMERS Capital Markets	-3.1%	N/A	N/A
OMERS Capital Markets Benchmark	5.5%	N/A	N/A

The Plan's ten-year gross annualized return for the period ending December 31, 2020 is 7.4% underperforming the benchmark return of 7.9% by 0.5% and outperforming OMERS return of 6.7% by 0.7%.

The Plan's five-year gross annualized return for the period ending December 31, 2020 is 7.2% underperforming the benchmark return of 8.7% by 1.5% and outperforming OMERS return of 6.5% by 0.7%.

OMERS return in public market securities (OMERS Capital Markets in Table 2) is -3.1% for the one-year ending December 31, 2020. The Plan's gross return for the period ending December 31, 2020 is 8.7% and outperformed OMERS -3.1% by 11.4%. OMERS results are reported in OMERS 2020 financial reports which are available online.

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 equity, infrastructure, public securities and real estate which netted a gross return of -2.7% versus a 6.9% benchmark which was reduced by the capital markets negative return of -3.1% versus a benchmark of 5.5%.

Asset Mix

Table 3 shows the percentage of Plan assets in each asset class of December 31, 2020 compared to December 31, 2019.

**SUBJECT: Master Trust Pension Investment Performance Report as at
December 31, 2020 (FCS20075(a)) (City Wide) – Page 4 of 6**

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

Asset Class	Dec.31, 2020	Dec.31, 2019	Change
Canadian Equity	29.7%	29.9%	-0.2%
Global Equity	<u>28.4%</u>	<u>21.8%</u>	<u>+6.6%</u>
Total Equity	58.1%	51.7%	+6.4%
Canadian Fixed Income	41.8%	47.8%	-6.0%
Cash	0.1%	0.5%	-0.4%

Note: Anomalies due to rounding.

Total equity increased by 6.4% to 58.1% and total fixed income including cash decreased by a corresponding 6.4% to 47.9%. Global equity increased by 6.6% to 28.4%. Canadian equity holdings decreased by -0.2% to 29.7%. Canadian fixed income decreased by 6.4% to 41.9% including cash. The year saw equity returns domestically and internationally in the portfolio ranging from -3.2% to 14.9%. The fixed income portfolios incurred significant gains for the year ranging from 12.3% to 13.2% a 12.5% overall fixed income return holding 23.0% Long bonds and 18.8% Real Return bonds and cash for disbursement.

The Master Trust at year-end was within its prescribed boundaries set by the Plan's investment policy given the funded ratio at 74.9% (58.1% equity and 41.8% fixed income).

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, 2020.

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December 31, 2020 (FCS20075(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.31/19				
Canadian Equity:				
Guardian	4.5%	5.6%	-1.1%	14.9%
Letko	-3.2%	5.6%	-8.8%	14.8%
Global Equity				
Aberdeen ⁽¹⁾	14.9%	13.9%	1.0%	6.4%
GMO ⁽²⁾	7.7%	13.9%	-6.2%	22.0%
Fixed Income:				
TDAM Long Bonds ⁽³⁾	12.3%	11.9%	+0.4%	23.0%
TDAM Real Return Bonds	13.2%	13.0%	+0.2%	18.8%

Notes: ⁽¹⁾ Engaged in April 2010

⁽²⁾ Engaged in July 2010

⁽³⁾ Toronto Dominion Asset Management (TDAM) engaged in March 2012

Guardian, one of the two Canadian active equity managers, had a return of 4.5% and underperformed its benchmark return of 5.6% by 1.1% an added value of -1.1%. Its performance is second quartile (47.0%) over the one-year and second quartile (39%) over the four-year period, with a benchmark return of 6.6% and an actual return of 6.3%. Guardian manages 14.9% of Plan assets and added value of -0.3% over four years.

Letko, the second Canadian active equity manager, had a return of -3.2% and underperformed its benchmark return of 5.6% by 8.8% which is an added value of -8.8%. Its performance is fourth quartile (95%) over the one-year period and fourth quartile over the four-year period (90.0%) with an actual return of 2.6% with a benchmark return of 6.6% and an added value of -4.0% over four years. Letko manages 14.8% of the Plan assets.

Aberdeen is a global equity manager. Its return was 14.9% exceeding the benchmark return of 13.9% by 1.0%. Aberdeen's performance is second quartile (42%) over the one-year period and added value of 1.0%. Aberdeen manages 6.4% of the Plan assets. The firm's performance is second quartile (50%) over four years, underperforming the benchmark of 12.0% by -0.4% with a return of 11.6%.

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
December 31, 2020 (FCS20075(a)) (City Wide) – Page 6 of 6**

GMO is the second active global equity manager. GMO's return was 7.7%, underperforming the benchmark return of 13.9% by 6.2%. GMO's performance is third quartile (62%) over the one-year period and added value of -6.2%. GMO manages 22% of Plan assets and is third quartile (61%) over four years returning 9.5% vs 12.0% benchmark a value added of -2.5%.

TDAM Long Bonds – The active long bond fund manager has 23% of the portfolio holdings under management. Performance over one year is a return of 12.3% compared to the benchmark return of 11.9% which is a value added of 0.4%. The four-year return was 7.9% compared to the benchmark of 7.9% and an added value of 0.0%.

TDAM Real Return Bonds – The passively managed fund has 18.8% of the portfolio under management and returned 13.2% over the one-year period compared to the benchmark return of 13.0%. Value added was +0.2%. The four-year return was 5.3% compared to the benchmark of 5.3% an added value of 0.0%.

In summary, the Plan's gross return of 8.7% outperformed OMERS' gross return -2.7% by 11.4% and its funding ratio decreased to 74.9% from last year's 78.6%. However, OMERS Capital Markets return was -3.1% while the Plan's 8.7% return outperformed OMERS comparable return. Through the upcoming year (2021), equities are expected to be emphasized over bonds if interest rates decrease and / or the trigger point of 74.9% changes. All returns were positive and close to their benchmarks with a range of -3.2% to 14.9% contributing to overall positive returns. The highest return was 14.9%(GMO) and the lowest was -3.2% (Letko) at year end.

APPENDICES AND SCHEDULES ATTACHED

Appendix "A" to Report FCS20075(a) – The City of Hamilton Master Trust Period Ending December 31, 2020 – AON Performance Review and Investment Manager Evaluation

Appendix "B" to Report FCS20075(a) – Canadian Defined Pension plans post near-double-digit returns despite historic, turbulent year; RBC Investor & Treasury Services

GB/dt



The City of Hamilton Master Trust Period Ending 31 December 2020

Performance Review and Investment Manager Evaluation

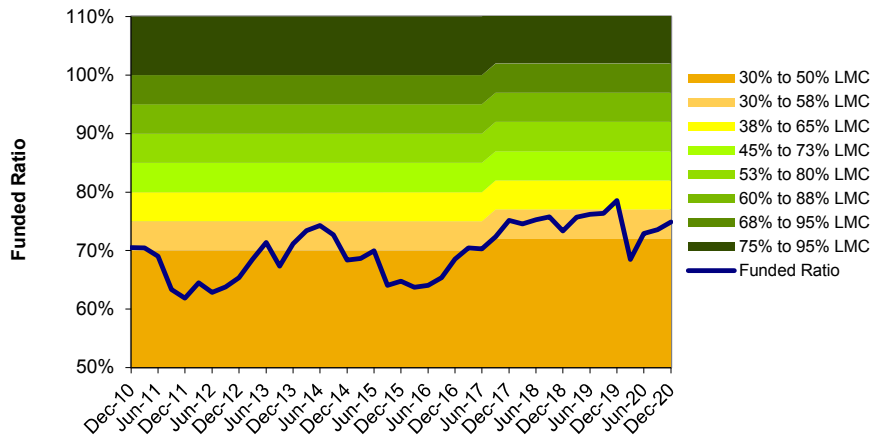
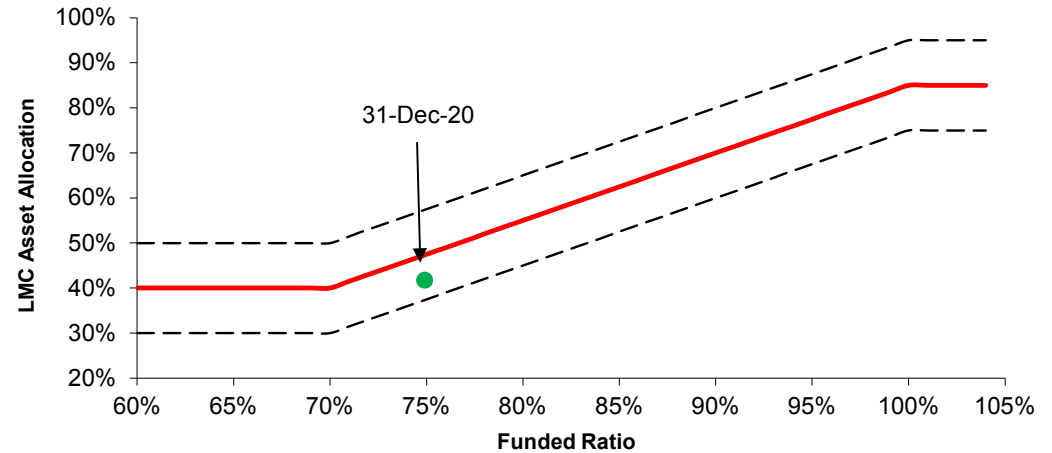
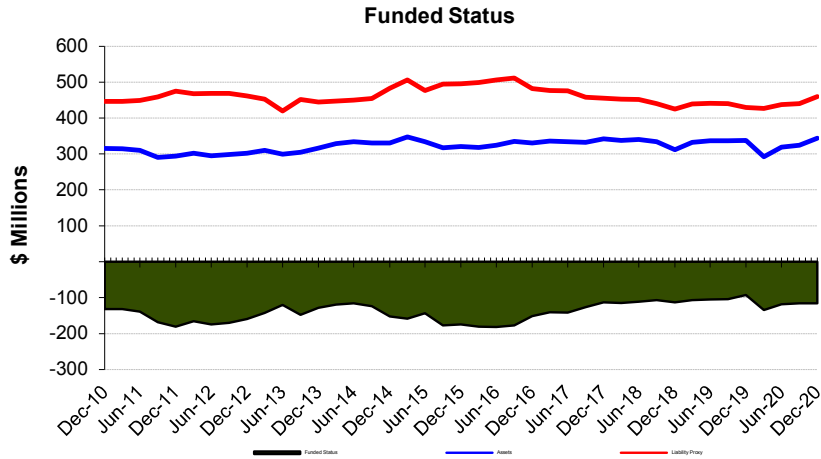
Visit the Aon Retirement and Investment Website (<https://retirement-investment-insights.aon.com/canada>); sharing our best thinking.

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Executive Summary

Quarterly Performance Report for the City of Hamilton Funded Status and Glide Path Information for December 31, 2020



Snapshot (Wind-Up)

	31-Mar-20	30-Jun-20	30-Sep-20	31-Dec-20
Market value of assets (\$ Millions)	\$292.2	\$318.8	\$323.8	\$344.0
Liability proxy (\$ Millions)	\$426.7	\$437.0	\$440.0	\$459.3
Funded status (\$ Millions)	(\$134.5)	(\$118.2)	(\$116.2)	(\$115.3)
Funded ratio	68.5%	73.0%	73.6%	74.9%
Current LMC Asset Allocation	54.0%	44.4%	43.8%	41.8%

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, 2020 is within the range determined acceptable for the current funded ratio (74.9%), the asset mix does not require rebalancing.

Executive Summary

Trailing Period Performance

As of 31 December 2020

	Allocation		Performance (%)						
	Market Value (\$000)	%	1 Quarter	1 Year	2 Years	3 Years	4 Years	5 Years	10 Years
Total Fund	343,971	100.0	8.1 (17)	8.7 (58)	11.2 (68)	5.9 (82)	6.7 (67)	7.2 (53)	7.4 (69)
Benchmark			5.6 (55)	13.5 (7)	15.0 (10)	8.8 (18)	8.7 (19)	8.7 (10)	7.9 (54)
Value Added			2.5	-4.8	-3.8	-2.9	-2.0	-1.5	-0.5
Canadian Equity	102,070	29.7	15.9 (12)	-0.5 (80)	7.7 (91)	1.5 (87)	4.1 (81)	7.8 (69)	7.5 (33)
Guardian (including cash)	51,157	14.9	9.8 (45)	4.5 (47)	11.3 (66)	5.1 (42)	6.3 (39)	8.6 (42)	6.9 (51)
S&P/TSX Composite			9.0 (61)	5.6 (38)	13.9 (29)	5.7 (37)	6.6 (31)	9.3 (26)	5.8 (78)
Value Added			0.8	-1.1	-2.6	-0.6	-0.3	-0.7	1.1
Letko (including cash)	50,913	14.8	23.0 (2)	-3.2 (95)	5.8 (96)	-0.8 (98)	2.6 (90)	7.3 (78)	7.8 (21)
S&P/TSX Composite			9.0 (61)	5.6 (38)	13.9 (29)	5.7 (37)	6.6 (31)	9.3 (26)	5.8 (78)
Value Added			14.0	-8.8	-8.1	-6.5	-4.0	-2.0	2.0
Global Equities	97,719	28.4	11.1 (38)	8.6 (59)	13.4 (62)	7.3 (66)	9.3 (63)	8.4 (63)	10.0 (87)
Aberdeen	21,981	6.4	10.1 (46)	14.9 (42)	16.8 (45)	9.8 (48)	11.6 (50)	10.3 (42)	10.4 (84)
MSCI World (Net)			9.0 (54)	13.9 (46)	17.5 (43)	11.2 (41)	12.0 (46)	10.3 (43)	12.6 (49)
Value Added			1.1	1.0	-0.7	-1.4	-0.4	0.0	-2.2
GMO	75,738	22.0	11.4 (37)	7.7 (62)	13.4 (62)	6.8 (68)	9.5 (61)	8.4 (63)	10.4 (84)
MSCI World (Net)			9.0 (54)	13.9 (46)	17.5 (43)	11.2 (41)	12.0 (46)	10.3 (43)	12.6 (49)
Value Added			2.4	-6.2	-4.1	-4.4	-2.5	-1.9	-2.2

*GMO returns are reported net-of-fees.

Executive Summary

Trailing Period Performance

As of 31 December 2020

	Allocation		Performance (%)						
	Market Value (\$'000)	%	1 Quarter	1 Year	2 Years	3 Years	4 Years	5 Years	10 Years
Canadian Fixed Income	143,916	41.8	1.4	12.5	11.6	7.5	6.6	5.8	5.3
TDAM Long Bonds	79,221	23.0	1.0	12.3	12.6	8.2	7.9	6.9	-
FTSE Canada Long Term Overall Bond			0.8	11.9	12.3	8.2	7.9	6.8	7.0
Value Added			0.2	0.4	0.3	0.0	0.0	0.1	-
TDAM Real Return Bonds	64,620	18.8	1.9	13.2	10.8	7.0	5.3	4.9	-
FTSE Canada Real Return Bond			1.8	13.0	10.5	6.9	5.3	4.8	4.5
Value Added			0.1	0.2	0.3	0.1	0.0	0.1	-
TDAM Cash	74	0.0							
Operating Account	266	0.1							

*GMO returns are reported net-of-fees.

Executive Summary

Trailing Period Performance

As of 31 December 2020

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Total Fund	8.7 (58)	13.8 (76)	-4.2 (85)	9.5 (35)	9.3 (22)	2.6 (93)	12.0 (28)	13.0 (91)	10.5 (24)	0.5 (39)	9.6 (70)
Benchmark	13.5 (7)	16.4 (32)	-2.6 (56)	8.6 (57)	8.4 (33)	4.3 (81)	13.9 (1)	9.7 (97)	8.4 (71)	0.4 (42)	10.3 (54)
Value Added	-4.8	-2.6	-1.6	0.9	0.9	-1.7	-1.9	3.3	2.1	0.1	-0.7
Canadian Equities	-0.5 (80)	16.7 (90)	-10.0 (70)	12.3 (8)	24.1 (18)	-5.3 (49)	11.9 (41)	25.3 (16)	17.1 (2)	-9.1 (51)	14.8 (78)
Guardian (including cash)	4.5 (47)	18.5 (83)	-6.3 (12)	9.9 (31)	18.3 (59)	-4.0 (42)	13.0 (23)	13.8 (92)	13.7 (15)	-8.3 (46)	15.3 (72)
S&P/TSX Composite	5.6 (38)	22.9 (31)	-8.9 (52)	9.1 (51)	21.1 (35)	-8.3 (82)	10.6 (57)	13.0 (95)	7.2 (81)	-8.7 (49)	17.6 (43)
Value Added	-1.1	-4.4	2.6	0.8	-2.8	4.3	2.4	0.8	6.5	0.4	-2.3
Letko (including cash)	-3.2 (95)	15.6 (91)	-12.7 (92)	13.8 (2)	28.1 (6)	-5.9 (56)	11.5 (45)	31.5 (3)	18.4 (1)	-9.1 (51)	14.3 (85)
S&P/TSX Composite	5.6 (38)	22.9 (31)	-8.9 (52)	9.1 (51)	21.1 (35)	-8.3 (82)	10.6 (57)	13.0 (95)	7.2 (81)	-8.7 (49)	17.6 (43)
Value Added	-8.8	-7.3	-3.8	4.7	7.0	2.4	0.9	18.5	11.2	-0.4	-3.3
Global Equities	8.6 (59)	18.3 (62)	-3.9 (71)	15.8 (52)	4.7 (35)	10.4 (92)	10.2 (82)	26.3 (92)	12.8 (69)	-0.1 (31)	6.6 (65)
Aberdeen	14.9 (42)	18.7 (61)	-2.8 (62)	17.1 (43)	5.4 (31)	5.3 (97)	10.5 (81)	21.3 (98)	14.0 (57)	2.0 (19)	-
MSCI World (Net)	13.9 (46)	21.4 (40)	-0.6 (41)	14.4 (64)	3.8 (44)	18.9 (54)	14.4 (46)	35.1 (54)	13.3 (64)	-3.2 (51)	5.9 (74)
Value Added	1.0	-2.7	-2.2	2.7	1.6	-13.6	-3.9	-13.8	0.7	5.2	-
GMO	7.7 (62)	19.5 (56)	-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)	13.9 (46)	21.4 (40)	-0.6 (41)	14.4 (64)	3.8 (44)	18.9 (54)	14.4 (46)	35.1 (54)	13.3 (64)	-3.2 (51)	5.9 (74)
Value Added	-6.2	-1.9	-4.7	3.7	0.4	-6.0	-6.3	-6.0	-0.8	4.1	-
Canadian Fixed Income	12.5	10.8	-0.3	3.8	3.0	3.1	14.8	-7.4	5.5	9.5	7.1
TDAM Long Bonds	12.3 (51)	13.0 (45)	-0.2 (88)	7.0 (62)	2.8 (45)	3.4 (80)	16.8 (71)	-5.7 (53)	-	-	-
FTSE Canada Long Term Overall Bond	11.9 (73)	12.7 (65)	0.3 (49)	7.0 (61)	2.5 (80)	3.8 (50)	17.5 (31)	-6.2 (86)	5.2 (78)	18.1 (26)	12.5 (51)
Value Added	0.4	0.3	-0.5	0.0	0.3	-0.4	-0.7	0.5	-	-	-
TDAM Real Return Bonds	13.2	8.4	-0.3	0.6	3.1	2.6	13.0	-11.5	-	-	-
FTSE Canada Real Return Bond	13.0	8.0	0.0	0.7	2.9	2.8	13.2	-13.1	2.9	18.3	11.1
Value Added	0.2	0.4	-0.3	-0.1	0.2	-0.2	-0.2	1.6	-	-	-

Parentheses contain percentile rankings.

Capital Markets Performance

Capital Market Performance

Major Capital Markets' Returns

As of 31 December 2020

	1 Quarter	Year To Date	1 Year	2 Years	3 Years	4 Years	5 Years	10 Years
Equity								
S&P/TSX Composite	9.0	5.6	5.6	13.9	5.7	6.6	9.3	5.8
S&P 500	7.3	16.3	16.3	20.6	14.8	14.6	13.2	16.8
S&P 500 (USD)	12.1	18.4	18.4	24.8	14.2	16.0	15.2	13.9
MSCI EAFE (Net)	11.0	5.9	5.9	10.8	4.9	7.7	5.6	8.2
MSCI World (Net)	9.0	13.9	13.9	17.5	11.2	12.0	10.3	12.6
MSCI ACWI (Net)	9.4	14.2	14.2	17.2	10.7	11.9	10.3	11.9
MSCI Emerging Markets (Net)	14.2	16.2	16.2	14.3	6.8	11.8	10.9	6.2
Real Estate								
MSCI/REALPAC Canada Annual Property	-1.5	-3.8	-3.8	1.3	3.4	4.3	4.6	7.7
MSCI/REALPAC Canada Quarterly Property Fund	1.3	0.5	0.5	4.7	5.9	6.4	6.4	8.3
Fixed Income								
FTSE Canada Universe Bond	0.6	8.7	8.7	7.8	5.6	4.8	4.2	4.5
FTSE Canada Long Term Overall Bond	0.8	11.9	11.9	12.3	8.2	7.9	6.8	7.0
FTSE Canada 91 Day TBill	0.0	0.9	0.9	1.3	1.3	1.1	1.0	1.0
Consumer Price Index								
Canadian CPI, unadjusted	0.4	0.7	0.7	1.5	1.7	1.7	1.7	1.6

Canadian Equities

The S&P/TSX Composite Index returned +9.0% in the fourth quarter of 2020. Apart from Materials (-3.7%) and Consumer Staples (-5.6%), all sectors showed positive returns. The best performing sectors were Health Care (+30.1%), Consumer Discretionary (+21.0%), and Financials (+16.7%). In a reversal of recent quarters, value stocks outperformed growth stocks (+15.1% vs +3.2% respectively). In the past year, growth stocks outperformed value stocks (+17.9% vs. -9.6% respectively). The S&P/TSX Composite Index returned +5.6% over the last 12 months. Energy (-26.6%) was the worst performer followed by Health Care (-23.0%) and Real Estate (-8.7%). Information Technology (+80.7%), Consumer Discretionary (+17.1%), and Industrials (+17.0%) were the best performing sectors.

U.S. Equities

The S&P 500 Index returned +7.3% in the quarter in Canadian dollar terms. All sectors had positive returns. The best performing sectors were Energy (+21.9%), Financials (+17.5%) and Industrials (+10.3%). During the past 12 months, the S&P 500 Index returned +16.3% in Canadian dollar terms. The best performing sector was Information Technology (+41.4%) while Energy (-34.8%) and Real Estate (-3.9%) were the worst performers.

Non-North American Equities

The MSCI EAFE Index returned +11.0% in the quarter in Canadian dollar terms. Aside from Health Care (-0.8%), all sectors had positive returns. The best performing sectors were Energy (+25.1%), Financials (+19.6%) and Consumer Discretionary (+16.7%). During the past 12 months, the Index returned +5.9% in Canadian dollar terms. The worst performing sectors were Energy (-28.8%) and Real Estate (-8.5%), while the best performers were Information Technology (+26.1%) and Materials (+18.5%).

Fixed Income

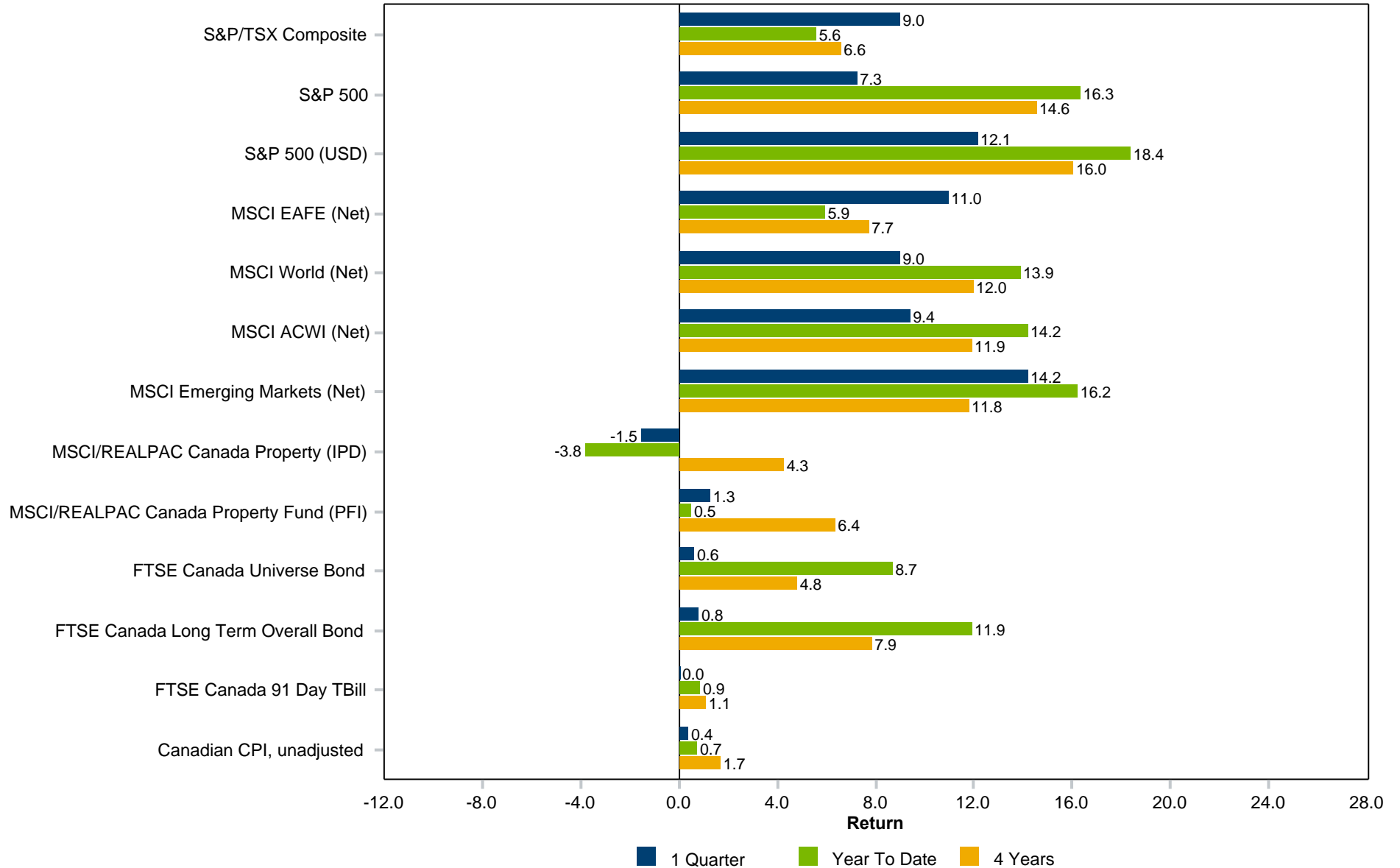
The Canadian bond market, as measured by the FTSE Canada Universe Bond Index, returned +0.6% over the quarter. Corporate bonds (+1.8%) outperformed Provincial bonds (+0.6%) and Federal bonds (-0.2%). From a term perspective, long duration bonds (+0.8%) outperformed medium duration bonds (+0.6%) and short duration bonds (+0.5%). During the past 12 months, the Index returned +8.7%. Bond market performance over the year was led by Provincial bonds (+9.9%) which outperformed Corporate bonds (+8.7%) and Federal bonds (+7.3%). Long duration (+11.9%) and medium duration bonds (+10.1%) outperformed short duration bonds (+5.3%) for the 12-month period.

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

Capital Market Performance

Comparative Performance

As of 31 December 2020



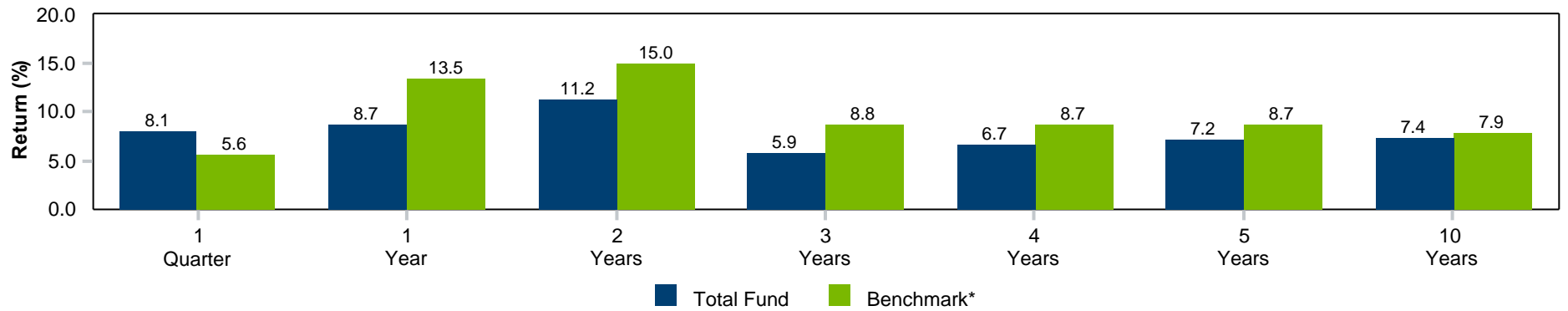
Total Fund Analysis

Total Fund

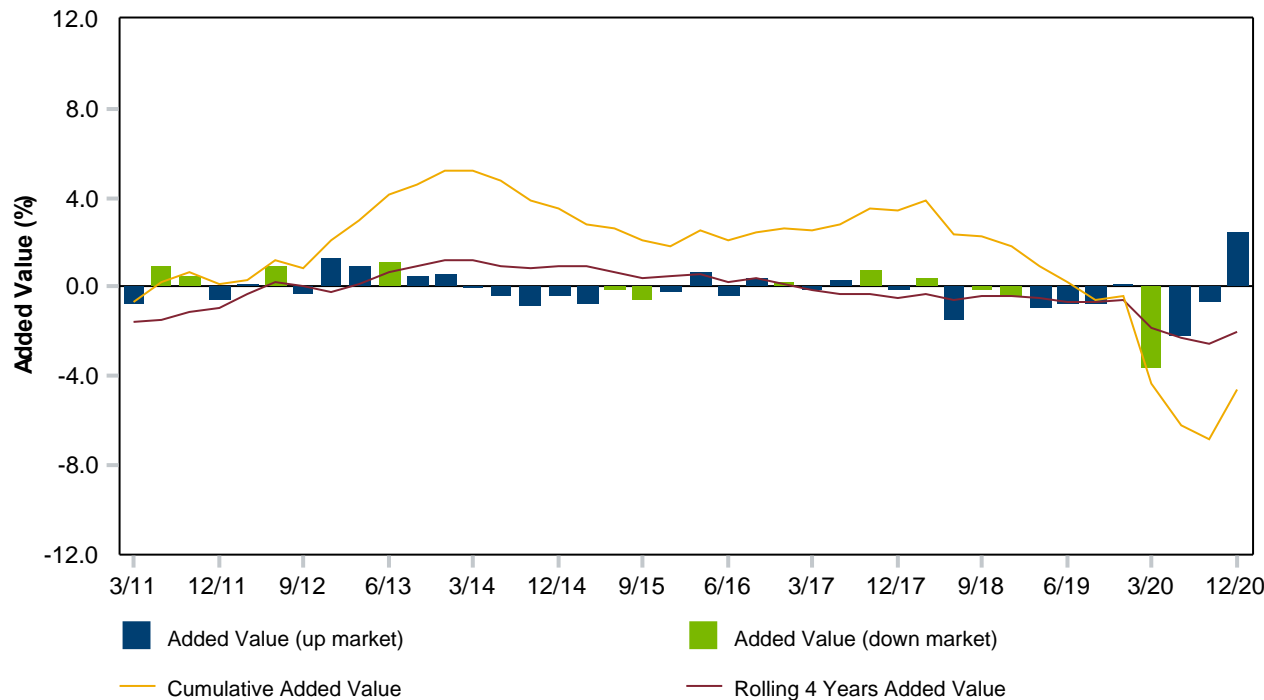
Total Fund Performance Summary

As of 31 December 2020

Return Summary



Added Value History (%)



Performance Statistics

	Quarters	%
Market Capture		
Up Markets	28	95.9
Down Markets	12	100.2
Batting Average		
Up Markets	28	35.7
Down Markets	12	58.3
Overall	40	42.5

* See Appendix A for benchmark components.

Total Fund

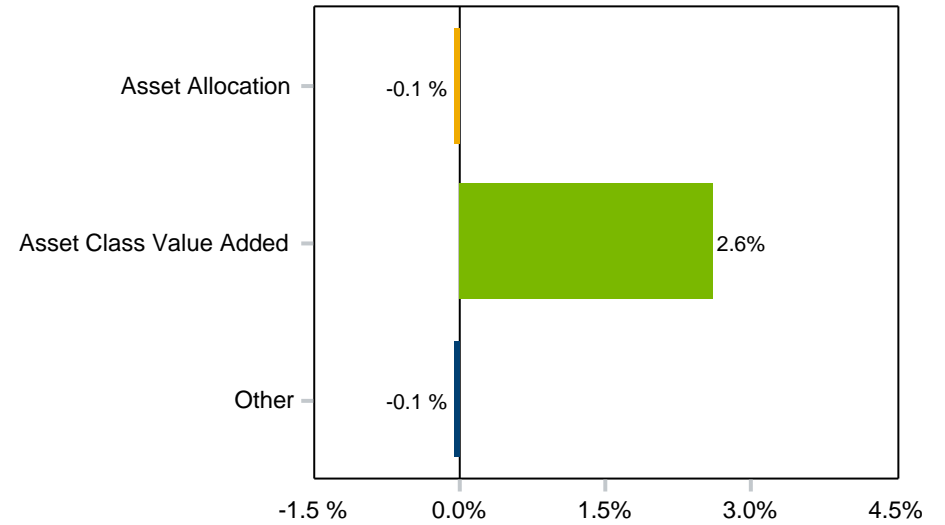
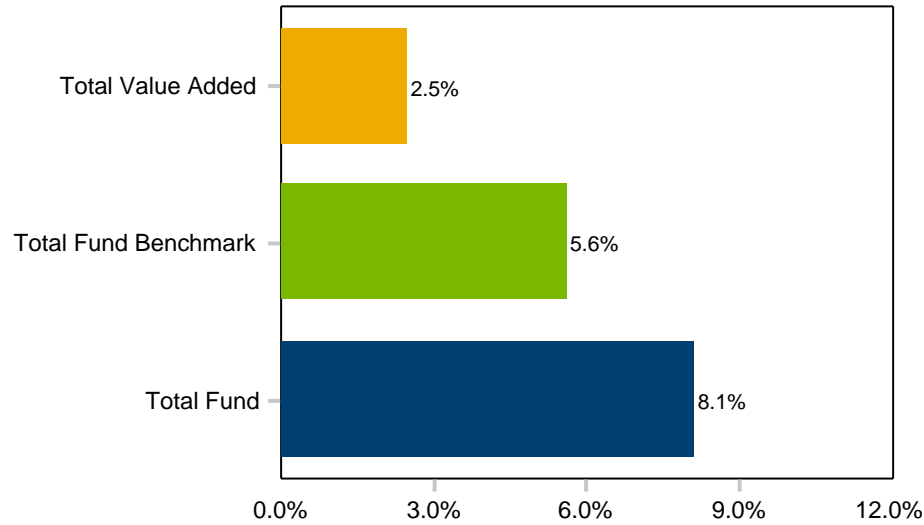
Total Fund Performance Attribution

1 Quarter Ending 31 December 2020

Total Fund vs. Benchmark

Total Fund Performance

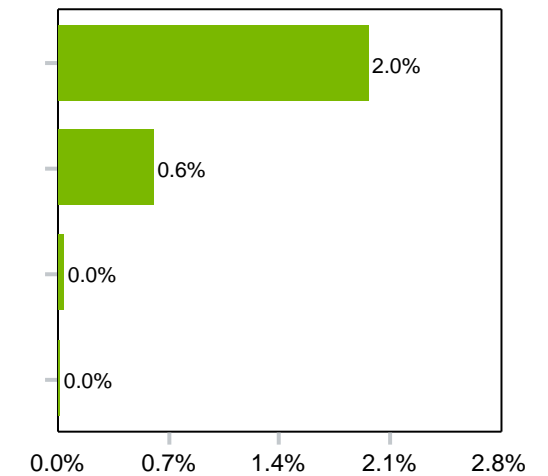
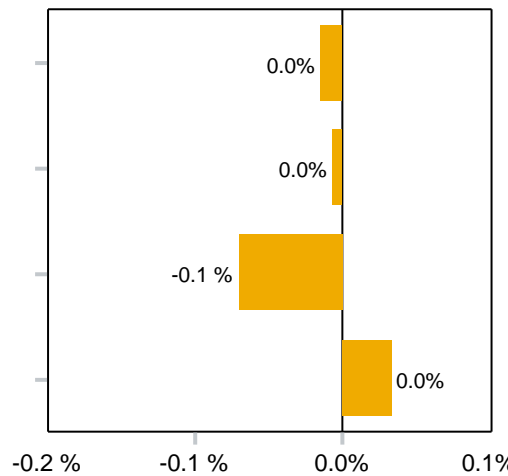
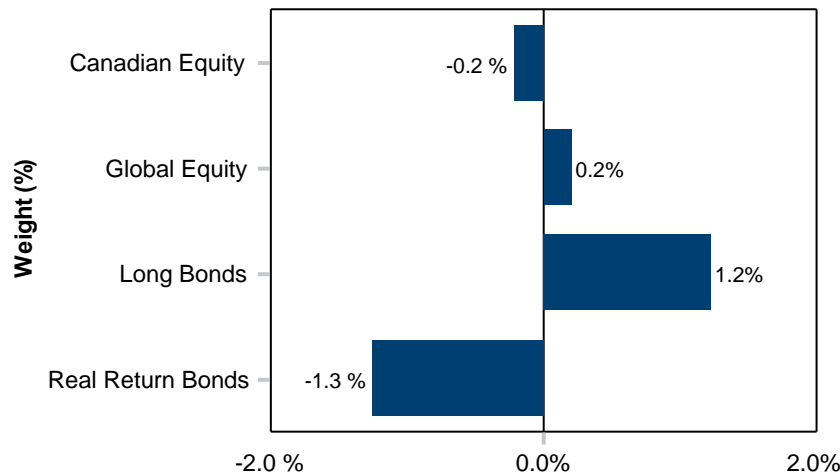
Total Value Added: 2.5%



1 Quarter

Total Asset Allocation: -0.1%

Total Asset Class Value Added: 2.6%



■ Active Weight

■ Asset Allocation Value Added

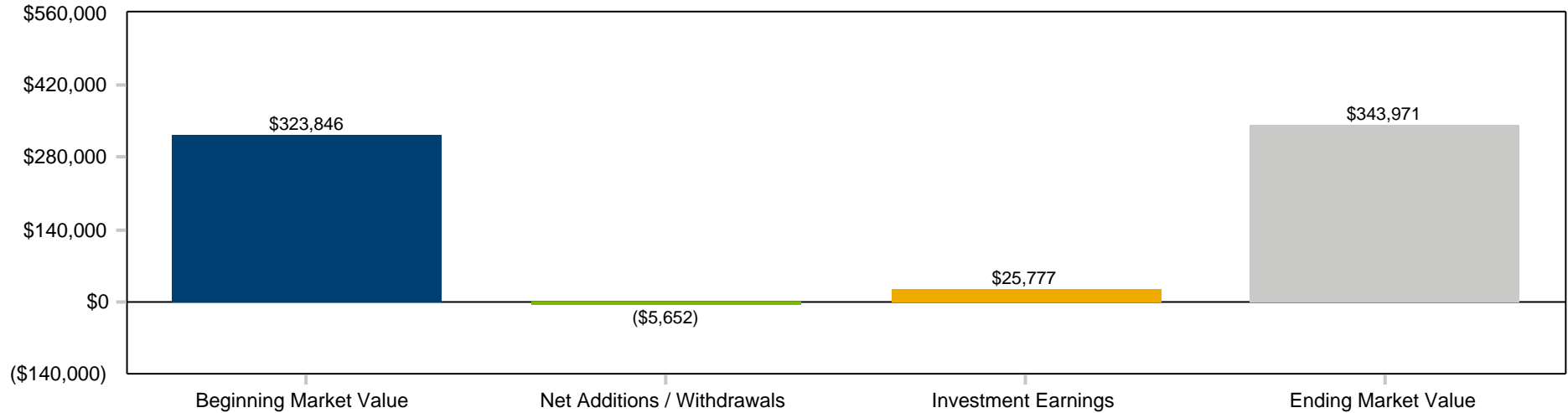
■ Asset Class Value Added

Total Fund

Total Fund Asset Summary

As of 31 December 2020

Change in Market Value (\$000)
 From 1 October 2020 to 31 December 2020



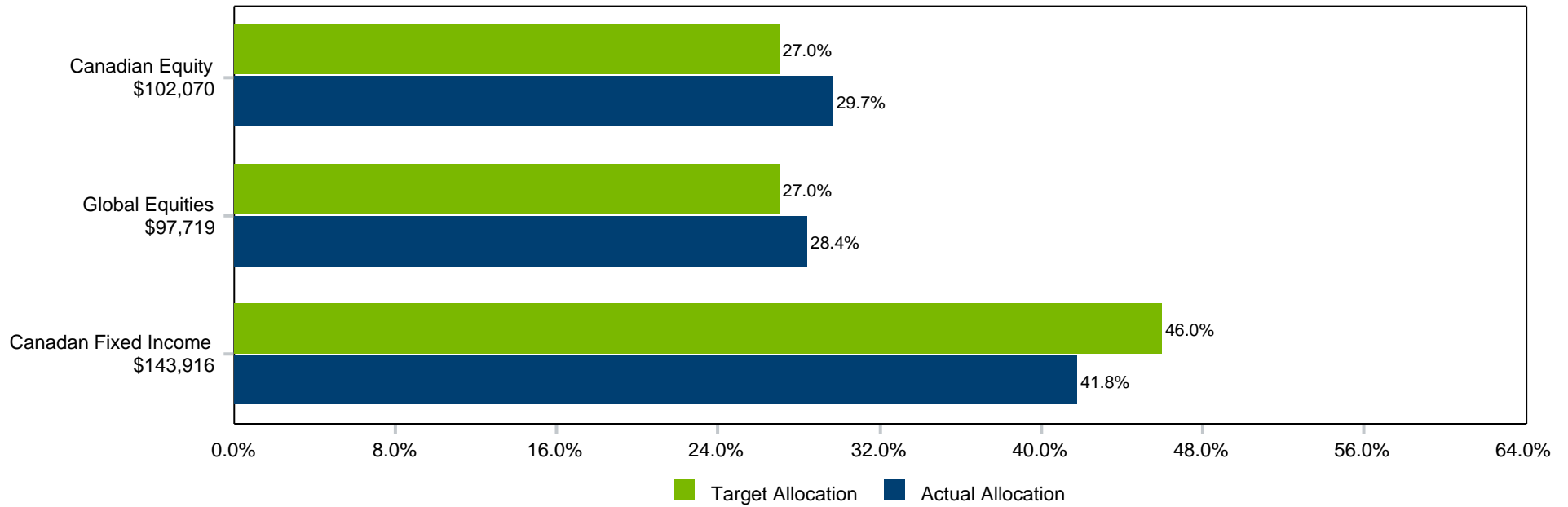
Summary of Cash Flows (\$000)

	1 Quarter	Year To Date	1 Year	4 Years
Total Fund				
Beginning Market Value	323,846	337,452	337,452	330,312
+/- Net Cash Flows	-5,652	-21,018	-21,018	-60,680
+/- Income	24,539	27,583	27,583	86,109
+/- Capital Gains / Losses	1,238	-47	-47	-11,770
= Ending Market Value	343,971	343,971	343,971	343,971

Total Fund

Asset Allocation Compliance

As of 31 December 2020 (\$000)



	Market Value (\$000)	Market Value (%)	Target Allocation (%)	Differences (%)	Minimum Allocation (%)	Maximum Allocation (%)	Within Range
Total Fund	343,971	100.0	100.0	0.0			
Canadian Equity	102,070	29.7	27.0	2.7	22.0	32.0	Yes
Global Equities	97,719	28.4	27.0	1.4	22.0	32.0	Yes
Canadian Fixed Income	143,916	41.8	46.0	-4.2	36.0	56.0	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 January 2021 onwards	1 July 2020 onwards	1 April 2020 to 30 June 2020	1 January 2020 to 31 March 2020	1 April 2019 to 31 December 2019	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
S&P/TSX Composite	27%	28%	30%	24%	26%	27%	28%	27%	27%	27%
MSCI World (C\$)	27%	28%	30%	25%	25%	26%	28%	26%	27%	26%
FTSE Canada Long Bond	23%	23%	25%	21%	21%	22%	23%	22%	23%	22%
FTSE Canada Real Return Bond	23%	21%	15%	31%	28%	25%	21%	25%	23%	25%
	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

	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%	30%	30%	30%	30%	25%
MSCI World (C\$)	28%	30%	30%	0%	0%	0%
MSCI World ex. Cda (C\$)	0%	0%	0%	15%	15%	18%
S&P 500 - hedged to C\$	0%	0%	0%	5%	8%	9%
MSCI EAFE - hedged to C\$	0%	0%	0%	5%	8%	9%
FTSE Canada Universe Bond	0%	0%	40%	45%	40%	40%
FTSE Canada Long Bond	22%	25%	0%	0%	0%	0%
FTSE Canada Real Return Bond	22%	15%	0%	0%	0%	0%
	100%	100%	100%	100%	100%	100%

Appendix B - Manager Updates

Manager Updates

Manager Updates

As of 31 December 2020

Aberdeen Standard Investments

Q4 2020

Business

There were no significant events during the quarter.

Staff

The following staff changes occurred on the Global Equity team over Q4 2020:

Jamie Cumming, Senior Investment Director in Edinburgh, left the firm in December.

Euan Sanderson, Investment Director in Boston, left the firm in December.

Pieter Van Diepen, Investment Director in Edinburgh, left the firm in December.

The following staff changes occurred on the Emerging Markets Equity team over Q4 2020:

Mark Gordon-James, Investment Director in London, left the firm in December.

Peter Tayler, Senior Investment Manager/Head of Corporate Governance in London, left the firm in December.

Kemal Razindyaswara, Investment Manager in Jakarta, left the firm in November.

Brandes Investment Partners

Q4 2020

Business

There were no significant events.

Staff

There were no significant events.

Manager Updates

Manager Updates

As of 31 December 2020

GMO

Q4 2020

Business

There were no significant events.

Staff

Over the quarter, Greg Jones, Co-Head of GMO Developed Rates & FX team/ Head of Quantitative Research, left the firm to pursue other opportunities.

Guardian Capital

Q4 2020

Business

Effective 30 October, 2020 the name of the Guardian Balanced Fund has been changed to the Guardian Managed Balanced Portfolio.

Staff

In Q4 2020 Aubrey Basdeo joined the Canadian Fixed Income Team as Head of Canadian Fixed Income

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

Q4 2020

Business

There were no significant events.

Staff

Andrew Davis, Director, Investment Services, left Letko Brosseau at the end of Q4 after two years of dedicated client service.

Manager Updates

As of 31 December 2020

TD Asset Management ("TDAM")

Q4 2020

Business

The TD Emerald Low Volatility U.S. Equity PFT was terminated on 2 December 2020.

Staff

In October and November of 2020, TD Asset Management announced the pending retirement of two senior individuals. Greg Zahorski, Managing Director, Real Estate and Mortgages, retired on 31 December 2020 and Connie Ashton, Managing Director, Alternative Investments, will retire on 31 March 2021.

Appendix C - Disclosure

Disclosure

Statement of Disclosure

As of 31 December 2020

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 DB pensions post near-double-digit returns despite historic, turbulent year: RBC Investor & Treasury Services

TORONTO, January 29, 2021 — Canadian defined benefit (DB) pension plans ended the year in positive territory against a backdrop of radical uncertainty. Retirement assets returned 9.2% overall in 2020 and 5.4% in the final quarter of the year, according to an All Plan Universe survey just released by [RBC Investor & Treasury Services](#).

"It's been a tumultuous time for the markets, but we're seeing positive returns for a third consecutive quarter," said David Linds, managing director and head of asset servicing, Canada. "The successful development of multiple Covid-19 vaccines was a contributing factor, as were the anticipated government support packages and the conclusion of the US elections."

Linds continued, "Investor confidence may be tempered into 2021 as uncertainty surrounding the vaccine rollout, new virus strains, and other unknowns may place additional pressure on equity markets."

Global equity markets, propelled by the investor optimism Linds mentioned, posted solid returns in the fourth quarter, with stocks in the energy and financials sectors leading those gains. But while value stocks outperformed growth stocks over the quarter, growth far outdistanced value for the year.

Foreign equities were the top-performing asset class in 2020, returning 12.6% overall, versus 13.9% for the benchmark MSCI World Index (10.1% and 8.7% respectively in Q4). During the quarter, a weakened US dollar led to a rise in commodity prices, which strengthened the Canadian dollar and trimmed unhedged plans' foreign equity returns. While the MSCI World Index (CAD) index returned 12.4% in local currency terms, that translated to an 8.7% return in Canadian dollar terms.

Canadian equities returned 4.1% for the year (9.4% for the quarter), whereas the benchmark TSX Composite Index returned 5.6% for the year (9.0% for the quarter). The technology sector, propped by Shopify, led the market, returning 80.7% for the year. Materials (21.2%) and consumer discretionary (17.1%) trailed significantly. Energy was the lowest performing sector (-26.6%).

Domestic bonds returned 11.1% in 2020 (1.1% in Q4), compared to 8.7% for the FTSE TMX Canada Universe Bond Index (0.6% in Q4). Longer dated bonds benefited from the steep drop in longer term yields during the first two quarters and handily outperformed their shorter dated counterparts over the entire year. The FTSE TMX Long Bond Index returned an annual 11.9% versus the FTSE TMX Short Term Bond Index's annual return of 5.3%.

Historic performance

Period	Median return (%)	Period	Median return (%)
Q4 2020	5.4	Q3 2018	0.1
Q3 2020	3.0	Q2 2018	2.2
Q2 2020	9.6	Q1 2018	0.2
Q1 2020	-7.1	Q4 2017	4.4
Q4 2019	2.0	Q3 2017	0.4
Q3 2019	1.7	Q2 2017	1.4
Q2 2019	2.7	Q1 2017	2.9
Q1 2019	7.2	Q4 2016	0.5
Q4 2018	-3.5	Q3 2016	4.2

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 16 countries across North America, Europe and Asia. 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 4.5 trillion in client assets under administration, RBC I&TS is a financially strong partner with among the highest credit ratings globally.

For more information, please contact:

Ylana Kurtz, 1 416 348 2330, ylana.kurtz@rbc.com



INFORMATION REPORT

TO:	Chair and Members HMRF / HWRF Pension Administration Sub-Committee
COMMITTEE DATE:	December 1, 2021
SUBJECT/REPORT NO:	Master Trust Pension Investment Performance Report as at June 30, 2021 (FCS21091) (City Wide)
WARD(S) AFFECTED:	City Wide
PREPARED BY:	Gerald T. Boychuk (905) 546-2424 Ext. 4321
SUBMITTED BY:	Brian McMullen Director, Financial Planning, Administration and Policy Corporate Services Department
SIGNATURE:	

Council Direction

Not Applicable.

Information

Attached as Appendix “A” to Report FCS21091 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, 2021. Together, the three pension funds make up the Master Trust, which is referred to as the “Plan” in Report FCS21091.

The Plan’s return for the one-year period ended June 30, 2021 of 19.1% outperformed its benchmark of 14.1 by 5.0%. The market value of the assets of the Plan totalled \$355.4 M compared to June 30, 2020 of \$318.8 M, an increase of \$36.6 M.

The funded ratio increased to 82.9%. Currently, a funding ratio of 82.9% enables a range of 48% to 68% for the Liability Matching Component (LMC) and the fund is at 50.8% (Fixed Income). The plans funded status was estimated at -\$73.5 M improved from an estimated -\$118.2 M at June 30, 2020.

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.

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, 2021 (FCS21091) (City Wide) – Page 2 of 4**

Table 1
Plan's One-Year (ended June 30) Returns

	12 Months Ended Jun.30/21	12 Months Ended Jun.30/20	12 Months Ended Jun.30/19	12 Months Ended Jun.30/18	12 Months Ended Jun.30/17
Plan Return	19.1%	1.3%	4.1%	7.3%	9.0%
Benchmark	14.1%	7.1%	6.4%	7.7%	7.5%
Value Added	5.0%	-5.8%	-2.3%	-0.4%	1.5%
Market Value (\$ Millions)	\$355.4	\$318.8	\$336.4	\$339.9	\$334.3
Funded Ratio	82.9%	73.0%	76.2%	75.3%	70.3%

The Plan's performance may be compared to the return earned in the broader pension market in Canada. Attached as Appendix "B" to Report FCS21091, RBC Investor & Treasury Service reports its universe of pension funds, which totals C\$650 B and a median return of 4.4% in the quarter ended June 30, 2021. The Plan's quarterly return of 5.3% outperformed the universe's median quarterly return of 4.4% by 0.9%.

Asset Mix

Table 2 shows the percentage of Plan assets in each asset class as of June 30, 2021 compared to June 30, 2020.

Table 2
Percentage of Plan Assets in Each Asset Class

Asset Class	Jun.30/21	Jun.30/20	Change	Benchmark
Canadian Equity	25.2%	27.8%	-2.6%	26.0%
Global Equity	<u>23.9%</u>	<u>27.7%</u>	<u>-3.8%</u>	26.0%
Total Equity	49.1%	55.5%	-6.4%	
Canadian Fixed Income	50.8	44.4%	+6.4%	68.0%
Cash	0.1%	0.1%	0.0%	

Note: Anomalies due to rounding

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**SUBJECT: Master Trust Pension Investment Performance Report as at
June 30, 2021 (FCS21091) (City Wide) – Page 3 of 4**

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, 2021.

Table 3
Managers' Performance
One-Year Period Ended Jun. 30/21

	Manager Return	Benchmark Return	Value Added (Manager Return less Benchmark Return)	Percentage Total Assets
Canadian Equity:				
Guardian	36.2%	33.9%	+2.3%	12.8%
Letko	61.0%	33.9%	+ 27.1%	12.4%
Global Equity				
Aberdeen ⁽¹⁾	26.7%	26.6%	+0.1%	6.7%
GMO ⁽²⁾	28.3%	26.6%	+1.7%	17.2%
Fixed Income:				
TDAM Long Bonds ⁽³⁾	-6.4%	-6.9%	+0.5%	20.4%
TDAM Real Return Bonds ⁽³⁾	1.7%	2.1%	-0.4%	30.3%

Notes: ⁽¹⁾ Engaged in April 2010

⁽²⁾ Engaged in July 2010

⁽³⁾ Toronto Dominion Asset Management (TDAM) engaged in March 2012

Pension Investment Transfer - Update

Discussions with OMERS have not presented a solution and an asset / liability study is needed, as well as, a management review. Options may include migration to private sector management or to a not-for-profit public corporation such as Investment Management Corporation (IMCO) or a consulting firm to deliver the needed adjustments. This selection would be handled through a competitive process most likely a Request for Proposal (RFP) to selected and recognized operations known for their work in the de-risking and managing pensions as Outside Chief Investment Officer (OCIO).

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**SUBJECT: Master Trust Pension Investment Performance Report as at
June 30, 2021 (FCS21091) (City Wide) – Page 4 of 4**

Toronto was able to transfer most of their plans to OMERS, while Ottawa was left in the same situation as Hamilton, in so far as, not being able to come to an agreement. Ottawa is now looking at hiring an outside firm as the Outsourced Chief Investment Officer (OCIO) to take over their legacy pension plans. They have hired one consulting firm to handle the one plan going forward.

The Plan's Future

Staff has been looking to add a new global manager and have narrowed it to four good candidates. However, given the recent economic problems with COVID-19 and tariffs, supply lines and markets have been restricted due to the uncertainty as to what the future brings.

APPENDICES AND SCHEDULES ATTACHED

Appendix "A" to Report FCS21091 – City of Hamilton Master Trust Period Ending June 30, 2021 – AON Performance Review and Investment Manager Evaluation

Appendix "B" to Report FCS21091 – Canadian DB pension plans post positive first half, reflecting market optimism: RBC Investor & Treasury Services

GB/dt



The City of Hamilton Master Trust Period Ending 30 June 2021

Performance Review and Investment Manager Evaluation

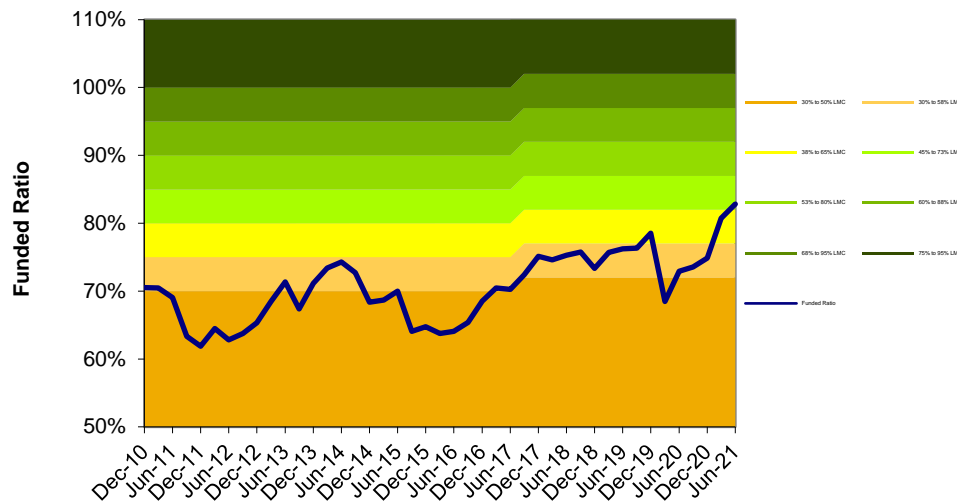
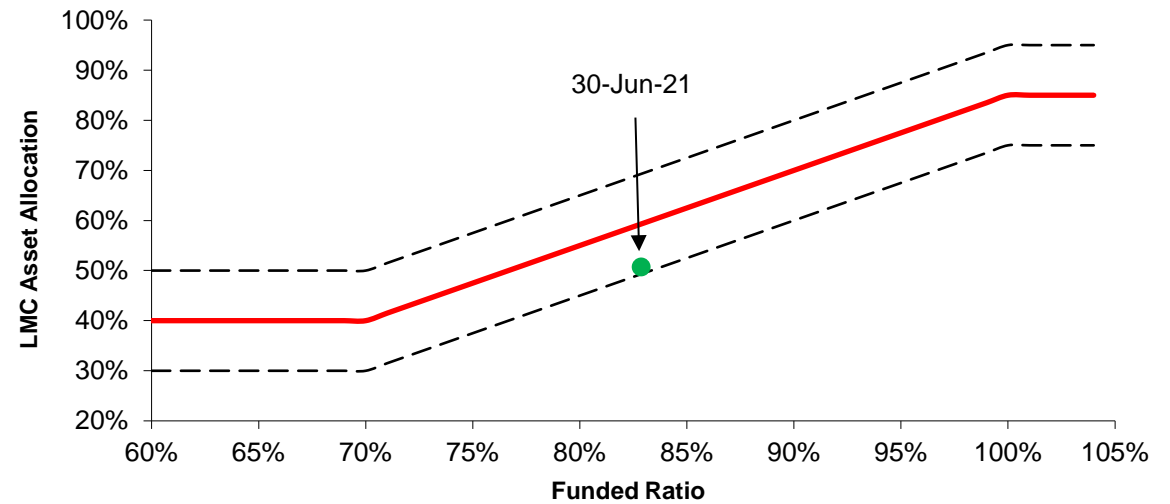
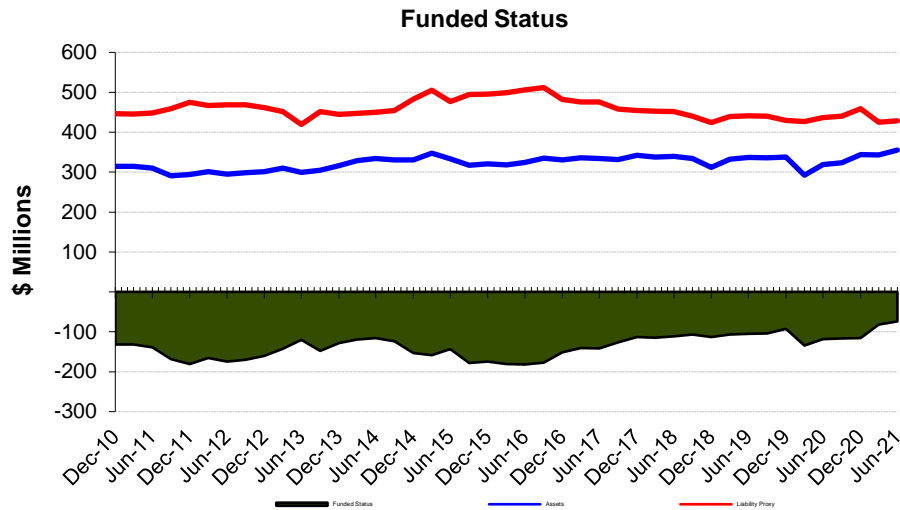
Visit the Aon Retirement and Investment Website (<https://retirement-investment-insights.aon.com/canada>); sharing our best thinking.

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Executive Summary

Quarterly Performance Report for the City of Hamilton Funded Status and Glide Path Information for June 30, 2021



Snapshot (Wind-Up)

	30-Sep-20	31-Dec-20	31-Mar-21	30-Jun-21
Market value of assets (\$ Millions)	\$323.8	\$344.0	\$343.2	\$355.4
Liability proxy (\$ Millions)	\$440.0	\$459.3	\$424.8	\$428.9
Funded status (\$ Millions)	(\$116.2)	(\$115.3)	(\$81.6)	(\$73.5)
Funded ratio	73.6%	74.9%	80.8%	82.9%
Current LMC Asset Allocation	43.8%	41.8%	38.2%	50.8%

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, 2021 is within the range determined acceptable for the current funded ratio (82.9%), the asset mix does not require rebalancing.

Executive Summary

Trailing Period Performance

As of 30 June 2021

	Allocation		Performance (%)						
	Market Value (\$000)	%	1 Quarter	1 Year	2 Years	3 Years	4 Years	5 Years	10 Years
Total Fund	355,368	100.0	5.3 (29)	19.1 (37)	9.2 (78)	7.5 (86)	7.4 (77)	7.7 (82)	7.9 (74)
Benchmark			5.3 (29)	14.1 (91)	10.5 (46)	9.1 (42)	8.8 (38)	8.7 (47)	8.2 (69)
Value Added			0.0	5.0	-1.3	-1.6	-1.4	-1.0	-0.3
Canadian Equity	89,686	25.2	8.3 (42)	47.6 (16)	11.9 (82)	7.4 (79)	8.7 (68)	10.4 (46)	9.4 (23)
Guardian (including cash)	45,480	12.8	6.9 (73)	36.2 (46)	12.9 (64)	10.1 (48)	10.3 (38)	10.6 (41)	8.7 (39)
S&P/TSX Composite			8.5 (32)	33.9 (58)	14.4 (41)	10.8 (30)	10.7 (31)	10.8 (36)	7.4 (81)
Value Added			-1.6	2.3	-1.5	-0.7	-0.4	-0.2	1.3
Letko (including cash)	44,205	12.4	9.8 (12)	61.0 (3)	12.4 (74)	6.2 (90)	8.0 (80)	10.6 (41)	9.9 (7)
S&P/TSX Composite			8.5 (32)	33.9 (58)	14.4 (41)	10.8 (30)	10.7 (31)	10.8 (36)	7.4 (81)
Value Added			1.3	27.1	-2.0	-4.6	-2.7	-0.2	2.5
Global Equities	84,914	23.9	4.0 (72)	27.3 (58)	14.1 (61)	10.2 (62)	9.7 (65)	11.6 (67)	10.7 (92)
Aberdeen	23,892	6.7	7.0 (19)	26.7 (62)	15.9 (51)	12.3 (48)	11.2 (56)	12.2 (64)	10.9 (90)
MSCI World (Net)			6.1 (33)	26.6 (63)	16.4 (47)	12.7 (44)	12.7 (45)	13.7 (51)	13.5 (55)
Value Added			0.9	0.1	-0.5	-0.4	-1.5	-1.5	-2.6
GMO	61,022	17.2	3.1 (89)	28.3 (52)	14.3 (60)	10.3 (61)	9.8 (65)	11.7 (66)	11.1 (87)
MSCI World (Net)			6.1 (33)	26.6 (63)	16.4 (47)	12.7 (44)	12.7 (45)	13.7 (51)	13.5 (55)
Value Added			-3.0	1.7	-2.1	-2.4	-2.9	-2.0	-2.4

*GMO returns are reported net-of-fees.

Executive Summary

Trailing Period Performance

As of 30 June 2021

	Allocation		Performance (%)						
	Market Value (\$'000)	%	1 Quarter	1 Year	2 Years	3 Years	4 Years	5 Years	10 Years
Canadian Fixed Income	180,450	50.8	3.7	-2.8	3.0	4.8	4.3	3.2	4.5
TDAM Long Bonds	72,518	20.4	3.6	-6.4	2.5	5.3	4.4	3.6	-
FTSE Canada Long Term Overall Bond			3.7	-6.9	2.1	5.1	4.3	3.5	6.0
Value Added			-0.1	0.5	0.4	0.2	0.1	0.1	-
TDAM Real Return Bonds	107,832	30.3	3.8	1.7	3.9	4.3	4.3	2.8	-
FTSE Canada Real Return Bond			3.5	2.1	3.8	4.3	4.2	2.8	3.6
Value Added			0.3	-0.4	0.1	0.0	0.1	0.0	-
TDAM Cash	100	0.0							
Operating Account	318	0.1							

*GMO returns are reported net-of-fees.

Executive Summary

Trailing Period Performance

As of 30 June 2021

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Total Fund	19.1 (37)	0.2 (83)	4.1 (74)	7.3 (52)	9.0 (67)	3.2 (40)	6.3 (86)	19.8 (31)	9.6 (72)	2.3 (22)	12.1 (85)
Benchmark	14.1 (91)	7.1 (8)	6.4 (28)	7.7 (34)	8.2 (79)	3.8 (30)	8.5 (59)	19.1 (42)	6.5 (96)	1.4 (38)	13.3 (66)
Value Added	5.0	-6.9	-2.3	-0.4	0.8	-0.6	-2.2	0.7	3.1	0.9	-1.2
Canadian Equities	47.6 (16)	-15.1 (92)	-1.1 (80)	12.6 (17)	17.7 (3)	2.1 (50)	1.1 (45)	29.7 (52)	19.0 (14)	-5.9 (31)	21.4 (47)
Guardian (including cash)	36.2 (46)	-6.5 (55)	4.8 (29)	10.8 (40)	11.7 (54)	3.3 (31)	0.7 (49)	26.7 (78)	9.3 (82)	-3.1 (17)	21.6 (44)
S&P/TSX Composite	33.9 (58)	-2.2 (30)	3.9 (40)	10.4 (46)	11.0 (64)	-0.2 (64)	-1.2 (64)	28.7 (65)	7.9 (93)	-10.3 (64)	20.9 (56)
Value Added	2.3	-4.3	0.9	0.4	0.7	3.5	1.9	-2.0	1.4	7.2	0.7
Letko (including cash)	61.0 (3)	-21.5 (99)	-5.2 (90)	13.4 (12)	21.5 (1)	1.5 (55)	1.4 (42)	31.1 (34)	24.2 (2)	-6.9 (34)	20.4 (64)
S&P/TSX Composite	33.9 (58)	-2.2 (30)	3.9 (40)	10.4 (46)	11.0 (64)	-0.2 (64)	-1.2 (64)	28.7 (65)	7.9 (93)	-10.3 (64)	20.9 (56)
Value Added	27.1	-19.3	-9.1	3.0	10.5	1.7	2.6	2.4	16.3	3.4	-0.5
Global Equities	27.3 (58)	2.3 (61)	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 (69)
Aberdeen	26.7 (62)	6.0 (45)	5.4 (43)	7.9 (82)	16.4 (72)	-1.0 (59)	7.6 (96)	22.0 (79)	17.2 (91)	4.3 (26)	18.3 (61)
MSCI World (Net)	26.6 (63)	6.9 (40)	5.7 (41)	12.5 (47)	17.8 (63)	1.4 (40)	18.9 (59)	25.2 (54)	22.7 (58)	0.4 (52)	18.7 (57)
Value Added	0.1	-0.9	-0.3	-4.6	-1.4	-2.4	-11.3	-3.2	-5.5	3.9	-0.4
GMO	28.3 (52)	1.9 (63)	2.8 (66)	8.1 (81)	20.0 (46)	-2.8 (72)	11.9 (90)	23.8 (66)	19.0 (84)	2.9 (33)	16.8 (74)
MSCI World (Net)	26.6 (63)	6.9 (40)	5.7 (41)	12.5 (47)	17.8 (63)	1.4 (40)	18.9 (59)	25.2 (54)	22.7 (58)	0.4 (52)	18.7 (57)
Value Added	1.7	-5.0	-2.9	-4.4	2.2	-4.2	-7.0	-1.4	-3.7	2.5	-1.9
Canadian Fixed Income	-2.8	9.2	8.3	2.8	-1.2	7.8	7.5	8.1	-3.9	10.4	5.0
TDAM Long Bonds	-6.4 (64)	12.1 (47)	11.4 (60)	1.8 (79)	0.3 (85)	10.2 (29)	9.0 (90)	8.0 (38)	-2.0 (27)	-	-
FTSE Canada Long Term Overall Bond	-6.9 (82)	12.0 (60)	11.4 (37)	1.8 (72)	0.4 (75)	9.9 (51)	10.1 (37)	7.6 (72)	-2.9 (84)	18.8 (23)	7.0 (70)
Value Added	0.5	0.1	0.0	0.0	-0.1	0.3	-1.1	0.4	0.9	-	-
TDAM Real Return Bonds	1.7	6.1	5.1	4.2	-2.9	5.4	5.8	8.2	-8.5	-	-
FTSE Canada Real Return Bond	2.1	5.5	5.2	4.0	-2.7	5.3	5.6	8.1	-9.9	14.9	11.7
Value Added	-0.4	0.6	-0.1	0.2	-0.2	0.1	0.2	0.1	1.4	-	-

Parentheses contain percentile rankings.

Capital Markets Performance

Capital Market Performance

Major Capital Markets' Returns

As of 30 June 2021

	1 Quarter	Year To Date	1 Year	2 Years	3 Years	4 Years	5 Years	10 Years
Equity								
S&P/TSX Composite	8.5	17.3	33.9	14.4	10.8	10.7	10.8	7.4
S&P 500	6.9	12.1	28.2	19.7	16.3	16.2	16.5	17.7
S&P 500 (USD)	8.5	15.3	40.8	23.0	18.7	17.6	17.6	14.8
MSCI EAFE (Net)	3.6	5.8	20.6	9.1	6.1	6.6	9.2	8.6
MSCI World (Net)	6.1	9.9	26.6	16.4	12.7	12.7	13.7	13.5
MSCI ACWI (Net)	5.8	9.2	26.6	16.1	12.3	12.2	13.5	12.7
MSCI Emerging Markets (Net)	3.5	4.4	28.1	13.6	9.1	9.2	12.0	6.9
Real Estate								
MSCI/REALPAC Canada Annual Property	1.7	2.9	1.1	1.2	3.2	4.3	4.7	7.4
MSCI/REALPAC Canada Quarterly Property Fund	3.6	6.1	8.1	5.9	6.5	7.1	7.1	8.2
Fixed Income								
FTSE Canada Universe Bond	1.7	-3.5	-2.4	2.6	4.2	3.3	2.6	3.9
FTSE Canada Long Term Overall Bond	3.7	-7.4	-6.9	2.1	5.1	4.3	3.5	6.0
FTSE Canada 91 Day TBill	0.0	0.1	0.1	0.9	1.1	1.1	1.0	0.9
Consumer Price Index								
Canadian CPI, unadjusted	1.3	2.9	3.1	1.9	1.9	2.0	1.8	1.7

Canadian Equities

The S&P/TSX Composite Index returned +8.5% in the second quarter of 2021. Apart from Health Care (-11.6%), all sectors showed positive returns. The best performing sectors were Information Technology (+23.0%), Energy (+13.9%) and Real Estate (+10.7%). Value stocks and growth stocks experienced similar returns for the quarter, but value stocks have significantly outperformed growth stocks in the past year (+46.1% vs. +20.5% respectively). The S&P/TSX Composite Index returned +33.9% over the last 12 months. Consumer Discretionary (+54.3%), Financials (+49.7%), and Energy (+44.5%) were the best performing sectors. Materials (+4.6%) was the worst performer followed by Consumer Staples (+11.7%) and Utilities (+23.0%).

U.S. Equities

The S&P 500 Index returned +6.9% in the quarter in Canadian dollar terms. All sectors had positive returns apart from Utilities (-1.9%). The best performing sectors were Real Estate (+11.4%), Information Technology (+9.9%) and Energy (+9.7%). During the past 12 months, the S&P 500 Index returned +28.2% in Canadian dollar terms. The best performing sector was Financials (+47.1%) while Utilities (+5.3%) and Consumer Staples (+12.1%) were the worst performers.

Non-North American Equities

The MSCI EAFE Index returned +3.6% in the quarter in Canadian dollar terms. Aside from Utilities (-2.6%) and Communication Services (-1.2%), all sectors had positive returns. The best performing sectors were Health Care (+7.7%), Consumer Staples (+6.9%) and Information Technology (+6.7%). During the past 12 months, the Index returned +20.6% in Canadian dollar terms. The best performing sectors were Consumer Discretionary (+36.2%) and Materials (+33.8%) while the worst performers were Health Care (+2.1%) and Utilities (+2.5%).

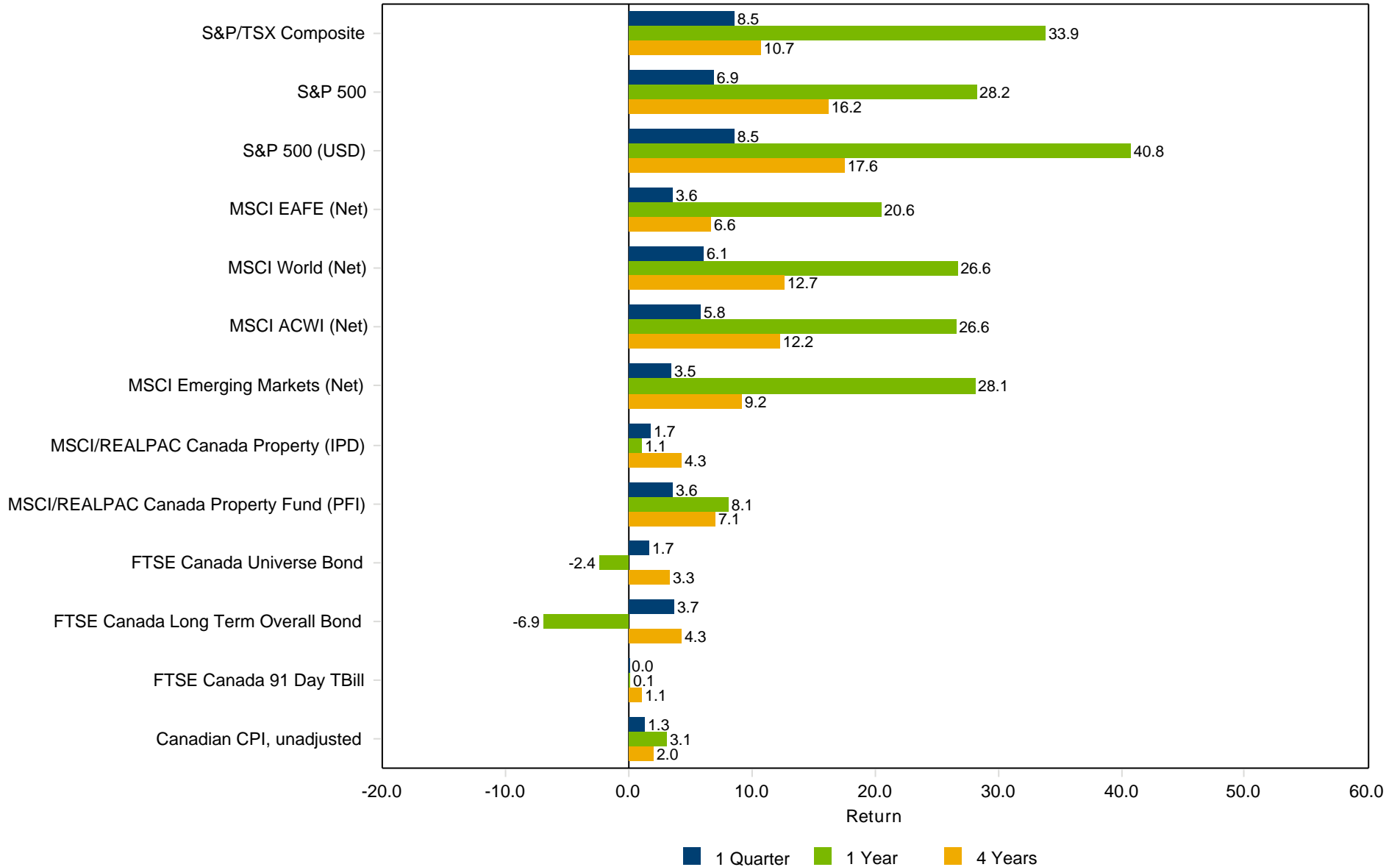
Fixed Income

The Canadian investment grade bond market, as measured by the FTSE Canada Universe Bond Index, returned +1.7% over the quarter. Provincial bonds (+2.7%) outperformed Corporate bonds (+1.3%) and Federal bonds (+0.8%). From a term perspective, long duration bonds (+3.7%) outperformed medium duration bonds (+1.6%) and short duration bonds (+0.1%). During the past 12 months, the Index returned -2.4%. Bond market performance over the year was led by Corporate bonds (+0.8%) which outperformed Federal bonds (-3.2%) and Provincial bonds (-4.0%). Short duration bonds (+0.7%) outperformed medium duration bonds (-1.4%) and long duration bonds (-6.9%) for the 12-month period.

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

Comparative Performance

As of 30 June 2021



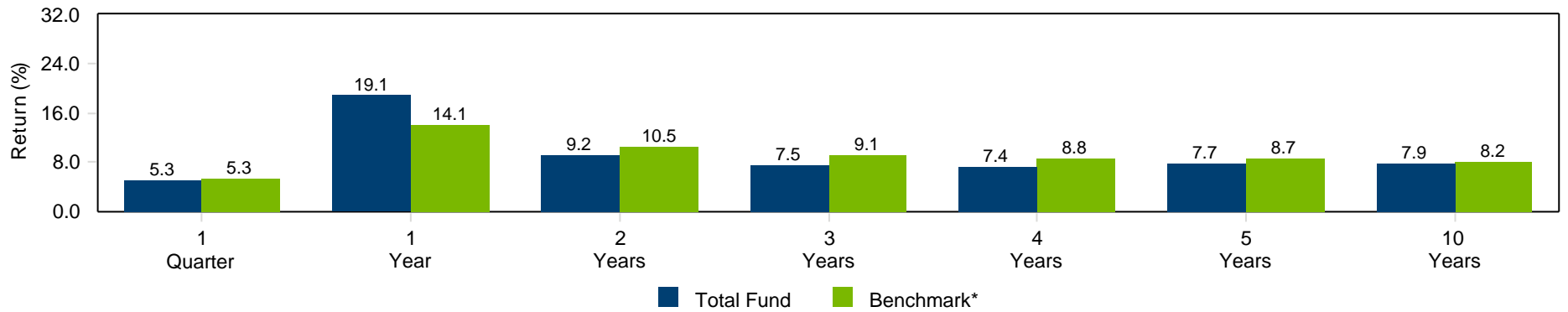
Total Fund Analysis

Total Fund

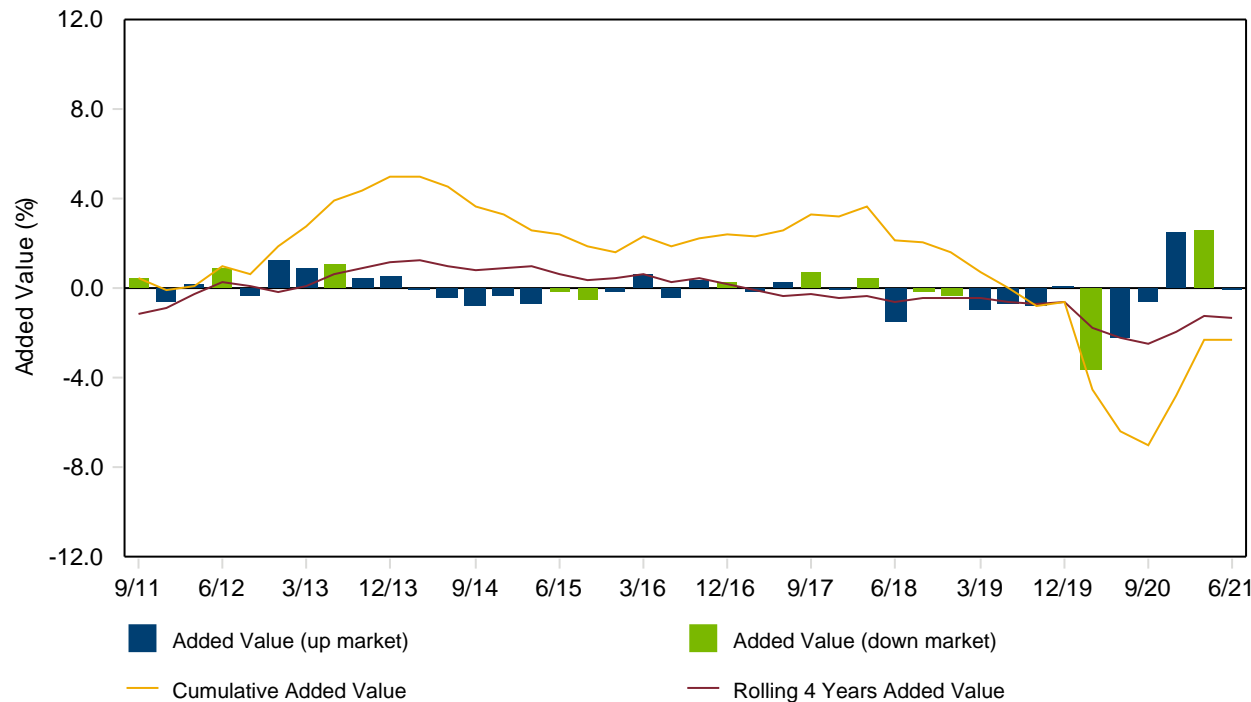
Total Fund Performance Summary

As of 30 June 2021

Return Summary



Added Value History (%)



Performance Statistics

	Quarters	%
Market Capture		
Up Markets	28	96.6
Down Markets	12	94.6
Batting Average		
Up Markets	28	35.7
Down Markets	12	58.3
Overall	40	42.5

* See Appendix A for benchmark components.

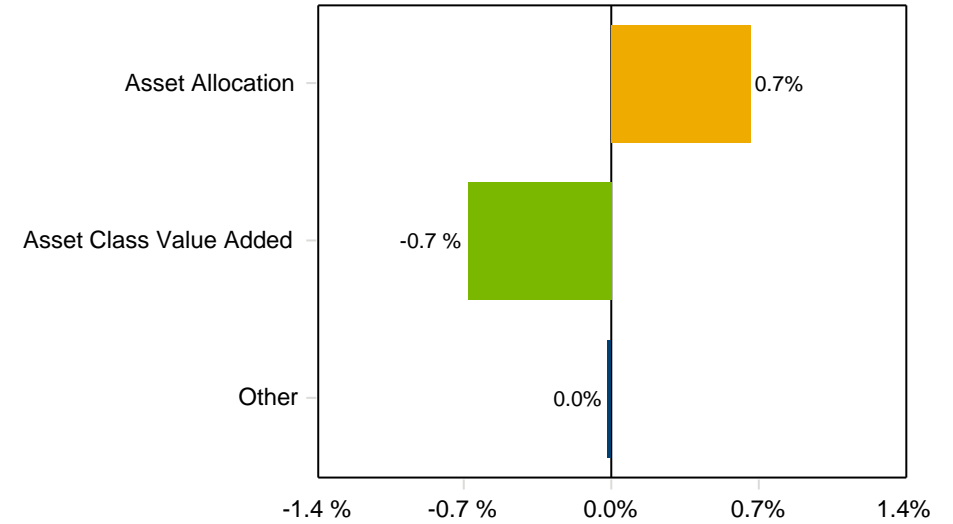
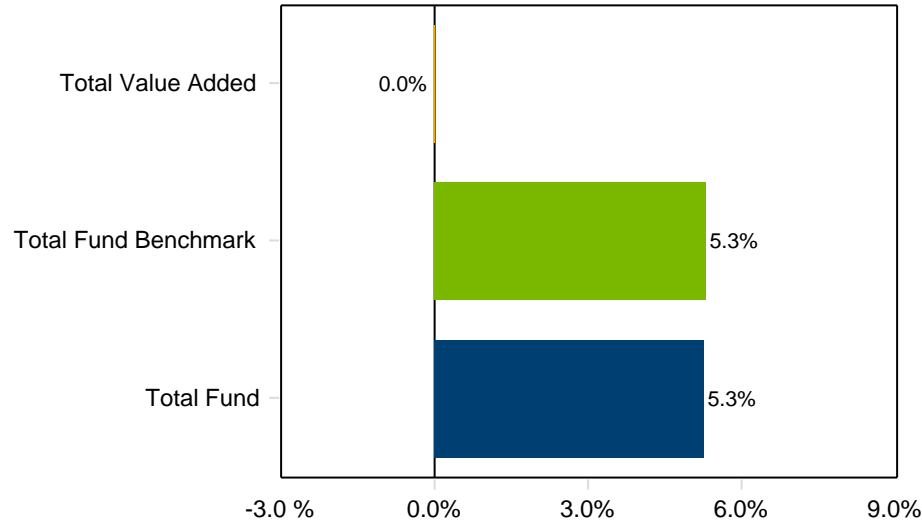
Total Fund

Total Fund Performance Attribution

1 Quarter Ending 30 June 2021
 Total Fund vs. Benchmark

Total Fund Performance

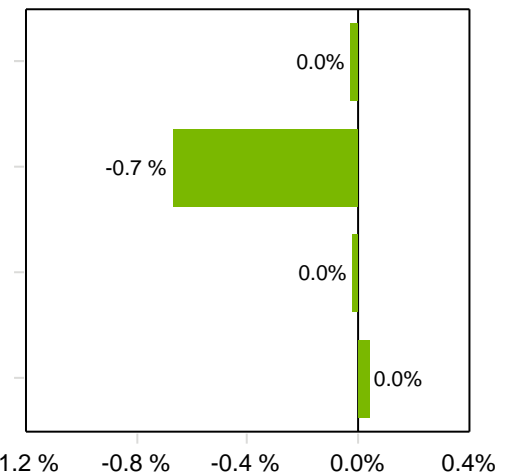
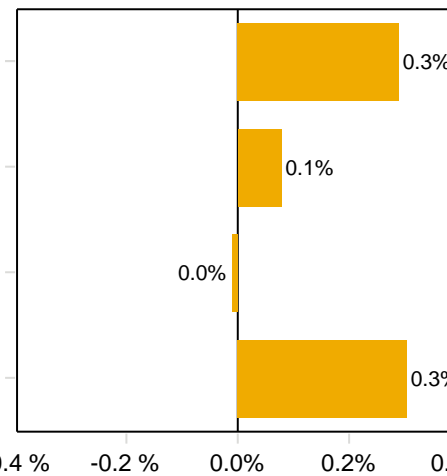
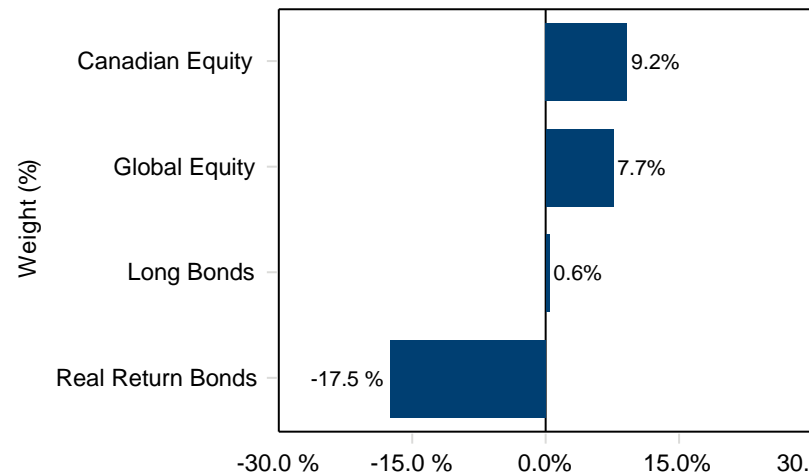
Total Value Added: 0.0%



1 Quarter

Total Asset Allocation: 0.7%

Total Asset Class Value Added: -0.7%



Active Weight

Asset Allocation Value Added

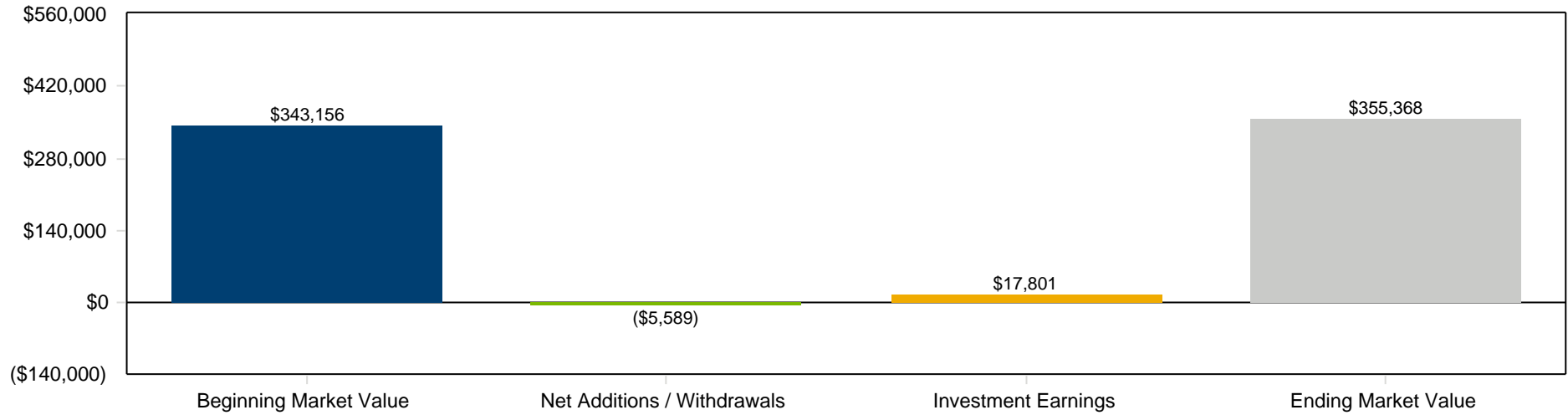
Asset Class Value Added

Total Fund

Total Fund Asset Summary

As of 30 June 2021

Change in Market Value (\$000) From 1 April 2021 to 30 June 2021



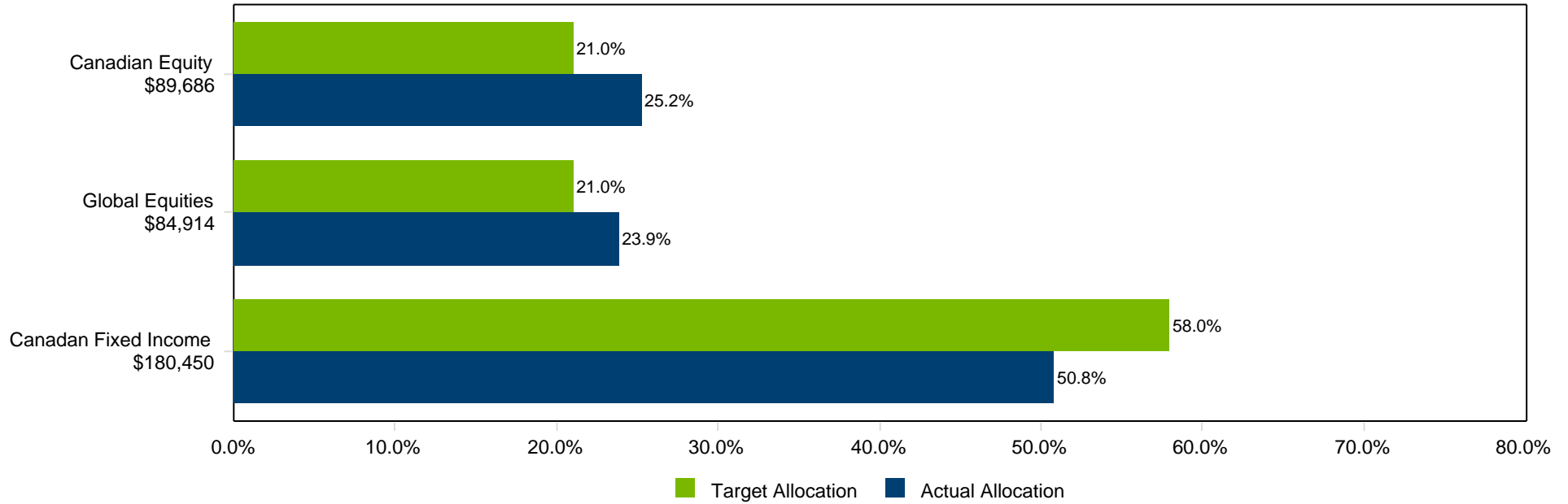
Summary of Cash Flows (\$000)

	1 Quarter	Year To Date	1 Year	4 Years
Total Fund				
Beginning Market Value	343,156	343,971	318,755	334,262
+/- Net Cash Flows	-5,589	-11,167	-21,768	-62,641
+/- Income	1,317	1,989	27,338	85,943
+/- Capital Gains / Losses	16,484	20,575	31,042	-2,196
= Ending Market Value	355,368	355,368	355,368	355,368

Total Fund

Asset Allocation Compliance

As of 30 June 2021 (\$000)



	Market Value (\$000)	Market Value (%)	Target Allocation (%)	Differences (%)	Minimum Allocation (%)	Maximum Allocation (%)	Within Range
Total Fund	355,368	100.0	100.0	0.0			
Canadian Equity	89,686	25.2	21.0	4.2	16.0	26.0	Yes
Global Equities	84,914	23.9	21.0	2.9	16.0	26.0	Yes
Canadian Fixed Income	180,450	50.8	58.0	-7.2	48.0	68.0	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 July 2021 onwards	1 April 2021 to 30 June 2021	1 January 2021 to 30 March 2021	1 July 2020 to 31 December 2020	1 April 2020 to 30 June 2020	1 January 2020 to 31 March 2020	1 April 2019 to 31 December 2019	1 January 2019 to 31 March 2019	1 October 2018 to 31 December 2018	1 April 2018 to 30 September 2018
S&P/TSX Composite	21%	23%	27%	28%	30%	24%	26%	27%	28%	27%
MSCI World (C\$)	21%	22%	27%	28%	30%	25%	25%	26%	28%	26%
FTSE Canada Long Bond	19%	20%	23%	23%	25%	21%	21%	22%	23%	22%
FTSE Canada Real Return Bond	39%	35%	23%	21%	15%	31%	28%	25%	21%	25%
	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

	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	27%	27%	28%	30%	30%	30%	30%	25%
MSCI World (C\$)	27%	26%	28%	30%	30%	0%	0%	0%
MSCI World ex. Cda (C\$)	23%	0%	0%	0%	0%	15%	15%	18%
S&P 500 - hedged to C\$	23%	0%	0%	0%	0%	5%	8%	9%
MSCI EAFE - hedged to C\$	100%	0%	0%	0%	0%	5%	8%	9%
FTSE Canada Universe Bond		0%	0%	0%	40%	45%	40%	40%
FTSE Canada Long Bond		22%	22%	25%	0%	0%	0%	0%
FTSE Canada Real Return Bond		25%	22%	15%	0%	0%	0%	0%
		100%	100%	100%	100%	100%	100%	100%

Appendix B - Manager Updates

Manager Updates

As of 30 June 2021

Aberdeen Standard Investments

Q2 2021

Business

There were no significant events during the quarter.

Staff

There were no significant events during the quarter.

GMO

Q2 2021

Business

There were no significant events.

Staff

Over the quarter, Colin Bekemeyer, Research Analyst, Usonian Japan Equity team and Jerry Yu, Investment Research Associate, Global Equity team, left the firm to pursue other opportunities.

Effective 4 May 2021, Andrea Muller joined the GMO Board of Directors. In conjunction with this addition, Myra Drucker retired from the Board.

Guardian Capital

Q2 2021

Business

There was no significant events.

Staff

The Canadian Fixed Income team added Ben Peng, Risk and Quantitative Analyst to their team. Ted Macklin, Managing Director, Canadian Equity was appointed to Head of Canadian Equity Team. Michele Robitaille, Managing Director, Canadian Equity has now assumed the role of Head of Responsible Investing. Adam Low, formerly Vice President, Equity Analyst, has now been appointed Portfolio Manager, Canadian Equity. Joel Hurren, formerly Equity Analyst – Canadian Equity, has now been appointed Associate Portfolio Manager, Canadian Equity

Manager Updates

As of 30 June 2021

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

Q2 2021

Business

There were no significant events.

Staff

Laila Danechi, Director, Investment Services, left LBA in Q2.

TD Asset Management ("TDAM")

Q2 2021

Business

TD Emerald 2020 Retirement Target Date Pooled Fund Trust merged into TD Emerald Retirement Income Pooled Fund Trust on June 4, 2021. Also on June 4, 2021, TD Emerald Core Canadian Equity Pooled Fund Trust merged into TD Greystone Canadian Equity Fund.

Staff

This quarter, Grant A.M. Stahl, Vice President and Director, Active Equity Portfolio Management, left the firm. Himanshu Sharma, CFS, MBA will take the lead role in managing US Equity Fund and the US Equity Income and Growth Fund. Terence Chung, Vice President and Michael Brown, CFA, Vice President will take co-lead manager role in the US Equity Fund and the US Equity Income and Growth Fund. Julien Palardy, M.Sc., Vice President & Director will be Managing Director of Quantitative Equities team effective on August 1, 2021. Furthermore, Jean Masson, Ph.D., Managing Director, also left the firm.

Appendix C - Disclosure

Statement of Disclosure

As of 30 June 2021

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 DB pension plans post positive first half, reflecting market optimism: RBC
Investor & Treasury Services**
Solid equity market returns offset weakness in bonds

TORONTO, July 29, 2021 — According to the RBC Investor & Treasury Services All Plan Universe, Canadian DB pension plans returned 4.4% in Q2 2021, up 3.5% over the first half of the year. Equity markets continued to march upwards, bolstered by the accelerated rollout of Covid-19 vaccines and reopening of the global economy.

“Canadian pension plans have generated an impressive 22.6% cumulative return on their assets since the violent sell-off in Q1 2020. This reflects the market’s optimism over the sooner-than-expected reopening of the global economy due to the increased availability and uptake of vaccines in the developed world,” said David Linds, Managing Director and Head of Asset Servicing, Canada, RBC Investor & Treasury Services.

“Experts are now pointing to the growing threat of a Covid resurgence as the Delta variant spreads,” continued Linds. “Managing and preparing for this possibility and remaining vigilant to other risks, such as high valuations in equity markets, mounting structural versus transitory inflationary pressures and ongoing geopolitical tensions will remain a priority of Canadian DB plans for the remainder of 2021.”

Benefiting from their sizable exposure to cyclical stocks, Canadian equities outpaced their global counterparts, returning 7.9% to Canadian DB plan holders in Q2 2021, and 17.3% on a year-to-date basis. The S&P/TSX Composite Index benchmark returned 8.5% over the quarter, driven by a solid performance in the information technology (+23.0%), energy (+13.9%) and financials (+8.3%) sectors. This represented a notable turnaround from 15 months prior, when Canadian equities posted a loss of -20.9% in Q1 2020 and significantly underperformed the global market,

Meanwhile, Canadian DB plans’ foreign equities returned 5.2% in Q2 2021, with growth stocks outperforming value stocks, a reversal from what took place over the previous two quarters. Foreign equities returned 9.3% over the first half of the year; local currency gains for unhedged plans were trimmed by the strength in the Canadian dollar, which was the top advanced-economy currency through the first five months of the year. The MSCI World Index returned 6.2% over the quarter, ahead of the MSCI Emerging Markets Index, which returned 3.5%.

Fixed income returns were positive for Canadian DB plans, returning 3.0% in Q2, but were down -5.0% year-to-date. Dovish comments from central banks emphasizing the transitory nature of recent high inflation readings reassured bond investors, and long-term yields moved lower. The FTSE Canada Universe Bond Index posted a quarterly return of 1.7%, with longer-

term bonds (FTSE TMX Canada Long index +3.7%) outperforming their short-term counterparts (FTSE TMX Canada Short Term index +0.1%).

.../2

- 2 -

Historic performance

Period	Median return (%)	Period	Median return (%)
Q2 2021	4.4	Q1 2019	7.2
Q1 2021	-0.2	Q4 2018	-3.5
Q4 2020	5.4	Q3 2018	0.1
Q3 2020	3.0	Q2 2018	2.2
Q2 2020	9.6	Q1 2018	0.2
Q1 2020	-7.1	Q4 2017	4.4
Q4 2019	2.0	Q3 2017	0.4
Q3 2019	1.7	Q2 2017	1.4
Q2 2019	2.7	Q1 2017	2.9

About the RBC Investor & Treasury Services All Plan Universe

RBC Investor & Treasury Services has managed one of the industry’s largest and most comprehensive universes of Canadian pension plans for more than 30 years. The All Plan Universe, a widely recognized performance benchmark indicator, tracks the performance and asset allocation of a cross-section of assets across Canadian defined benefit pension plans. The All Plan Universe is produced by RBC Investor & Treasury Services’ Risk & Investment Analytics service, which delivers independent and cost effective solutions that help institutional investors monitor investment decisions, optimize performance, reduce costs, mitigate risk and enhance governance.

About RBC Investor & Treasury Services

RBC Investor & Treasury Services (RBC I&TS) is a financially strong partner that provides asset and payment services to corporate investors and financial institutions globally. Trusted with CAD 4.5 trillion in assets under administration, clients are at the heart of our service offering. With offices in 16 countries, our focus is on safeguarding client assets as we leverage data and technology solutions to deliver meaningful insights, simplify our clients’ operations and support their growth.

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For more information, please contact:

Ylana Kurtz, 1 416 348 2330, ylana.kurtz@rbc.com



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

TO:	Chair and Members HMRF / HWRF Pension Administration Sub-Committee
COMMITTEE DATE:	December 1, 2021
SUBJECT/REPORT NO:	2021 Master Trust Pension Statement of Investment Policies and Procedures (FCS21095) (City Wide)
WARD(S) AFFECTED:	City Wide
PREPARED BY:	Rosaria Morelli (905) 546-2424 Ext. 1390
SUBMITTED BY:	Mike Zegarac General Manager, Finance and Corporate Services Corporate Services Department
SIGNATURE:	

RECOMMENDATION(S)

- (a) That Appendix "A" attached to Report FCS21095 respecting the 2021 City of Hamilton Defined Benefit Pension Plans Master Trust Statement of Investment Policies and Procedures be approved and replace the previous 2020 City of Hamilton Defined Benefit Pension Plans Master Trust Statement of Investment Policies and Procedures contained in Report FCS20074 and approved by Council on December 16, 2020;
- (b) That Appendix "A" attached to Report FCS21095 respecting the 2021 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 updated as a result of the annual formal review required under the Master Trust SIPP. The updated Master Trust SIPP is attached as Appendix "A" to Report FCS21095.

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: 2021 Master Trust Pension Statement of Investment Policies and Procedures (FCS21095) (City Wide) - Page 2 of 4

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

For this annual formal review, no changes regarding applicable pension legislation affecting the Master Trust SIPP were made to the Master Trust SIPP.

No other amendments to the Master Trust SIPP are recommended.

Two very minor corrections were made to the Master Trust SIPP: on page 25, under Section 1.03(c), the number of HMRF retirees and beneficiaries was corrected to 174 from 177; and on page 31, under Section 1.03(c), the actuarial value of the HWRF assets was corrected to \$54,821,000 from \$54,821,009.

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 and 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" to 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.

SUBJECT: 2021 Master Trust Pension Statement of Investment Policies and Procedures (FCS21095) (City Wide) - Page 3 of 4

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; Report FCS18090; Report FCS19073; and Report FCS20074.

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

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)

For this annual formal review, no changes regarding applicable pension legislation affecting the Master Trust SIPP were made to the Master Trust SIPP.

No other amendments to the Master Trust SIPP are recommended.

Two very minor corrections were made to the Master Trust SIPP: on page 25, under Section 1.03(c), the number of HMRF retirees and beneficiaries was corrected to 174 from 177 and on page 31, under Section 1.03(c), the actuarial value of the HWRF assets was corrected to \$54,821,000 from \$54,821,009.

ALTERNATIVES FOR CONSIDERATION

Not Applicable.

SUBJECT: 2021 Master Trust Pension Statement of Investment Policies and Procedures (FCS21095) (City Wide) - Page 4 of 4

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 FCS21095 – Statement of Investment Policies and Procedures – City of Hamilton Defined Benefit Pension Plans Master Trust, December 2021

RM/dt

Statement of Investment Policies and Procedures

City of Hamilton Defined Benefit Pension Plans Master Trust

December 2021

APPROVED on this day of December, 2021

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Section 1—Overview

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 allocation¹ for each investment category listed in subsection 76(12) of the Regulation 909 to the Pension Benefits Act (Ontario) is as follows:

PfAD Table

Investment Category under subsection 76(12) of Regulation 909	Target Asset Allocation¹	Accessed through mutual or pooled or segregated funds
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	28.0%	Yes
14. Non-Canadian stocks other than investments referred to in 1 to 12 above	28.0%	Yes
15. Canadian bonds and debentures other than investments referred to in 1 to 12 above	44.0%	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.

Credit Rating Agency	Rating – Bond Market Securities	Rating – Money Market Securities
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

¹ The target asset allocation indicated in the PfAD table is based on the glidepath positioning as of June 30, 2020.

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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.

- (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 ^{1 2}	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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Funded Ratio ^{1 2}	Return -Seeking Allocation		
	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%

¹ Funded ratio defined on a Wind-up basis.

² 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

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

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;
- (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;

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- (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
 - (v) meet with the Chief Investments Officer as required.
- (e) **Actuary**
The actuary has been delegated the following responsibilities:

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- (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

(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:

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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

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 FCS21095
Page 23 of 36****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

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, 2019 there were no active members, 3 deferred members and 174 retirees and beneficiaries.

As of December 31, 2019, the going-concern liability of the plan was \$68,912,831, including a Provision for Adverse Deviation (PfAD) of \$3,700,990, compared to the actuarial value of assets of \$71,445,290. On a solvency basis, the liability was \$57,859,942, while the assets (at market) were \$71,295,290 (net of a provision for

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plan windup expenses of \$150,000). On a windup basis, the liability was \$72,819,924.

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)

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.

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

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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, 2020, there were 315 active members, 29 deferred members and 610 retirees and beneficiaries. The average age of the active members was approximately 54.3 years with average pensionable earnings of \$70,474.

As of January 1, 2020, the going-concern liability of the plan was \$228,695,400, including a Provision for Adverse Deviation (PfAD) of \$17,103,300, compared to the actuarial value of assets of \$211,167,500. On a solvency basis, the liability was \$216,314,100 while the assets (at market) were \$210,967,500 (net of a provision for plan windup expenses of \$200,000). On a windup basis the liability was \$315,487,000.

The going-concern deficit is being eliminated through a series of special payments. No special payments are required for the solvency deficit since the solvency ratio exceeds .85.

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

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parameters set out in Section 3.02 (a), (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 Street Railway Pension Plan (1994).

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

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.

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, 2006 annual increases will not be less than the increase provided to retirees under the

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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, 2019, there were no active members, no deferred members and 140 retirees and beneficiaries.

As of December 31, 2019, the going-concern liability of the plan was \$52,830,000, including a Provision for Adverse Deviation (PfAD) of \$4,304,000, compared to the actuarial value of assets of \$54,821,000. On a solvency basis, the liabilities were \$50,907,000 while the assets were \$54,751,000 (net of a provision for plan windup expenses of \$70,000). On a windup basis the liability was \$64,241,000.

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)**

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

		GUIDELINES	POLICY COMPLIED WITH YES/NO *
ASSET MIX (at Market Value)		%	
EQUITIES			
	U.S.		
	EAFE		
	TOTAL FOREIGN		
CASH	SHORT-TERM & CASH		
CONSTRAINTS			
GENERAL	Investment Policy Section 3.01 – General Guidelines		
EQUITIES	Investment Policy Section 3.02 (a) – Canadian and Foreign Equities		
CASH	Investment Policy Section 3.02 (c) – Cash and Short Term Investments		
DERIVATIVES	Investment Policy Section 3.02 (d) – Derivatives		
OTHER INVESTMENTS	Investment Policy Section 3.02 (e) – Other Investments		
INDEX	Investment Policy Section 3.02 (f) – Index Mandates		
QUALITY REQUIREMENTS	Investment Policy Section 3.03 – Minimum Quality Requirements		
QUANTITY RESTRICTIONS	Investment Policy Section 3.04 – Maximum Quantity Restrictions		
PRIOR PERMISSION	Investment Policy Section 3.05 – Prior Permission Required		
PROHIBITED INVESTMENTS	Investment Policy Section 3.06 – Prohibited Investments		
SECURITIES LENDING	Investment Policy Section 3.07 – Securities Lending		
BORROWING	Investment Policy Section 3.08 – Borrowing		
RESPONSIBILITIES	Investment Policy Section 4.01 (b) – Delegation of Responsibilities – Investment Managers		
STANDARDS OF PROFESSIONAL CONDUCT	Investment Policy Section 4.04 - Standards of Professional Conduct		
CONFLICTS OF INTEREST	Investment Policy Section 5.01 - Conflicts of Interest		
VOTING RIGHTS	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 *
ASSET MIX (at Market Value)		%	
FIXED INCOME	BONDS	100%	
CASH	SHORT-TERM & CASH	0%	
CONSTRAINTS			
GENERAL	Investment Policy Section 3.01 – General Guidelines		
BONDS	Investment Policy Section 3.02 (b) – Bonds		
CASH	Investment Policy Section 3.02 (c) – Cash		
DERIVATIVES	Investment Policy Section 3.02 (c) – Derivatives		
OTHER	Investment Policy Section 3.02 (e) – Other Investments		
INDEX	Investment Policy Section 3.02 (f) – Index Mandates		
QUALITY REQUIREMENTS	Investment Policy Section 3.03 – Minimum Quality Requirements		
QUANTITY RESTRICTIONS	Investment Policy Section 3.04 – Maximum Quantity Restrictions		
PRIOR PERMISSION	Investment Policy Section 3.05 – Prior Permission Required		
PROHIBITED INVESTMENTS	Investment Policy Section 3.06 – Prohibited Investments		
SECURITIES LENDING	Investment Policy Section 3.07 – Securities Lending		
RESPONSIBILITIES	Investment Policy Section 4.01 (b) – Delegation of Responsibilities – Investment Managers		
STANDARDS OF PROFESSIONAL CONDUCT	Investment Policy Section 4.04 - Standards of Professional Conduct		
CONFLICTS OF INTEREST	Investment Policy Section 5.01 - Conflicts of Interest		
VOTING RIGHTS	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 Equity Manager

Compliance Report for the Quarter Ended _____
(date)

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

* If policy not complied with, comment on specifics

COMPLETED BY: _____ **SIGNED BY:** _____



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

TO:	Chair and Members HMRF / HWRF Pension Administration Sub-Committee
COMMITTEE DATE:	December 1, 2021
SUBJECT/REPORT NO:	Outsourced Chief Investment Officer (FCS21116) (City Wide)
WARD(S) AFFECTED:	City Wide
PREPARED BY:	Brian McMullen (905) 546-2424 Ext. 4549 Gerald T. Boychuk (905) 546-2424 Ext. 4321
SUBMITTED BY:	Brian McMullen Director, Financial Planning, Administration and Policy Corporate Services Department
SIGNATURE:	

RECOMMENDATION(S)

- (a) That Council, as the Administrator of the City Hamilton Defined Benefit Pension Plans Master Trust, authorizes:
- (i) the General Manager, Finance and Corporate Services, to negotiate any agreements for contractual or consulting services to develop the selection process to hire an Outsourced Chief Investment Officer (OCIO) in a form satisfactory to the City Solicitor which may include sole sourcing or single sourcing to the applicable service provider;
 - (ii) the General Manager, Finance and Corporate Services, to negotiate any agreements for the selection and hiring of an Outsourced Chief Investment Officer (OCIO) in a form satisfactory to the City Solicitor;
 - (iii) the General Manager, Finance and Corporate Services, to make any changes to applicable pension plan agreements, by-laws and policies in a form satisfactory to the City Solicitor;

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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.

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- (b) That staff of the Corporate Services, Financial Planning and Administration Policy, inform the HMRF/ HWRF Pension Administration Sub-Committee and Hamilton Street Railway Pension Advisory Committee through a Communication Update or Information Report of the successful Outsourced Chief Investment Officer (OCIO) after awarding of the contract.

EXECUTIVE SUMMARY

City of Hamilton's three non-OMERS pension plans being HMRF, HWRF and HSR (collectively known as City's legacy pension plans) have a market value of \$344 M as at December 31, 2020. Staff in the Corporate Services Department discussed opportunities with OMERS to transfer the legacy pension plans to OMERS. After OMERS advised that they were no longer interested in pursuing a transfer of the City's legacy pension plan, staff began researching alternatives, including an Outsourced Chief Investment Officer.

Report FCS21116 outlines the business case for an Outsourced Chief Investment Officer (OCIO) and the plan to select a consultant to assist the City of Hamilton (City) Corporate Services Department staff to develop a Request for Proposal (RFP), evaluate submissions to the RFP, select an OCIO and review any necessary agreements.

An OCIO has expertise and experience in pension investment management with both internal and external investment managers and provides a broad range of asset management resources within the OCIO's firm.

The business case for the City's request for an OCIO includes:

- Staff in the City's Investment section can focus on non-City legacy pension plan investments of reserve funds, trust funds and treasury activities;
- The City's Chief Investment Officer will have oversight of the OCIO activities and will maintain legacy pension plan administrative responsibilities with the City's internal Investments team;
- Preliminary estimates for an OCIO of \$350,000 annually are expected to be offset by savings in other City pension administration fees and investment management fees;
- Opportunity to extend OCIO duties beyond investments of the City's legacy pension plans to investments of the City's reserve funds and trust funds.

If approved, the next steps would begin in December 2021 as listed in the Analysis and Rationale Section.

Alternatives for Consideration – See Page 5

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FINANCIAL – STAFFING – LEGAL IMPLICATIONS

Financial: Any costs associated with an OCIO are costs of the City's legacy pension plans. Preliminary estimates for an OCIO of up to \$350,000 annually are expected to be offset by savings in other City pension administration fees and investment management fees.

Staffing: None

Legal: If approved, staff in Legal and Risk Management Services will be consulted regarding any necessary changes to the plan text in the City's legacy pension plan agreements, by-laws and policies.

HISTORICAL BACKGROUND

In November 2001, Council approved, through Report FCS01107, the establishment of the Joint Hamilton Municipal Retirement Fund (HMRF) and Hamilton-Wentworth Retirement Fund (HWRF) Pension Administration Sub-Committee and duties associated with administration of the pension plans. These duties included selection of investment managers, reviewing and analyzing investment reports, reviewing investment goals and policy and setting forth recommendations for Council approval regarding changes to investment strategy, funding levels of assets and liabilities and changes to current asset mix of the fund.

In December 2021, Council approved, through Report FCS20074, the current 2020 Master Trust Pension Statement of Investment Policies and Procedures (SIPP). On December 1, 2021, the HMRF / HWRF Pension Administration Sub-Committee is considering Report FCS21095 which is the 2021 Master Trust Pension Statement of Investment Policies and Procedures (SIPP).

The process to select and hire an Outsourced Chief Investment Officer is currently not included in any documents governing the City's legacy pension plans. If approved, amendments may be required to those pension documents, by-laws and policies.

POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS

If approved, recommendations in Report FCS21116 may require changes to the HMRF, HWRF and HSR pension plan agreements, by-laws and Master Trust Pension SIPP. Any amendments will be brought back to the appropriate sub-committee or standing committee of Council.

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RELEVANT CONSULTATION

Corporate Services Department – Financial Planning, Administration and Policy staff has consulted with Corporate Services staff in the Financial Services and Taxation Division (Payroll and Pensions Section and Procurement Section) and Legal and Risk Management Services Division.

ANALYSIS AND RATIONALE FOR RECOMMENDATION(S)

Corporate Services Department, Financial Planning, Administration and Policy staff has been reviewing the marketplace for an Outsourced Chief Investment Officer (OCIO) for a few years after OMERS advised that they were no longer interested in pursuing a transfer of the City's legacy pension plan.

An OCIO has expertise and experience in pension investment management with both internal and external investment managers and provides a broad range of asset management resources within the OCIO's firm.

In the municipal sector in Ontario, only a few municipalities have legacy pension plans like the City of Hamilton's three non-OMERS pension plans being HMRF, HWRF and HSR (collectively known as City's legacy pension plans). The City of Ottawa is moving to an OCIO for one of their legacy pension plans.

City of Hamilton staff is seeking Council's approval:

- to negotiate any agreements for contractual or consulting services to develop the selection process to hire an Outsourced Chief Investment Officer (OCIO) which may include sole sourcing or single sourcing to the applicable service provider;
- to negotiate any agreements for the selection and hiring of an Outsourced Chief Investment Officer (OCIO); and
- to make any changes to the applicable legacy pension plan agreements, by-laws and policies.

The business case for the City's request for an OCIO includes:

- Staff in the City's Investment section can focus on non-City legacy pension plan investments of reserve funds, trust funds and treasury activities;
- The City's Chief Investment Officer will have oversight of the OCIO activities and will maintain legacy pension plan administrative responsibilities with the City's internal Investments team;

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- Preliminary estimates for an OCIO of \$350,000 annually are expected to be offset by savings in other City pension administration fees and investment management fees;
- Opportunity to extend OCIO duties beyond investments of the City's legacy pension plans to investments of the City's reserve funds and trust funds in the future.

Proposed Dates and Next Steps:

Dec. 2021 / Jan. 2022:	City staff will select a consultant to assist City staff with the development of the RFP to select an OCIO (known as RFP Consultant)
Feb. 2022:	RFP Consultant, with City staff, will develop the OCIO RFP and send to proponents
Mar. to June 2022:	RFP Consultant and City staff will evaluate submissions, interview proponents, recommend preferred proponent, select OCIO, award contract and execute agreement with OCIO
July 2022:	RFP Consultant and City staff will begin transition to an OCIO City staff amend and finalize agreements, by-laws and policies City staff inform HMRF / HWRF Pension Administration Sub-Committee and Council of OCIO through a Communication Update or Information Report

ALTERNATIVES FOR CONSIDERATION

Should Council not approve proceeding with an Outsourced Chief Investment Officer, staff would continue in the existing organization structure and will require Council to authorize the General Manager, Finance and Corporate Services, to negotiate any agreements for consulting services related to an Asset Liability study for the legacy pension plans in a form satisfactory to the City Solicitor.

ALIGNMENT TO THE 2016 – 2025 STRATEGIC PLAN

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APPENDICES AND SCHEDULES ATTACHED

None

BM/dt