



**City of Hamilton**  
**AUDIT, FINANCE AND ADMINISTRATION COMMITTEE**  
**AGENDA**

**Meeting #:** 24-001  
**Date:** January 18, 2024  
**Time:** 9:30 a.m.  
**Location:** Council Chambers  
Hamilton City Hall  
71 Main Street West

Tamara Bates, Legislative Coordinator (905) 546-2424 ext. 4102

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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**
  - 4.1 December 7, 2023
5. **COMMUNICATIONS**
6. **DELEGATION REQUESTS**
  - 6.1 Zachary Bobolo, HTowing, respecting Towing contract (for a future meeting)
  - 6.2 Adeyinka taiwo-Fasegha, respecting water bill issue (for a future meeting)
7. **DELEGATIONS**
8. **STAFF PRESENTATIONS**

8.1 Equity, Diversity, and Inclusion Audit (AUD23013) (City Wide)

*Deferred from Audit, Finance and Administration Committee, December 7, 2023*

**9. CONSENT ITEMS**

9.1 DARTS Vehicle Safety Audit AUD22007(a) Update to Management Response (PW24005) (City Wide) (Outstanding Business List Item)

**10. DISCUSSION ITEMS**

10.1 HMRF-HWRF Pension Administration Sub-Committee Report 23-002

10.2 Reserve / Revenue Funds and Trust Accounts Statement of Investment Policies and Procedures Review (FCS24004) (City Wide)

**11. MOTIONS**

**12. NOTICES OF MOTION**

**13. GENERAL INFORMATION / OTHER BUSINESS**

13.1 Amendments to the Outstanding Business List

a. Items Considered Completed and to be Removed

a. Accessible Transit Services: DARTS Fleet Management and Vehicle Safety Audit (Report 50695) Management Action Plans (AUD22007(a)) (City Wide)

Added: April 6, 2023, Audit, Finance and Administration Committee Report 23-005, Item 1  
Addressed as Item 9.1 on today's agenda

**14. PRIVATE AND CONFIDENTIAL**

**15. ADJOURNMENT**



## **AUDIT, FINANCE AND ADMINISTRATION COMMITTEE MINUTES 23-019**

**9:30 a.m.**

**December 7, 2023**

**Council Chambers**

**Hamilton City Hall**

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**Present:** Councillors C. Kroetsch (Chair), J. Beattie, B. Clark, T. Hwang, M. Spadafora, M. Tadeson, A. Wilson and M. Wilson

**Also**

**Present:** Councillor J.P. Danko

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### **THE FOLLOWING ITEMS WERE REFERRED TO COUNCIL FOR CONSIDERATION:**

#### **1. Options for the City of Hamilton's Board of Health Governance (BOH23039) (City Wide) (Outstanding Business List Item) (Item 8.1)**

**(Hwang/A. Wilson)**

- (a) That Council approve, in principle, a semi-autonomous Board of Health governance structure with features similar to the City of Toronto and City of Ottawa:
  - (i) That Council direct staff to prepare and submit an application to the Province of Ontario for special legislation amending the City of Hamilton Act, 1999 and the Health Promotion and Protection Act to authorize the City to implement a semi-autonomous Board of Health governance model, with features similar to the City of Toronto and City of Ottawa Board of Health governance structures; and,
  - (ii) That Council direct staff to report back to the Public Health Committee, following approval of legislative changes with a plan to implement legislative changes and establish a semi-autonomous Board of Health for the City of Hamilton;
- (b) That as an interim solution until legal authorization is received to implement a semi-autonomous Board of Health governance model, a change be made to the membership of the Public Health Standing Committee to include six City Council members, six community representatives, and one education representative, using the City of Hamilton's existing selection processes, and that for the foregoing purposes staff be directed to report back to the Public Health Committee to:

- (i) Prepare any amendments to the Procedural By-law that shall create a new Public Health Standing Committee, which By-law shall be drafted to become effective not earlier than the date on which the existing Public Health Standing Committee has been dissolved by the Mayor pursuant to section 284.8(1) of the Municipal Act; and,
  - (ii) Prepare for approval the qualifications and criteria for the selection of the community representatives to ensure that the Public Health Standing Committee members represent the community and have the necessary skills and competencies.
- (c) That Item 2023-C, respecting a consultation with stakeholders to identify issues, opportunities, and options for Board of Health governance, be removed from the Public Health Committee Outstanding Business List.

**Result: Motion, CARRIED by a vote of 8 to 0, as follows:**

YES - Ward 1 Councillor Maureen Wilson  
YES - CHAIR - Ward 2 Councillor Cameron Kroetsch  
YES - Ward 4 Councillor Tammy Hwang  
YES - Ward 9 Councillor Brad Clark  
YES - Ward 10 Councillor Jeff Beattie  
YES - Ward 11 Councillor Mark Tadeson  
YES - Ward 13 Councillor Alex Wilson  
YES - Ward 14 Councillor Mike Spadafora

**2. Consent Items (Items 9.1 to 9.2)**

**(A. Wilson/M. Wilson)**

That the following Reports, be received:

- (a) 2023 Board of Health Self-Evaluation Results (BOH23040) (City Wide) (Item 9.1)
- (b) Governance Review Sub-Committee Report 23-005 (November 17, 2023) (Item 9.2)

**Result: Motion CARRIED by a vote of 8 to 0, as follows:**

YES - Ward 1 Councillor Maureen Wilson  
YES - CHAIR - Ward 2 Councillor Cameron Kroetsch  
YES - Ward 4 Councillor Tammy Hwang  
YES - Ward 9 Councillor Brad Clark  
YES - Ward 10 Councillor Jeff Beattie  
YES - Ward 11 Councillor Mark Tadeson  
YES - Ward 13 Councillor Alex Wilson  
YES - Ward 14 Councillor Mike Spadafora



**3. Office of the Auditor General Work Plan 2023 to 2026 (AUD23012) (City Wide) (Item 10.2)**

**(A. Wilson/Kroetsch)**

That Appendix "A" to Report AUD23012, respecting the Office of the Auditor General Work Plan 2023 to 2026, be approved.

**Result: Motion CARRIED by a vote of 8 to 0, as follows:**

- YES - Ward 1 Councillor Maureen Wilson
- YES - CHAIR - Ward 2 Councillor Cameron Kroetsch
- YES - Ward 4 Councillor Tammy Hwang
- YES - Ward 9 Councillor Brad Clark
- YES - Ward 10 Councillor Jeff Beattie
- YES - Ward 11 Councillor Mark Tadeson
- YES - Ward 13 Councillor Alex Wilson
- YES - Ward 14 Councillor Mike Spadafora

**4. Compound Water Meter Billing Issues (FCS23110) (City Wide) (Item 10.3)**

**(Tadeson/A. Wilson)**

- (a) That the General Manager, Finance and Corporate Services, be authorized to enter into a deferred payment arrangement with a 24-month repayment period commencing in December 2023, pertaining to water and wastewater / storm charges for a total amount of \$135,167 regarding Alectra Utilities (Alectra) account number 3901671300 and service address of 265 Melvin Avenue, Hamilton; and
- (b) That the General Manager, Finance and Corporate Services, be authorized to enter into a deferred payment arrangement with a 24-month repayment period commencing in December 2023, pertaining to water and wastewater / storm charges for a total amount of \$132,137.82 regarding Alectra account number 788081300 and service address of 121 Hunter Street West, Hamilton.

**Result: Motion CARRIED by a vote of 8 to 0, as follows:**

- YES - Ward 1 Councillor Maureen Wilson
- YES - CHAIR - Ward 2 Councillor Cameron Kroetsch
- YES - Ward 4 Councillor Tammy Hwang
- YES - Ward 9 Councillor Brad Clark
- YES - Ward 10 Councillor Jeff Beattie
- YES - Ward 11 Councillor Mark Tadeson
- YES - Ward 13 Councillor Alex Wilson
- YES - Ward 14 Councillor Mike Spadafora

**5. Hamilton Municipal Cemeteries Trust Fund Audit – Management Update  
(FCS23090 / PW23078) (City Wide) (Item 10.4)**

**(A. Wilson/Spadafora)**

- (a) That the 17 Recommendations proposed by the Office of the City Auditor attached in Appendix “A” to Report (FCS23090 / PW23078), continue to be implemented in order to strengthen program governance, controls and financial reporting; and
- (b) That the amendment to By-law No. 12-151, being a By-law respecting the City of Hamilton’s Cemeteries, be amended, attached as Appendix “B” to Report FCS23090 / PW23078, which has been prepared in a form satisfactory to the City Solicitor, be enacted by Council.

**Result: Motion CARRIED by a vote of 8 to 0, as follows:**

- YES - Ward 1 Councillor Maureen Wilson
- YES - CHAIR - Ward 2 Councillor Cameron Kroetsch
- YES - Ward 4 Councillor Tammy Hwang
- YES - Ward 9 Councillor Brad Clark
- YES - Ward 10 Councillor Jeff Beattie
- YES - Ward 11 Councillor Mark Tadeson
- YES - Ward 13 Councillor Alex Wilson
- YES - Ward 14 Councillor Mike Spadafora

**6. Land Parcel Master Agreement (FCS23111) (City Wide) (Item 10.5)**

**(Spadafora/Hwang)**

That staff be directed to negotiate and enter into an Agreement, satisfactory to the City Solicitor, with Teranet Inc. under Procurement Policy #11 – Non-competitive Procurements to provide all land parcel/property information, automated delivery, daily and on-demand instead of every two months.

**Result: Motion CARRIED by a vote of 8 to 0, as follows:**

- YES - Ward 1 Councillor Maureen Wilson
- YES - CHAIR - Ward 2 Councillor Cameron Kroetsch
- YES - Ward 4 Councillor Tammy Hwang
- YES - Ward 9 Councillor Brad Clark
- YES - Ward 10 Councillor Jeff Beattie
- YES - Ward 11 Councillor Mark Tadeson
- YES - Ward 13 Councillor Alex Wilson
- YES - Ward 14 Councillor Mike Spadafora

**7. 2024 City Enrichment Fund Advance Payments and 2023 Payment Update (CM23030) (City Wide) (Item 10.6)**

**(Hwang/A. Wilson)**

- (a) That effective January 1, 2024, an advance of City Enrichment Fund funding be provided to the organizations specified in Appendix "A" attached to Report CM23030;
- (b) That any outstanding arrears due to the City of Hamilton by the organizations (as shown in the Appendix "A" attached to Report CM23030) be first applied against the approved City Enrichment Fund grant, including advances until the debt is satisfied, prior to that organization receiving the balance of any approved payment, and;
- (c) That the City Enrichment Fund requirement for audited financial statements for the Winona Peach Festival be waived on a one-time basis and that their 2023 approved funding be released.

**Result: Motion CARRIED by a vote of 8 to 0, as follows:**

YES - Ward 1 Councillor Maureen Wilson  
YES - CHAIR - Ward 2 Councillor Cameron Kroetsch  
YES - Ward 4 Councillor Tammy Hwang  
YES - Ward 9 Councillor Brad Clark  
YES - Ward 10 Councillor Jeff Beattie  
YES - Ward 11 Councillor Mark Tadeson  
YES - Ward 13 Councillor Alex Wilson  
YES - Ward 14 Councillor Mike Spadafora

**8. Indigenous Advisory Committee 2024 Budget Request (HSC23077) (City Wide) (Item 10.7)**

**(A. Wilson/Tadeson)**

That the Indigenous Advisory Committee base budget submission attached as Appendix "A" to Report HSC23077 in the amount of \$3,552.00 be approved and referred to the 2024 budget process for consideration.

**Result: Motion CARRIED by a vote of 8 to 0, as follows:**

YES - Ward 1 Councillor Maureen Wilson  
YES - CHAIR - Ward 2 Councillor Cameron Kroetsch  
YES - Ward 4 Councillor Tammy Hwang  
YES - Ward 9 Councillor Brad Clark  
YES - Ward 10 Councillor Jeff Beattie  
YES - Ward 11 Councillor Mark Tadeson  
YES - Ward 13 Councillor Alex Wilson  
YES - Ward 14 Councillor Mike Spadafora

**9. Procurement Sub-Committee Report 23-001 (November 23, 2023) (Item 10.8)**

**(A. Wilson/Hwang)**

That Procurement Sub-Committee Report 23-001 (November 23, 2023), be received.

**Result: Motion CARRIED by a vote of 8 to 0, as follows:**

- YES - Ward 1 Councillor Maureen Wilson
- YES - CHAIR - Ward 2 Councillor Cameron Kroetsch
- YES - Ward 4 Councillor Tammy Hwang
- YES - Ward 9 Councillor Brad Clark
- YES - Ward 10 Councillor Jeff Beattie
- YES - Ward 11 Councillor Mark Tadeson
- YES - Ward 13 Councillor Alex Wilson
- YES - Ward 14 Councillor Mike Spadafora

**10. Auditor General Reporting of Serious Matters to Council (Case #56207) (AUD23014) (City Wide) (Item 14.1)**

**(Spadafora/A. Wilson)**

- (a) That Report AUD23014, respecting Auditor General Reporting of Serious Matters to Council (Case #56207), be received; and,
- (b) That Report AUD23014, respecting Auditor General Reporting of Serious Matters to Council (Case #56207), remain confidential.

**Result: Motion CARRIED by a vote of 8 to 0, as follows:**

- YES - Ward 1 Councillor Maureen Wilson
- YES - CHAIR - Ward 2 Councillor Cameron Kroetsch
- YES - Ward 4 Councillor Tammy Hwang
- YES - Ward 9 Councillor Brad Clark
- YES - Ward 10 Councillor Jeff Beattie
- YES - Ward 11 Councillor Mark Tadeson
- YES - Ward 13 Councillor Alex Wilson
- YES - Ward 14 Councillor Mike Spadafora

**FOR INFORMATION:**

**(a) CHANGES TO THE AGENDA (Item 2)**

The Committee Clerk advised of the following changes to the agenda:

**1. APPOINTMENT OF CHAIR AND VICE-CHAIR - WITHDRAWN**

**6. DELEGATION REQUESTS**

6.1 Board of Health Governance (Item 8.1) (for today's meeting)

- a. Kojo Dampsey
- b. Lyndon George, Hamilton Anti-Racism Resource Centre (HARRC)

## 8. STAFF PRESENTATIONS

- 8.2 Equity, Diversity and Inclusion Audit (AUD23013) (City Wide)  
- **WITHDRAWN**

## CHANGE TO THE ORDER OF ITEMS

***The following Items will be considered immediately following Item 7, Delegations:***

- 9.1 2023 Board of Health Self-Evaluation Results (BOH23040)  
(City Wide)
- 9.2 Governance Review Sub-Committee Report 23-005  
(November 17, 2023)

### **(A. Wilson/Hwang)**

That the agenda for the December 7, 2023 Audit, Finance and Administration Committee meeting, be approved, as amended.

**Result: Motion CARRIED by a vote of 8 to 0, as follows:**

- YES - Ward 1 Councillor Maureen Wilson
- YES - CHAIR - Ward 2 Councillor Cameron Kroetsch
- YES - Ward 4 Councillor Tammy Hwang
- YES - Ward 9 Councillor Brad Clark
- YES - Ward 10 Councillor Jeff Beattie
- YES - Ward 11 Councillor Mark Tadeson
- YES - Ward 13 Councillor Alex Wilson
- YES - Ward 14 Councillor Mike Spadafora

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

There were no declarations of interest.

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

#### **(i) November 16, 2023 (Item 4.1)**

##### **(Tadeson/M. Wilson)**

That the Minutes of the November 16, 2023 meeting of the Audit, Finance and Administration Committee, be approved, as presented.

**Result: Motion CARRIED by a vote of 8 to 0, as follows:**

- YES - Ward 1 Councillor Maureen Wilson

YES - CHAIR - Ward 2 Councillor Cameron Kroetsch  
YES - Ward 4 Councillor Tammy Hwang  
YES - Ward 9 Councillor Brad Clark  
YES - Ward 10 Councillor Jeff Beattie  
YES - Ward 11 Councillor Mark Tadeson  
YES - Ward 13 Councillor Alex Wilson  
YES - Ward 14 Councillor Mike Spadafora

**(d) DELEGATION REQUESTS (Item 6)**

**(Tadeson/A. Wilson)**

That the following Delegation Requests, be approved for today's meeting:

- (i) Board of Health Governance (Item 8.1) (for today's meeting)
  - (1) Kojo Dampsey (Added Item 6.1(a))
  - (2) Lyndon George, Hamilton Anti-Racism Resource Centre (HARRC) (Added Item 6.1(b))

**Result: Motion CARRIED by a vote of 8 to 0, as follows:**

YES - Ward 1 Councillor Maureen Wilson  
YES - CHAIR - Ward 2 Councillor Cameron Kroetsch  
YES - Ward 4 Councillor Tammy Hwang  
YES - Ward 9 Councillor Brad Clark  
YES - Ward 10 Councillor Jeff Beattie  
YES - Ward 11 Councillor Mark Tadeson  
YES - Ward 13 Councillor Alex Wilson  
YES - Ward 14 Councillor Mike Spadafora

**(e) DELEGATIONS (Item 7)**

**(i) Board of Health Governance (Added Item 7.1)**

**(1) Kojo Dampsey (Added Item 7.1(a))**

Kojo Dampsey, addressed Committee respecting Board of Health Governance.

**(2) Lyndon George, Hamilton Anti-Racism Resource Centre (HARRC) (Added Item 7.1(b))**

Lyndon George, Hamilton Anti-Racism Resource Centre (HARRC), addressed Committee respecting Board of Health Governance.

**(Tadeson/A. Wilson)**

That the following Delegations, be received and referred to the consideration of Item 8.1, Options for the City of Hamilton's Board of Health Governance (BOH23039) (City Wide):

- (1) Kojo Dampitey
- (2) Lyndon George, Hamilton Anti-Racism Resource Centre (HARRC)

**Result: Motion CARRIED by a vote of 8 to 0, as follows:**

YES - Ward 1 Councillor Maureen Wilson  
YES - CHAIR - Ward 2 Councillor Cameron Kroetsch  
YES - Ward 4 Councillor Tammy Hwang  
YES - Ward 9 Councillor Brad Clark  
YES - Ward 10 Councillor Jeff Beattie  
YES - Ward 11 Councillor Mark Tadeson  
YES - Ward 13 Councillor Alex Wilson  
YES - Ward 14 Councillor Mike Spadafora

For further disposition of this matter, refer to Item 1.

**(f) STAFF PRESENTATIONS (Item 8)**

**(i) Options for the City of Hamilton's Board of Health Governance (BOH23039) (City Wide) (Outstanding Business List Item) (Item 8.1)**

Dr. Elizabeth Richardson, Medical Officer of Health, addressed Committee respecting Options for the City of Hamilton's Board of Health Governance, with the aid of a presentation.

**(Tadeson/A. Wilson)**

That the presentation from Dr. Elizabeth Richardson, Medical Officer of Health, respecting Options for the City of Hamilton's Board of Health Governance, be received.

**Result: Motion CARRIED by a vote of 8 to 0, as follows:**

YES - Ward 1 Councillor Maureen Wilson  
YES - CHAIR - Ward 2 Councillor Cameron Kroetsch  
YES - Ward 4 Councillor Tammy Hwang  
YES - Ward 9 Councillor Brad Clark  
YES - Ward 10 Councillor Jeff Beattie  
YES - Ward 11 Councillor Mark Tadeson  
YES - Ward 13 Councillor Alex Wilson  
YES - Ward 14 Councillor Mike Spadafora

For further disposition of this matter, refer to Item 1.

**(g) DISCUSSION ITEMS (Item 10)**

**(i) Hamilton Public Notice Policy By-law FCS23080(a) (Item 10.1)**

**(a) (Tadeson/A. Wilson)**

That the Hamilton Public Notice Policy By-law, attached as Appendix "A" to Report FCS23080(a), be passed and enacted.

**(b) (M. Wilson/Clark)**

(i) That Report FCS23080(a), respecting Hamilton Public Notice Policy By-law be referred to staff to report back to the Governance Review Sub-Committee on the following directions:

- (1) conduct public engagement through print and online media;
- (2) engage with media partners respecting the impact of this policy on them; and
- (3) investigate the cost of an annual mailout to notify the public about where they can find information on notices.

**Result: Motion, CARRIED by a vote of 8 to 0, as follows:**

YES - Ward 1 Councillor Maureen Wilson  
YES - CHAIR - Ward 2 Councillor Cameron Kroetsch  
YES - Ward 4 Councillor Tammy Hwang  
YES - Ward 9 Councillor Brad Clark  
YES - Ward 10 Councillor Jeff Beattie  
YES - Ward 11 Councillor Mark Tadeson  
YES - Ward 13 Councillor Alex Wilson  
YES - Ward 14 Councillor Mike Spadafora

**(h) GENERAL INFORMATION AND OTHER BUSINESS (Item 13)**

**(i) Amendments to the Outstanding Business List (Item 13.1)**

**(A. Wilson/Hwang)**

That the following amendment to the Governance Review Sub-Committee Outstanding Business List, be approved:

- (1) Items Considered Completed and to be Removed
  - (a) Report on Recommendations for a Board of Health Advisory Committee  
Added February 8, 2023 (Council Item 7.7)  
Addressed as Item 8.1 on today's agenda  
Referred from Governance Review Sub-Committee,  
November 17, 2023



- (b) Public Notification  
Added July 5, 2023 (Governance Report 23-003, Item (d)(ii))  
Addressed as Item 10.1 on today's agenda  
Referred from Governance Review Sub-Committee,  
November 17, 2023

**Result: Motion CARRIED by a vote of 8 to 0, as follows:**

YES - Ward 1 Councillor Maureen Wilson  
YES - CHAIR - Ward 2 Councillor Cameron Kroetsch  
YES - Ward 4 Councillor Tammy Hwang  
YES - Ward 9 Councillor Brad Clark  
YES - Ward 10 Councillor Jeff Beattie  
YES - Ward 11 Councillor Mark Tadeson  
YES - Ward 13 Councillor Alex Wilson  
YES - Ward 14 Councillor Mike Spadafora

**(i) PRIVATE AND CONFIDENTIAL (Item 14)**

Committee determined that discussion of Item 14.1 was not required in Closed Session; therefore, the matter was addressed in Open Session, as follows:

**(i) Auditor General Reporting of Serious Matters to Council (Case #56207) (AUD23014) (City Wide) (Item 14.1)**

For further disposition of this matter, refer to Item 10.

**(j) ADJOURNMENT (Item 15)**

**(Tadeson/A. Wilson)**

That, there being no further business, the Audit, Finance and Administration Committee, be adjourned at 12:10 p.m.

**Result: Motion CARRIED by a vote of 8 to 0, as follows:**

YES - Ward 1 Councillor Maureen Wilson  
YES - CHAIR - Ward 2 Councillor Cameron Kroetsch  
YES - Ward 4 Councillor Tammy Hwang  
YES - Ward 9 Councillor Brad Clark  
YES - Ward 10 Councillor Jeff Beattie  
YES - Ward 11 Councillor Mark Tadeson  
YES - Ward 13 Councillor Alex Wilson  
YES - Ward 14 Councillor Mike Spadafora

Respectfully submitted,

Councillor Cameron Kroetsch, Chair  
Audit, Finance and Administration  
Committee

Tamara Bates  
Legislative Coordinator  
Office of the City Clerk

**Bates, Tamara**

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**Subject:** FW: Webform submission from: Request to Speak to a Committee of Council

Submitted on Wed, 01/03/2024 - 09:42

Submitted by: Anonymous

Submitted values are:

## Committee Requested

Committee

~~General Issues Committee~~ Audit, Finance and Administration Committee

Will you be delegating in-person or virtually?

In-person

Will you be delegating via a pre-recorded video?

No

## Requestor Information

Requestor Information

Zachary Bobolo

HTowing

221 Sherman Ave N

Hamilton, ON. L8L 6N2

2896891837

Preferred Pronoun

he/him

Reason(s) for delegation request

Towing contract is now past due over 1 year. My company has invested a vast amount of money in preparation of this contract and is now sinking.

Will you be requesting funds from the City?

No

Will you be submitting a formal presentation?

No



**Bates, Tamara**

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**Subject:** FW: Webform submission from: Request to Speak to a Committee of Council

Submitted on Thu, 01/04/2024 - 16:18

Submitted by: Anonymous

Submitted values are:

## Committee Requested

Committee  
Audit, Finance & Administration Committee

Will you be delegating in-person or virtually?  
Virtually

Will you be delegating via a pre-recorded video?  
No

## Requestor Information

Requestor Information  
Adeyinka taiwo-Fasegha

Toronto, ON.

Preferred Pronoun  
she/her

Reason(s) for delegation request  
I had a water bill issue with Alectra that we investigated and was unable to find the source of the problem. The water meter was eventually replaced and the problem vanished. I was promised a refund of whatever was billed to my account. The promise was unfulfilled because my property is an investment property compared to owner occupied. The city personnel advised to file a delegation request. Thank you.


Will you be requesting funds from the City?  
No

Will you be submitting a formal presentation?  
No





**CITY OF HAMILTON**  
**OFFICE OF THE AUDITOR GENERAL**

<b>TO:</b>	Chair and Members Audit, Finance and Administration Committee
<b>COMMITTEE DATE:</b>	December 7, 2023
<b>SUBJECT/REPORT NO:</b>	Equity, Diversity, and Inclusion Audit (AUD23013) (City Wide)
<b>WARD(S) AFFECTED:</b>	City Wide
<b>PREPARED BY:</b>	Lyn Guo CIA, CMA (US) (905) 546-2424 Ext. 5560  Brigitte Minard CPA, CA, CIA, CGAP, CFE (905) 546-2424 Ext. 3107  Charles Brown CPA, CA (905) 546-2424 Ext. 4469
<b>SUBMITTED BY:</b>	Charles Brown CPA, CA Auditor General Office of the Auditor General
<b>SIGNATURE:</b>	

**RECOMMENDATION**

- (a) That Appendix "A" attached to Report AUD23013, respecting Equity, Diversity, and Inclusion Audit be received;
- (b) That the Management Response, as detailed in Appendix "B" to Report AUD23013 be approved; and
- (c) That the City Manager be directed to implement the Management Responses (attached as Appendix "B" to Report AUD23013) and report back to the Audit, Finance and Administration Committee by December 2024 on the nature and status of actions taken in response to the audit report including the provision of expected completion dates for all items that have completion dates listed as "unknown".

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

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

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

**SUBJECT: Equity, Diversity, and Inclusion Audit (AUD23013) (City Wide) –****Page 2 of 5**

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**EXECUTIVE SUMMARY**

On February 19, 2019, Hamilton City Council passed a motion containing seven directions to City staff, including “staff be directed to prepare a report on the steps that would be required to implement an equity-diversity-and-inclusion lens framework to City policy and program development, practices, service delivery, budgeting, business planning and prioritization...”

This motion complemented the 2018-2022 Term of Council Priorities which included Equity, Diversity, and Inclusion (EDI) with the stated goal of “equity-seeking communities will feel safe, supported and have an enhanced sense of belonging through strengthening community capacity, City responsiveness and creating inclusive engagement opportunities.” This priority was also aligned with the 2016-2025 Strategic Plan high-level priorities of Community Engagement & Participation and Culture and Diversity.

The Office of the Auditor General (OAG) performed an audit that evaluated and assessed the management of progress made on EDI efforts at the City of Hamilton resulting from this Council direction.

The audit included the following three areas:

- Internal EDI assessed the EDI Framework and work related to its implementation within the organization by the Human Resources’ Division’s Talent and Diversity’s Section (HR EDI).
- External EDI (Community EDI) assessed EDI-related efforts led by the Office of Government and Community Relations in Hamilton, with a focus on community engagement, e.g. supporting Urban Indigenous Strategy implementation and citizen advisory groups such as the Committee against Racism.
- Service Delivery assessed whether EDI has been embedded into City services delivered to residents and businesses.

Overall, the OAG sought to answer the question “Is the City set up for a successful implementation of EDI throughout the organization?”.

We sought to answer this question by focusing our work in three areas, 1-internally, as an employer, 2-when engaging with the community in community and public engagement, and 3-in City service delivery.



**SUBJECT: Equity, Diversity, and Inclusion Audit (AUD23013) (City Wide) –****Page 3 of 5**

The OAG finds that the City is not currently set up for assured success. Some progress has been made, but more needs to be done, particularly for some fundamental items that are required as the foundation of EDI efforts at the City of Hamilton.

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

Financial: None.

Staffing: None.

Legal: None.

**HISTORICAL BACKGROUND**

The Office of the Auditor General (OAG) had a Diversity, Equity and Inclusion Audit on the 2019-2022 Term of Council Work Plan (AUD19007).

**POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS**

*Accessibility for Ontarians with Disabilities Act, 2005, S.O. 2005, c.11*

*Human Rights Code, R.S.O. 1900, c. H.19*

**RELEVANT CONSULTATION**

Appendix “B” to Report AUD23013 includes responses from management responsible in the Human Resources Division and the Office of Government and Community Relations, both of which are part of the City Manager’s Office Department.

Various other staff and management across all departments were consulted as required for this audit.

**ANALYSIS AND RATIONALE FOR RECOMMENDATION**

The audit objective was to assess whether the City has a sound plan and strategy, as well as management of the tools and resources to support and achieve the EDI goals as stated in 2018-2022 Council Terms of Priorities, that “equity-seeking communities will feel safe, supported and have an enhanced sense of belonging through strengthening community capacity, City responsiveness and creating inclusive engagement

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: Equity, Diversity, and Inclusion Audit (AUD23013) (City Wide) –****Page 4 of 5**

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opportunities.” At the time of audit fieldwork, the 2023-2026 Term of Council Priorities had not yet been finalized.

The Office of the Auditor General found that though there are many examples of good efforts towards EDI implementation throughout the organization in all areas reviewed by OAG, they tend to lack clear objectives and purpose, are disparate, and often siloed. It is our view that the City needs a sound strategy and project plan in place to implement EDI across the organization including: as an employer, in community and public engagement efforts, and in the delivery of city services to residents and businesses.

However, there have been numerous good efforts made by staff across the organization that forms the foundation for further EDI work, which will be strengthened with the provision of clear corporate direction including the development of objectives and executable strategies, and the provision of effective tools and resources.

The Audit Report summarizing our findings can be found at Appendix “A” to Report AUD23013.

The OAG made 33 recommendations to strengthen EDI processes at the City of Hamilton, these can be found in Appendix “B” to Report AUD23013.

Management agreed with all 33 recommendations, however, the Office of the Auditor General finds that the management responses were more focused on past, rather than future actions that will be taken and is looking forward to seeing more future-oriented plans in the status update that is expected to be provided by December 2024.

The OAG also takes issue with the characterization in Appendix “B” that our recommendations are indicative of a Level 5 in the relevant maturity model. The OAG does not prescribe or assume any particular level in making its recommendations. We believe that regardless of the level of maturity that is selected for implementation, the fundamentals that our findings are based on: good governance, sound project management, proactive risk assessment, and robust change management are gaps to be addressed, with the recommendations we have provided, and no matter the desired level of maturity.

The Recommendations and Management Responses can be found in Appendix “B” to Report AUD23013.

**ALTERNATIVES FOR CONSIDERATION**

None.

**SUBJECT: Equity, Diversity, and Inclusion Audit (AUD23013) (City Wide) –****Page 5 of 5**

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**ALIGNMENT TO THE 2016 – 2025 STRATEGIC PLAN****Community Engagement and Participation**

Hamilton has an open, transparent and accessible approach to City government that engages with and empowers all citizens to be involved in their community

**Economic Prosperity and Growth**

Hamilton has a prosperous and diverse local economy where people have opportunities to grow and develop.

**Healthy and Safe Communities**

Hamilton is a safe and supportive City where people are active, healthy, and have a high quality of life.

**Built Environment and Infrastructure**

Hamilton is supported by state-of-the-art infrastructure, transportation options, buildings and public spaces that create a dynamic City.

**Culture and Diversity**

Hamilton is a thriving, vibrant place for arts, culture, and heritage where diversity and inclusivity are embraced and celebrated.

**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 AUD2301 – Equity, Diversity, and Inclusion Audit Report

Appendix “B” to Report AUD23013 – Recommendations and Management Responses





Hamilton

OFFICE OF THE  
AUDITOR GENERAL

# Equity, Diversity, and Inclusion Audit



December 7, 2023

**Office of the Auditor General**

**Lyn Guo**, Senior Audit and Investigation Specialist

**Nancy Hu**, Senior Audit and Investigation Specialist

**Brigitte Minard**, Deputy Auditor General

**Charles Brown**, Auditor General

## Contents

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Executive Summary .....	3
Introduction and Background.....	5
Audit Objective .....	11
Audit Scope .....	11
What We Did .....	11
How We Did It .....	12
What the Scope Did Not Include .....	12
Key Terms .....	12
Detailed Findings.....	13
Governance and Risk Management - Who is Responsible? .....	13
Internal EDI .....	14
Other Considerations for Internal EDI implementation .....	25
Current State .....	32
Overall Analysis of EDI at the City of Hamilton.....	35
Recommendations .....	40
Conclusion.....	40

## Executive Summary

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- 1 On February 19, 2019, Hamilton City Council passed a motion containing seven directions to City staff, including "staff be directed to prepare a report on the steps that would be required to implement an equity-diversity-and-inclusion lens framework to City policy and program development, practices, service delivery, budgeting, business planning and prioritization..."
- 2 This motion complemented the 2018-2022 Term of Council Priorities which included Equity, Diversity, and Inclusion (EDI) with the stated goal of "equity-seeking communities will feel safe, supported and have an enhanced sense of belonging through strengthening community capacity, City responsiveness and creating inclusive engagement opportunities." This priority was also aligned with the 2016-2025 Strategic Plan high-level priorities of Community Engagement & Participation and Culture and Diversity.
- 3 The Office of the Auditor General (OAG) performed an audit that evaluated and assessed the management of progress made on EDI efforts at the City of Hamilton resulting from this Council direction.

The audit included the three areas below:

- Internal EDI assessed the EDI Framework and work related to its implementation within the organization by the Human Resources' Division's Talent and Diversity's Section (HR EDI).
  - External EDI (Community EDI) assessed EDI-related efforts led by the Office of Government and Community Relations in Hamilton, with a focus on community engagement, e.g. supporting Urban Indigenous Strategy implementation and citizen advisory groups such as the Committee against Racism.
  - Service Delivery assessed efforts to ensure EDI has been embedded into City services delivered to residents and businesses.
- 4 The most significant issues identified by the OAG in this audit were governance, lack of risk assessment and change management in the planning and implementation of EDI. For Community EDI and Service Delivery there are not any overarching strategies and objectives on how or what to achieve.
  - 5 Overall, the OAG sought to answer the question "Is the City set up for a successful implementation of EDI throughout the organization?". We sought to answer this question by focusing our work in three areas, 1-internally, as an employer, 2-when engaging with the community in community and public engagement, and 3-in City service delivery. The OAG finds that the City is not currently set up for assured success. Some progress has been made, but more needs to be done, particularly for some fundamental items that are required as the foundation of EDI efforts at the City of Hamilton.

- 6 A Corporate EDI Framework has been developed and is in the process of being implemented; however, there is no fully developed Project Management Plan (PMP) for the implementation of the EDI (now IDEA) framework.
- 7 The work done to date is good, but the efforts need to be executed in a more systematic and methodical way. As such, the City's data collection and metrics are still in the early stages and need to more meaningfully inform the City on the barriers to equity, diversity, and inclusion and/or its progress towards addressing these issues.
- 8 For EDI efforts, EDI implementation and governance should not be the responsibility of the HR EDI team alone. HR EDI should use the established Framework to help guide the individual Departments and other Divisions with their own, specific EDI-related goals. HR's EDI work should focus on their purview (recruitment, promotion, retention, etc.), and be a resource for EDI (e.g. provide training), but the responsibility for implementing EDI in the organization should be with the individual Departments and Divisions and could be overseen by a formal Steering Committee supported by HR EDI.
- 9 The HR EDI team proposed and implemented a form of EDI Steering Committee to help with EDI implementation but in its current deployment, it does not function as a conventional steering committee. It is more of a liaison group or departmental advisory committee. One of the duties of a steering committee is to oversee and support a project to ensure the attainment of its goals. Having the right governance structure ensures accountability and oversight of initiatives / strategies that impact more than one department or division. This would also address the concern where several staff in various service delivery areas have said Corporate support is needed to help service and program areas to develop their own strategy for embedding EDI in business processes.
- 10 We found the initiative lacks a comprehensive, corporate project plan, strategy and direction to City Departments and Divisions for achieving EDI goals. There are very limited tools and resources to support achieving the organization's EDI goals, particularly for Community EDI and Service Delivery.
- 11 That being said, we do recognize some service areas have made efforts towards the goals, such as having retained or intending to retain an equity specialist whose job would be developing EDI strategy for their service areas; and embedding EDI in its 5-year Economic Development Action Plan, etc. Further, these efforts have laid the foundation so the City can continue to build up the strategies, project plan and corporate direction to move the City towards its EDI goals. Without an effective corporate governance model for EDI efforts, Departments and Divisions will continue in their service delivery efforts without clear corporate direction and EDI efforts will be less effective than they could be.
- 12 In late 2022, EDI was rebranded as IDEA (Inclusion, Diversity, Equity and Accessibility) to include the Accessibility work done by the HR Talent & Diversity team. As EDI was the term when the audit started and was the focus of the audit, we use the term EDI in this audit report.



- 13 Overall, OAG has made 33 recommendations in the Recommendation Report (Appendix "B" to Report AUD23013) which will address the key audit findings, with a focus on EDI implementation from a project management perspective.

## Introduction and Background

### The City of Hamilton's Equity, Diversity, and Inclusion Actions

- 14 Some demographic data for Hamilton per the Statistics Canada 2021 Census is below:

**Figure 1: City of Hamilton Demographic Data**

Demographic Category	Hamilton, 2021	
	Total Population	Population 15+ in Labour Force
Men	49.2%	52.0%
Women	50.8%	48.0%
Indigenous	2.2%	2.1%
Visible Minority	25.1%	24.7%
Persons w/a Disability	39.1%	35.8%

Source: Data is derived from custom tabulations of Statistic Canada's 2021 Census obtained by the City of Hamilton as a consortium member of the Canadian Community Economic Development Network (CCEDNet) Community Data Program.

Below is data from the Employment Equity Survey as reported by Human Resources showing the make-up of the City of Hamilton's employee population in 2021 (note: response rate to this survey was below 80%).

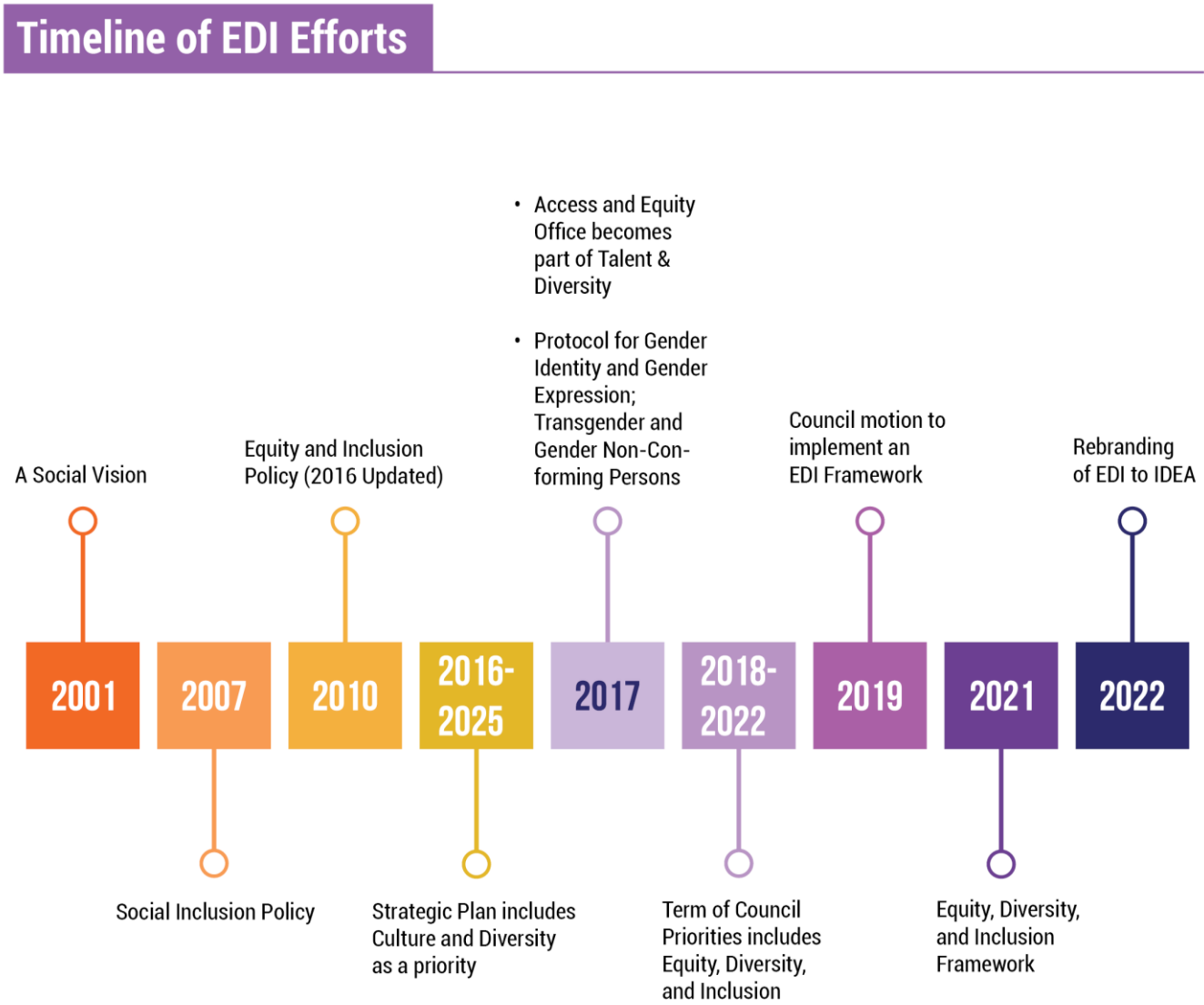
Employment Equity Data	Self-Identifies as			
	Woman	Aboriginal/ Indigenous	Visible Minority/ Racialized	Person with a Disability
City of Hamilton Staff Survey (ACTIVE RESPONDENTS (2021))	48.8%	2.2%	12.0%	5.6%

Source: Report to Council [HUR19019 \(c\) Appendix B](#), from November 30, 2022.

- 15 There have been previous efforts in the City of Hamilton (the City) to attempt to address equity, diversity, and inclusion. Starting in 2001 with "A Social Vision" which was a Social Development Strategy document for the City of Hamilton that included a description of Hamilton as "a vibrant community which promotes support for basic needs as well as inclusion and learning for all. Inclusion involves recognition of respect for diversity."
- 16 In 2007 a Social Inclusion Policy was proposed with the intent of acknowledging the impact that social barriers like poverty, language, ability, racism, and classism have on the ability of a

person to participate fully in life within a community. The OAG could not find any evidence of an actual policy and/or its implementation.

Figure 2: Timeline of EDI Efforts



17 One of the earliest City policies regarding equity, diversity, and inclusion was the Equity and Inclusion Policy created in 2010. The Policy was developed “to enhance and strengthen Council’s decisions and to apply the principles to all City of Hamilton’s processes, policies, practices, programs, services, opportunities, actions, corporate strategic plans and departmental goals in ensuring beneficial outcomes and improved quality of life for all of the City’s internal and external stakeholders.”

18 There are three principles that underpin this City policy:

- The principle of Equity which reflects the City’s inherent belief in the human rights of all persons.

- The principle of Inclusion which creates a sense of belonging.
- The principle of Diversity that validates the sum total of potential found in any group of people.

- 19 The administration of this policy fell under the Access and Equity Office, which became part of the Talent and Diversity office in 2017. The Talent and Diversity Office includes the current Diversity and Inclusion Section within the Human Resources Division (HR EDI).
- 20 This policy was updated in 2016 to include the term "Gender Expression." It is currently being revised as part of the ongoing internal EDI implementation work by HR EDI.
- 21 In 2016, the ten-year Strategic Plan (2016-2025) for the City was approved by City Council and there were seven priorities, including Culture and Diversity: "Hamilton is a thriving, vibrant place for arts, culture, and heritage where diversity and inclusivity are embraced and celebrated."
- 22 A trigger event that brought diversity and inclusion into the spotlight was the legal settlement in 2016 between the City and a transgender woman respecting a human rights application after the woman was denied entry to the woman's washroom and instead, was offered a universal washroom at one of the City's facilities.
- 23 The settlement included an agreement to codify specified City practices with regards to the protected grounds of gender identity and gender expression and the rights of transgender and gender non-conforming persons. The Protocol for Gender Identity and Gender Expression: Transgender and Gender Non-conforming was created to meet this obligation and was approved by Council in 2017. Additionally, Transgender Protocol training is mandatory for all new employees.
- 24 In 2017, a Diversity and Inclusion Strategic Plan was developed by HR's Diversity and Inclusion office. The strategic plan is at a very high level. The Diversity and Inclusion Strategic Plan set the priorities of the Diversity and Inclusion team as follows:
- Legislative and policy compliance
  - Education
  - Workplace diversity
  - Database and metric tracking
  - Workplace inclusion
- 25 The Diversity and Inclusion Strategic Plan objectives were:
- To ensure all aspects of our City are built on the principle of human rights, diversity and inclusion
  - To create, foster, support and ultimately sustain a City culture whereby all people feel a strong sense of inclusion, empowerment and opportunity to develop and growth.

- 26 In 2018, Equity, Diversity, and Inclusion was included in the 2018-2022 Term of Council Priorities. The priority states, "The City is committed to creating and nurturing a city that is welcoming and inclusive."
- The goal of this priority is that "Equity-seeking communities will feel safe, supported and have an enhanced sense of belonging through strengthening community capacity, city responsiveness and creating inclusive engagement opportunities."
- 27 This priority was aligned to the ten-year Strategic Plan priorities of Community Engagement & Participation, Culture and Diversity, and Our People & Performance.
- 28 A motion approved by City Council in February of 2019 was the most recent effort to address EDI for the City. In 2019, as part of the Council-approved motion, staff was directed to look into what would be required to implement an "equity-diversity-and-inclusion lens framework to City policy and program development, practices, service delivery, budgeting, business planning and prioritization."
- 29 One item in the 2019 Council-approved motion stated that "the City's Internal Audit services conduct an Equity, Diversity and Inclusion (EDI) Audit, city-system wide, to establish the baseline as it relates to City policy, program development, hiring and staff development practices, service delivery, budgeting, business planning and prioritization by which to measure progress annually." As a result, an audit of EDI implementation by the City was put on the 2019-2022 Audit Workplan.
- 30 In September 2021, Ernst and Young (EY) and the HR Director of Talent and Diversity presented to Council an EDI Framework, which was approved by Council. This framework and the work to implement it was reviewed as part of this audit.
- 31 To support the implementation, a Senior Project Manager (SPM) EDI was hired in Q2 2022, and an EDI Human Resources Business Partner (BP) was hired in Q3 2022.

## **Community EDI Implementation**

- 32 In 2019, community priority population programs/services that used to be within the Community Initiatives portfolio under Healthy and Safe Communities were restructured. While most work in the portfolio remained within the Healthy and Safe Communities Department, the 25-year Community Vision – Our Future Hamilton, Strategic Public Engagement and Community Initiatives, together with 2 Full Time Equivalent (FTE) employees were transferred to the City Manager's Office. In 2021 this work was moved, reporting to the Director of the Office of Government and Community Relations. Today, the community relations work performed and overseen by this Office includes:
- Corporate-wide Public Engagement
  - Hate Mitigation & Prevention Action Plan

- Distribution, development coordination, programming and funding of the City Enrichment Fund
- Overseeing the funding and service agreement with Hamilton Anti-Racism Resource Center (HARRC)
- Community inclusion objectives such as fostering community partnerships and relationships on behalf of the City of Hamilton (including inclusion campaigns – Hamilton for All, Salam Hamilton, representation on various community working groups and network tables.
- Ongoing Support and Oversight of five Citizen Advisory Committees:
  - Mundialization Committee
  - Immigrants and Refugees
  - Women and Gender Equity
  - Committee Against Racism
  - Advisory Committee for Persons with Disabilities
  - LGBTQ Committee – moved to the Healthy and Safe Communities Department in early 2023 to align with the Community, Safety & Well-being Plan

- 33 The Office also provided collaborative support to the Urban Indigenous Strategy and Community Safety and Well-being Plan that were developed in consultation with community partners and whose creation was led by teams from the Healthy and Safe Communities Department.
- 34 In 2020, resulting from Council direction, Sage Solutions Inc was engaged for consulting work to:
- Review the City's draft policy, procedures and Trespass By-law on hate mitigation and provide advice based on best practices and public input.
  - Engage the community and garner input from residents, equity-seeking groups, and other key community stakeholders on current hate-mitigation policies and strategies.
  - Produce and present public consultation findings on hate-mitigation policies and procedures, as well as other broader ideas to combat hate.
- 35 In August 2021, 18 recommendations were presented to Council (at the General Issues Committee-GIC) at the conclusion of Sage Solutions' work, of which four of the recommendations were considered out of the jurisdiction of the City.
- 36 The 18 recommendations were grouped in the following four themes:
- **Proactive Leadership** included four recommendations, called for the City to take the lead condemning hate activities and promote positive values, establishing a well-informed response to stand against hate, resource and implement an action plan to confront systemic racism, oppression and other forms of discrimination.

- **Centring Communities** included seven recommendations, called for collaboration with community partners and stakeholders to initiate convergent strategies to combat hate, focus on prevention, increase diverse representation at decision-making tables and invest in safe community spaces.
- **Education and Early Intervention** included two recommendations, called for early education starting from school curriculum on prevention of racism and hate, equity, diversity, inclusion, justice and belonging, partnership with school boards and community organization. Invest in placemaking initiatives that encourage diverse community interactions across groups.
- **Regulations and Enforcement** included five recommendations, called for standing against hate beginning on City properties, build a coordinated community reporting system and collaborate with Police Services.

37 The Office of Government and Community Relations proposed seven action plans to address these recommendations.

## EDI in Service Delivery

38 One of the motions from the February 2019 Council meeting referenced above was that an implementation of the equity, diversity, and inclusion lens begin in the City's Housing & Homelessness Strategy and service delivery. To address this, the Housing and Homelessness Action Plan (HHAP) developed by Housing Services in 2013 was reviewed and revised in 2019 and 2020. According to the 2020 version of HHAP, a formal equity, diversity, and inclusion framework and Gender Based Analysis Plus (GBA+) are to be developed to ensure they are effectively meeting the specific needs of the people who need them.

39 Most of the progress the City of Hamilton has made so far was in response to legislative requirements. Examples include:

- Accessible transportation (DARTS, transit infrastructure).
- Accessible facilities (park benches, braille in City buildings).
- Inclusion programming in Recreation Centers operated by the City.

40 The Economic Development Action Plan (EDAP) included two actions to address EDI as a result of recognizing the importance of the contribution of immigrants to economic growth and the labour force in Hamilton. The Planning and Economic Development Department also manages the Placemaking Pilot Grant program which encourages community interaction to embrace EDI.

41 In addition to the six permanent program areas of funding under the City Enrichment Fund, a pilot grant program for digital equity was added and aimed to be operationalized in 2023/2024. In addition, a set of new EDI questions was included in the grant application intake process to inform grant award decision making.

## Audit Objective

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- 42 The objective of the audit was to assess whether the City has a sound plan and strategy, as well as the management of tools and resources to support and achieve the EDI goals as stated in 2018-2022 Council Terms of Priorities, that "equity-seeking communities will feel safe, supported and have an enhanced sense of belonging through strengthening community capacity, City responsiveness and creating inclusive engagement opportunities." At the time of audit fieldwork, the 2023-2026 Term of Council Priorities had not yet been finalized.

## Audit Scope

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- 43 The scope of the audit included reviewing the HR EDI framework, current strategies, project management activities, roadmap and action plans in both Human Resources and the Office of Government and Community Relations, and EDI implementation in the City of Hamilton's service delivery.

## What We Did

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- 44 To address City Council's February 19, 2019 motion to perform an audit "to establish the baseline as it relates to City policy, program development, hiring and staff development practices, service delivery, budgeting, business planning and prioritization by which to measure progress annually," the OAG divided the audit into the following areas of focus.
- Internal EDI led by Human Resources Talent & Diversity's EDI team (HR EDI)
  - External (Community) EDI led by Office of Government and Community Relations
  - EDI implementation in service delivery for the following areas:
    - Children's and Community Services, Housing Services, Recreation, and Family Health in the Healthy and Safe Communities Department
    - Transit, Parks and Cemeteries in the Public Works Department
    - Tourism and Culture, Planning, Small Business and Business Investment in the Planning and Economic Development Department
    - CityHousing Hamilton
- 45 For these three areas OAG performed the following procedures:
- Gained an understanding of the history of EDI efforts in the City.
  - Gained an understanding of the work completed to-date and in progress on the Internal and External (Community) EDI implementation as well as what is being done in City service delivery.



- Reviewed the work and recommendations of consultants, as applicable, in the three areas.
- Performed relevant testing and review of policies and procedures to verify/validate progress made to date on EDI implementation.
- Assessed the City's procedures and structures in place to implement and manage EDI implementation.

## How We Did It

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- 46
- Reviewed documentation such as strategic and project management plans, policies and procedures, contracts, RFPs, and Council Reports related to current EDI implementation efforts.
  - Reviewed webpages with information related to EDI implementation including Divisional webpages regarding services and programs.
  - Interviewed relevant staff, including over 60 staff members across the organization in the three areas, including four current General Managers (GM).
  - Reviewed available data, metrics, and performance measures, as applicable.
  - Researched EDI literature, websites, and other municipalities' work.

## What the Scope Did Not Include

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- 47
- This audit did not include a review of all service areas in all Departments, a sample of service areas were selected for review for the audit.

## Key Terms

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- 48
- The definitions below were provided by Human Resources Talent & Diversity group from the Corporate New Employee Orientation (CNEO) Equity, Diversity and Inclusion (EDI) training available to new employees.

**Accessibility** - Inclusive practice of ensuring everyone along the continuum of human ability and experience can acquire the same information, engage in the same interactions, and enjoy the same services in an equally effective and integrated manner with substantially equivalent ease of use.

**Diversity** - A term used to encompass the acceptance and respect of various dimensions such as race, gender, sexual orientation, ethnicity, socio-economic status, religious beliefs, age, physical abilities, place of origin, and education.



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**Equity** - A condition or state of fair, inclusive, and respectful treatment of all people. Equity does not mean treating people the same without regard for individual differences.

**Inclusion** - The extent to which diverse members of a group feel valued and respected. It is often referred to as a sense of belonging.

The definitions below were provided the Office of Government and Community Relations:

**Community Engagement** - Community engagement refers to a strategic process, intention, or action with the goal of facilitating interactions, building relationships, and working collaboratively with identified groups of people, whether they are affiliated by a geographic location (community of place), a community of similar interest, or a community of affiliation or identity, to affect positive change.

**Public Engagement** - Public engagement or public participation is viewed as any intentional process that involves the public in problem solving or decision-making and uses public input to inform decisions.

**Barrier** - A barrier is anything that keeps an individual or group from participating fully in an activity. A barrier can be visible, invisible, environmental, physical, economic, social, or political. Barriers prevent full communication, working together, and progress or achievement.

**Equity-Seeking Groups** - Equity-seeking groups are those that identify barriers to equal access, opportunities and resources due to disadvantage and actively seek social justice and reparation.

The definition below is taken from Statistics Canada:

**Visible Minority** - refers to whether a person is a visible minority or not, as defined by the *Employment Equity Act*. The *Employment Equity Act* defines visible minorities as "persons, other than Aboriginal peoples, who are non-Caucasian in race or non-white in colour". The visible minority population consists mainly of the following groups: South Asian, Chinese, Black, Filipino, Arab, Latin American, Southeast Asian, West Asian, Korean and Japanese.

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## Detailed Findings

### Governance and Risk Management - Who is Responsible?

- 49 A greater focus on change management at the organizational level is needed to prepare, equip, and support staff in moving towards embedding EDI in day-to-day work at the City and in the way the City delivers its services.
- 50 Additionally, a formal risk assessment has not been performed for EDI implementation. A risk assessment helps management identify goals, obstacles, and gaps along the way (risks), and determine strategy to mitigate the risks. For a long-range project as EDI implementation, it

would help in determining what the goals are in the short-term and what the goals are for the long-term, and subsequently how resources can be prioritized to meet these short term and long-term goals. It can help to realistically assess what can be achieved in the short- term and how much the City can commit to on an annual basis to help relieve the pressure on the organization and manage stakeholder expectations throughout this journey.

- 51 Further, the City of Hamilton budget process has yet to formally embed EDI considerations in the budgeting process, nor is there a budget set aside to support embedding EDI in service delivery. Having said that, some areas have funded or intend to fund an EDI specialist, which is important. Budgeting with EDI considerations in service delivery would help to address the issue of equitable provision of services and programs to diverse groups and enable the City to measure and track the investments it makes in embedding EDI into the City's service delivery.

## Internal EDI

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### EDI Framework Development

- 52 OAG reviewed the work done by Ernst & Young (EY) which informed the EDI Framework being implemented and the related systemic initiatives. We did find some issues with the deliverables that pose challenges in the development of the Framework and initiatives.
- 53 The cultural assessment survey, on which EY's assessment of City culture and subsequent recommendations were based, was not representative of City staff. For example, the 43% response rate is of those who were sent the survey link via email. There are a large group of employees without City email addresses. The OAG estimates that the survey responses represented only 27.5% of the total employees at the time.
- 54 From a review of the cultural survey results, it is not clear to the OAG how or whether the tool rigorously gauged equity or diversity. The only item the OAG noted was a question that asked: do you think we have a diverse workforce? The survey had more questions regarding day-to-day general work environment/culture and broadly gauges inclusivity. The OAG finds it to be similar to the City's Our People Survey which was sent out four months later.
- 55 An Executive Leadership Assessment (ELA) was done with the Senior Leadership Team (SLT) team at the time. The ELA is a one-on-one consultant-led assessment with SLT members to provide tailored development plans for areas and ownership for driving behaviour changes related to EDI. This along with the cultural assessment was meant to be done annually but were not. These were intended to be measures of progress/impact of our EDI implementation progress.
- 56 Additionally, EY proposed six systemic initiatives which were recommended as part of the Framework to implement EDI within our organization. The initiatives and key activities are shown in Figure 3 (Summary of EDI Roadmap):

Figure 3: Summary of EDI Roadmap

## Summary of EDI Roadmap – Summary of Systemic Initiatives

Following data collection and analysis from multiple sources – EDI diagnostic survey, Leader Interviews, Focus Groups, and a Senior Leadership Team Workshop – the following systemic initiatives were recommended in the EDI Framework

1

### **BUSINESS CASE**

Create EDI business case to outline the benefits of EDI and how it impacts business performance and the City's overall objectives

**Key Activities:**

- Assemble the EDI business case team
- Define the business case
- Implement business plans and set up review cycle
- Communicate business case

2

### **COMMUNICATIONS PLAN**

Create an organization-wide communications plan that includes an EDI calendar, campaign and community events

**Key Activities:**

- Broadcast Leadership's commitment to EDI
- Create EDI communications campaign strategy
- Create EDI communications calendar
- Spread awareness of EDI learning events

3

### **STRUCTURED PERFORMANCE MANAGEMENT**

Implement targeted approaches to help retain employees and progress all employees fairly

**Key Activities:**

- Assemble performance management and career progression subcommittee
- Enhance performance appraisal process
- Create targeted talent development programs
- Enhance talent mapping and succession planning
- Measure impact

## Summary of EDI Roadmap – Summary of EDI Cultural Behaviours

Following data collection and analysis from multiple sources – EDI diagnostic survey, Leader Interviews, Focus Groups, and a Senior Leadership Team Workshop – the following EDI cultural behaviours were recommended in the EDI Framework.

4

### LEADER COMMITMENT

Improve Senior Leadership communication to better cascade priorities to various levels within the organization

**Key Activities:**

- Engage team with EDI content
- Define behavioural sprint, implement, reflect and engage, report back and iterate

5

### INCLUSIVE COLLABORATION

Actively seek out opportunities to involve others and regularly seek feedback on how to team more inclusively

**Key Activities:**

- Encourage feedback
- Incorporate the use of inclusive language
- Break down silos
- Define behavioural sprint, implement, reflect and engage, report back and iterate

6

### BETTER RECOGNIZE AND PROMOTE EMPLOYEES

Lead with an open-mind to drive more employee recognition

**Key Activities:**

- Increase recognition
- Foster a work environment where varying opinions and ideas are welcome
- Define behavioural sprint, implement, reflect and engage, report back and iterate

- 57 At a high-level, the six initiatives recommended by EY as well as the EDI Framework (see Figure 4) are reasonable to move the City towards its objective to implement the EDI Framework, but they lack specific details on how to operationalize them. There is not much detail regarding what should specifically be done and to what end for each of the six initiatives. It is not clear what the short-term objectives are and how, specifically, will these objectives contribute to addressing equity, diversity, and inclusion at the City of Hamilton.
- 58 The EDI Framework sets up an administrative/HR support structure but the path to meaningful, systematic organizational change is much more difficult to achieve than fulfilling the six proposed initiatives. HR EDI needs to fill in the details. The somewhat rudimentary nature of the recommendations (e.g. "create business case") is also indicative that EDI as a concept was/is not mature at the City of Hamilton.
- 59 With the substantive use of consultants in EDI implementation work, the City should be more directive and/or have more scrutiny of the work of consultants. As it was noted above, one of the inputs for the EDI Framework was informed by a survey that was not representative of the City's staff, and EY provided high-level guidelines but little in the way of details that can be operationalized, the City of Hamilton should consider how to ensure consultants are providing us with recommendations that are actionable and whether they will have a lasting impact given the cost for engaging consultants.

## Project Management of EDI Framework Implementation

- 60 With respect to project management fundamentals, OAG found there is no fully developed Project Management Plan (PMP) for the implementation of the EDI Framework. OAG asked HR EDI staff for a PMP and was provided a Gantt chart, which is a project management tool that illustrates work completed over a period of time in relation to the time planned for the work. The chart provided included start and end dates of specific tasks, but it was very rudimentary (e.g. no dependencies-one task can only start once another is completed, no project milestones, no critical path, etc.). Per HR EDI staff, the PMP is a work in progress and still being developed. It is noted that the Senior Project Manager (SPM) EDI was hired in Q2 2022.
- 61 Typically, a Project Management Plan has 5 key items:
1. Project Charter (Business Objectives & Process Success Criteria)
  2. Project Requirements
  3. Work Breakdown Structure (defines scope in terms of deliverables)
  4. Plan (includes risk, budget, resources, schedule, quality assessment, procurement, etc.)
  5. Communications (identifying stakeholders and what information to share, who should get it, how to distribute, and when to share).
- 62 These five items are typically developed in sequential order.

Source: [pmi.org](https://www.pmi.org)

- 63 Though HR EDI is still in early stages of the EDI Framework implementation, work has been done on several of the initiatives without having a fully developed PMP. This is likely the reason for the lack of objectives and goals (short- and long-term) related to the EDI Framework implementation to date (see related Findings below).

## Status of EDI Road Map and Implementation to Date

- 64 The OAG reviewed and documented HR EDI's progress to date on the implementation of the six initiatives noted above to support the EDI Framework.
- A **Business Case** was written by EY for the City of Hamilton
  - The **Communication Plan** for EDI framework is still in progress. However, there are not clear objectives and goals of what the Communication Plan will be achieving and what the communications should be about.
  - **Structured Performance Management:** Some succession planning work has been proposed but this is still in development. Some draft documents were provided to the OAG and the succession planning objectives included: "consider diversity of candidates," and the end goal of succession planning was to "provide a continuous flow of diverse talented high potential employees ready to move into key positions." There was no information on how "diverse" is defined in this context or what may be considered adequately "diverse".
  - **Leader Commitment:** Some short videos have been filmed by the Senior Leadership Team (SLT), but still need to be edited and finalized. The plan is for the videos to be included in new employee orientation sessions. SLT Performance Accountability and Development (PAD) goals include Harvard ManageMentor training completion rates and Employment Equity survey completion rates.
  - **Inclusive Collaboration:** More EDI (IDEA) training modules are being developed. There is a proposal for a Leadership Allies group for IDEA work which would include training leaders on how to have impactful IDEA discussions with their staff.
  - **Better Recognize and Promote Employees:** The HR Organizational Learning & Development Section has a proposal to create a framework to set minimum guidelines for employee recognition events. Based on the OAG's review of this work, it is not clear how this will further EDI work for this initiative.
- 65 Some of the six components of the framework should work in progression and/or piggy-back off each other. For example, the first step is a business case which should be the driver for EDI. The business case should help inform the Communication Plan objectives (why the City is doing this, why is it important, etc.), which should drive what data the City collects. Demonstrated ownership drives action plans (and possibly vice versa). Action plans should also drive the performance measures the City maintains. HR EDI seems to be putting efforts



towards each component separately and/or independently. As such, it is difficult to track the true progress of the Framework's implementation. This also contributes significantly to why the City does not have meaningful metrics linked to action plans at this time.

- 66 The work completed to date are steps towards embedding EDI in the organization. However, because of the lack of specific objectives and goals, there is not a systematic or methodical approach to this important work.

Figure 4: EDI Framework



Source: [Report to Council HUR19019 \(b\) Appendix A](#), from September 22, 2021

## EDI Steering Committee

- 67 The EDI Steering Committee (SC) was formed prior to the creation of the current EDI Framework. The Steering Committee was approved by Council as proposed in the September 18, 2019 General Issues Committee-GIC report, (HUR19019) to be comprised of representatives from all departments and across all levels of the organization.
- 68 In our view, the EDI Steering Committee that was eventually formed is more of an Advisory Committee comprised of staff liaisons between the HR EDI team and their respective Departments/areas. Though they have done some of the work that was originally proposed, they do not function as a conventional steering committee. The first Steering Committee met in September 2020 and the members participated in the focus groups EY put together to inform the subsequent EDI Framework.
- 69 A steering committee is meant to be a governing body tasked with overseeing and supporting a project.
- 70 They provide guidance and support to achieve project objectives and goals throughout the term of the project. This is not the current function of the EDI Steering Committee.
- 71 A steering committee usually includes stakeholders and representatives from departments with a significant stake in the project's success. For example, in the case of the City, this would include:
- General Managers as well as heads of Divisions.
  - Subject matter experts from Departmental areas already doing EDI work.
  - Employees with substantial project management expertise.
- This is not the current make up of the EDI Steering Committee.
- 72 The original Steering Committee was comprised of 18 members. General Managers (GMs) were asked to nominate individuals from their Departments to participate in the Steering Committee. The criteria for nominations were/are:
- Strong performance and high potential in their current role
  - Succession planning candidates that would benefit from participation in an organizational project of this scope
  - Viewed as influencers within their current teams/workgroups who can be early adopters of EDI
  - Various and diverse perspectives and lived experiences to enhance the decision outcomes
- 73 Further, nominees had to possess the "Ability to devote the required time to participate in this initiative, which is anticipated to be approximately two hours of meeting time per month along with quarterly half day sessions for the next two to three years."



- 74 The original Committee members included staff from each of the five Departments (Corporate Services, Healthy and Safe Communities, Planning and Economic Development, Public Works, and the City Manager's Office).
- 75 At the time of OAG's fieldwork there were 15 EDI Steering Committee members (four Managers, one supervisor, and ten staff). OAG interviewed ten of the members. Of the members OAG interviewed, many seemed to have been appointed (based on their knowledge) as a professional development opportunity (later corroborated by GM interviews as well) and time availability criteria, but few mentioned lived experiences. Some members did volunteer/ask to participate because they were already doing EDI work in their area and had a passion for the work. Three of the four criteria above emphasize members who have been identified in their department as potential leaders rather than lived experiences or knowledge/work done in EDI.
- 76 In our consultations with HR, they felt that it was not necessary for the members to be knowledgeable about EDI because members of the Steering Committee would receive training. It was more important that the members be influencers/future leaders that could take the training they receive and help embed the knowledge in their respective Departments.
- 77 These EDI Steering Committee nominations were made before any unconscious bias training was provided to management and was during the early stages of the City's Employment Equity Data collection. The OAG also noted that the City does not collect demographic data on LGBTQ2SIA+ staff. Of the ten Steering Committee members interviewed, only one confirmed to OAG they identified as a visible minority.
- 78 In our opinion, the established criteria are not the most effective criteria for a committee to help implement and embed EDI. Criteria for the Committee should be based on what would help best achieve the objectives and goals of the Committee. Lived experience should have a greater emphasis and the criteria not just limited to staff member's demographic self-identification. A white male could have a spouse or children that come from the four groups and/or identify as LGBTQ2SIA+. There should be more inclusive and equitable criteria as well as documentation as to why someone was nominated. Having individuals with lived experiences involved in EDI implementation would help embed the cultural and behavior elements needed for success. There should also be a criterion for individuals already doing EDI work in service areas (e.g., Paramedics and Public Art have already embedded elements of EDI in the work they are currently doing.).
- 79 Further, the emphasis on succession planning and future leaders is a criterion that could be seen as a barrier as the City currently does not have (and did not have at that time) succession plan guidance on how to identify and/or recruit a more diverse pool of candidates for future leadership.
- 80 Regarding the work done to date by the current Steering Committee, a common issue mentioned during the SC interviews was that the committee seemed to languish for the first year or so. It took a long time to develop the Terms of Reference (TOR) to understand what their purpose as a Steering Committee member was. Even now some members still feel there is a lack of understanding of objectives and purpose amongst some of them.

- 81 This year, Steering Committee members were asked to create individual workplans for Education (training) and Communication to execute in their departments and/or areas. Some members mentioned it was not clear what about EDI they should be communicating. The OAG was provided with two SC workplans as examples to review and saw very disparate approaches to communications. Some of this was due to the two areas being different and having unique communication methods (e.g., televisions in common areas vs. email, etc.) but there was not a cohesive rollout of EDI communications, including messaging. There was no evidence of any guidance from HR EDI regarding inclusive language or accessibility considerations in their delivery. This is not surprising as the Communication Plan as part of the EDI Framework implementation has not been finalized.
- 82 One of the risks with this disparate approach to EDI communications is communication fatigue and communications are perceived as performative (emails about holidays and events) and not cohesive and substantial. By the time the City of Hamilton has more substantial communications, people may not take notice.
- 83 Also mentioned by some Steering Committee members was the feeling there is not full support by all levels of management within their Department and/or Division and they feel lost as to how to go about working within their Division to support EDI efforts. The Steering Committee members have been questioned as to the value and purpose of what they are doing for the time spent. This is likely a result of the overall lack of objectives and goals for the Committee as well as the function being more of a group of advisory liaisons for their respective areas without enough reach for other Divisions and their entire Department.
- 84 The current structure and strategy for the EDI Steering Committee is not conducive to creating substantial change to embed EDI in the organization.

## Data Collection and Performance Measurement

- 85 The Employment Equity Survey (EES) was launched in January 2020. Through the Employment Equity Survey (EES), staff (including new hires) and applicants are asked if they self-identify as a Woman, Aboriginal (Indigenous), Visible Minority/Racialized, or Person with a Disability. The data collected follows demographic data collection requirements per the Employment Equity Act for federal and federally regulated organizations. The requirement does not apply to the City (The City is not a federal or federally regulated organization). However, HR EDI started to use this requirement and follow the guidance as a basis to start collecting some Employment Equity data. Also, as noted below, the City's PeopleSoft system was already configured for this.
- 86 In reviewing the process, we found that the data collected is very basic and the survey response options are limited. For example, it does not offer individuals an option to self-identify as a member of the LGBTQ2SIA+ community. According to HR EDI, they are currently limited in what they can collect regarding demographics as there are system limitations as to what data can be stored in the PeopleSoft HR system. The collection of the four demographic groups was done because PeopleSoft was already set up for it. Any additional data collection

or storage would require additional modules or further customization in the existing system. Additional modules and customizations would require a funding source/budget.

- 87 The EES data was collected to inform the metrics that track if City of Hamilton staff and job applicants are reflective of the community they serve. To date, HR EDI staff has simply periodically reported the collected data with the data available from the 2016 Census on Hamilton Labour Market Availability (LMA) and the Canadian LMA to show progress towards being reflective of the community. The survey results have been reported to Council regularly, with the most recent report provided on November 30, 2022 as Appendix B with HR’s report HUR19019 (c). The OAG has also included the 2021 Census Data for informational purposes below (Figure 5, “Demographic Category”) and again later on in the report (Figure 6), as there have been changes between the 2016 and 2021 census data.

**Figure 5: Demographic Category**

Employment Equity Data	Self-Identifies as			
	Woman	Aboriginal/ Indigenous	Visible Minority/ Racialized	Person with a Disability
City of Hamilton Staff Survey (ACTIVE RESPONDENTS (2022))	47.7%	2.2%	12.4%	5.5%
City of Hamilton Applicant Pool (2022 YTD October 31, 2022)	54.4%	2.1%	29.6%	4.2%
City of Hamilton New Hires (2022 YTD October 31, 2022)	81.7%	2.0%	27.4%	5.6%

Statistics Canada Census Data	Self-Identifies as			
	Woman	Aboriginal/ Indigenous	Visible Minority/ Racialized	Person with a Disability
Hamilton Population (2016)**	51.1%	2.3%	19.0%	29.1% <sup>+</sup>
Hamilton LMA (2016)**	48.3%	2.0%	17.6%	n/a
Canada LMA (2016)***	48.2%	4.0%	21.3%	9.1% <sup>+</sup>

\*\* Based on total population, including children and others not seeking work.

\*\*\*Refers to the number of people in the workforce from which employer can hire.

+Disability data is from 2017 Canadian Survey on Disability

Source: Report to Council [HUR19019 \(c\) Appendix B](#), from November 30, 2022.

Demographic Category	Hamilton, 2021		Canada 2021	
	Total Population	Population 15+ in Labour Force	Total Population	Population 15+ in Labour Force
Women	50.8%	48.0%	50.6%	47.9%
Indigenous	2.2%	2.1%	5.0%	4.2%
Visible Minority	25.1%	24.7%	26.5%	27.2%
Persons w/a Disability	39.1%	35.8%	35.7%	33.6%

Source: Data is derived from custom tabulations of Statistic Canada’s 2021 Census obtained by the City of Hamilton as a consortium member of the Canadian Community Economic Development Network (CCEDNet) Community Data Program.

- 88 Additionally, the legislative guidance for the Employment Equity Act recommends an 80% return and response rate (even if the response is "choose not to answer"). The City's overall response rate as of the end of fieldwork (June 2023) was around 61%. Also, the City of Hamilton has not reached the 80% response rate in all Departments. The Departments that have not yet met this are Healthy & Safe Communities and Public Works. These are the two largest Departments with a high percentage of staff that historically have not had a work email address. According to HR EDI staff, in addition to challenges relating to having staff without a work email address access and having the time to take the survey (either through an email link sent to a personal email address or paper surveys), another struggle is that some staff included in the overall headcount may be on leave and cannot be contacted to take the survey.
- 89 Because the City has not achieved the minimum 80% response and return rate in all Departments, the data is not used to inform any EDI actions or plans (e.g., regarding staff diversity).
- 90 There has been significant progress made in recent months, within Departments, to achieve the 80% response and return rate and that is due to the combined efforts of HR EDI staff and Department management.
- 91 HR EDI staff did provide some reports that they are in the early stages of developing and validating that would capture some additional information such as salary, promotions, and terminations, but even these reports are based on the four demographic groups data collected from the EES. So, the same issues would apply (no LGBTQ2SIA+ data and return and response rate).
- 92 In our view, utilizing EES data to gauge if the City is making progress towards having City staff being more reflective of the community falls short of what is needed. A more fulsome and nuanced approach is needed. There is other information that should be reviewed (such as exit demographic information, information from exit interviews-qualitative data, positions held, promotions, etc.).
- 93 This goal could be better-defined and have more specific, tailored objectives. For example, is the goal to be reflective of the community the City serves considered to be met if the percentages are reached but women, visible minority/racialized, Aboriginal (Indigenous), and persons with disabilities are in lower-level positions and not represented at leadership levels? This is a policy issue and would ultimately be a Council decision.
- 94 There are some departments that have met the 80% return and response rate. For these departments, the metrics collected via the EES are not yet used at the department level to consider changes (as needed) to address the diversity of their workforce. Currently, HR EDI has not analyzed the demographics in each Department against the Hamilton and Canadian LMA data and has not reported to Council on it. Work has yet to be done to develop plans linked to the use of the data provided. Demographic make-up goals should be department specific and linked to strategies and/or service needs.
- 95 Without rigorous and reliable data collection, the City will not be able to develop performance measures to inform the City's progress towards its goals. As part of the work relating to the

creation of the EDI Framework, EY provided HR with recommendations for an EDI Dashboard. Included were legally and culturally accepted demographic data collection questions and "Commonly Tracked EDI Metrics". This information should help guide improvements to the City's data collection and metrics tracking.

- 96 HR EDI's resource challenges regarding data collection are not only the PeopleSoft HR system limitations. Currently, HR EDI's core team is made up of a Senior Project Manager EDI and EDI Human Resources Business Partner (there is also a Training Coordinator position open as well), but another key resource would be a data analyst. The data and metrics component for EDI is very important and should be developed in conjunction with rolling out action plans or initiatives on what data can be collected and how it is collected can be considered. It will almost be impossible for data collection and analysis to be successful without data analyst capabilities being assigned to this work.
- 97 Because of the City's limited data collection, the organization does not have meaningful performance measures for the implementation of the EDI Framework. As noted above, the data the City collects is not linked to action plans. Because the EDI Framework is not fully implemented in the organization the City is far from establishing performance measures. The data and metrics the City currently collects and reviews does not inform anything about the City's EDI efforts or potential barriers to employment and/or promotions.

## Other Considerations for Internal EDI implementation

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### EDI Resources

- 98 Another item that was part of Council's February 19, 2019 motion was to have the "Equity, Diversity & Inclusion toolkit (Handbook)" that was "developed to support existing work by staff, be reviewed, edited and revised as required following consultations with internal and external stakeholders and made available as a resource to City staff and the community." Although a handbook was developed, according to the HR Team, it will not be rolled out as a resource. According to HR, there were concerns with the EDI Handbook - it was produced by a consultant that a former Mayor's Office engaged, so HR EDI does not own the document and cannot make the required revisions to bring it into alignment with the Framework.
- 99 Currently, there is nothing to replace the "Handbook". Originally, and per the Council motion, the intention was to revise it to bring it in alignment with the EDI Framework. As part of EY's work to develop the EDI Framework and implementation they provided recommendations on how to do this. The revisions were not made, and the Handbook was never rolled out.
- 100 Per HR EDI staff, the newly launched (July 2023) IDEA Landing Page will be a resource for IDEA (Inclusion, Diversity, Equity, Accessibility) information for all employees. HR plans for the site to be updated regularly with new training, resources, tools, and communication as they become available. As of July 25, 2023, the resources and tools were limited (the few resources included Steering Committee page with a list of members, EDI Framework graphic, new IDEA logo, calendar of EDI events, etc.). Further, the IDEA Landing Page was launched before being



fully developed as a resource. Since it is a HOWI landing page (accessed by employee login only), it is not intended to be a community resource. The original Handbook was intended to be both a City staff and community resource. So, there is still no community resource. Also, as of the launch date, OAG did not see any announcement of the launch of the IDEA Landing Page for staff to be aware of it.

- 101 Though the page is still being developed and more updates are to come, there is a risk associated with an undeveloped resource. Staff may not see it as a useful resource and may not come back to it if it is perpetually in development.

## EDI in Recruiting

- 102 OAG observed that the City has done limited targeted recruiting. In the November 30, 2022 report to GIC, HUR19019 (c), HR outlined efforts undertaken to help increase the number of Persons with Disabilities as they identified this as an area where the City is still lagging per the EES data. Their efforts are significant and should be acknowledged. However, the City of Hamilton is also still below the LMA for Hamilton and Canada for Visible Minority/Racialized staff. HR has also done some targeted recruiting related to Indigenous/Aboriginal populations, but with the percentage of staff at 2.2% and Hamilton LMA at 2.0% and Canadian LMA at 2.3%, City staff demographics for this group is tracking closely to the community. The percentage of women on staff (47.7%) were tracking very close to the Hamilton and Canadian LMA of 48% as well. Refer to Figure 5 for full details.
- 103 In the above report, HR acknowledged that the City of Hamilton is still behind in Visible Minority/Racialized demographic by saying "While our current employee population of Visible Minority/Racialized staff are still below the Labour Market Availability, our applicant and new hire data indicates that we are attracting candidates and hiring above the levels indicated by the Labour Market Availability." However, the City is not currently reporting on the EES data of staff that are leaving the City so the new hire applicant data alone does not give the complete picture (and new hire data is also included in current staff data) of what progress is being made regarding Visible Minority/Racialized staff.
- 104 OAG obtained the 2021 Census data for the EES demographic groups from Children and Community Services staff (see Figure 5). OAG noted the biggest change in the Hamilton and Canada LMA has been in the Visible Minority/Racialized LMA. The Hamilton LMA increased from 17.6% (in 2016) to 24.7%. The Canadian LMA, increased from 21.3 % (in 2016) to 27.2%. The City is already behind for this group in staff representation.
- 105 The 9.1% Persons with a Disability for Canadian LMA as reported in the HUR19019 (c) Appendix B, from November 30, 2022 (see Figure 5) comes from the 2017 Canadian Survey on Disability (CSD) and is not from the 2016 Census data (as it was labeled in the report). The Statistics Canada Census data does collect Persons with a Disability LMA, but the criteria may be broader than the CSD. The CSD was conducted again in 2022 but this data has yet to be released. The numbers in OAG's Figure 6 are from the 2021 Statistics Canada Census data.

**Figure 6: Statistics Canada 2021 Census Data**

Demographic Category	Hamilton, 2021		Canada 2021	
	Total Population	Population 15+ in Labour Force	Total Population	Population 15+ in Labour Force
Women	50.8%	48.0%	50.6%	47.9%
Indigenous	2.2%	2.1%	5.0%	4.2%
Visible Minority	25.1%	24.7%	26.5%	27.2%
Persons w/a Disability	39.1%	35.8%	35.7%	33.6%

Source: Data is derived from custom tabulations of Statistic Canada's 2021 Census obtained by the City of Hamilton as a consortium member of the Canadian Community Economic Development Network (CCEDNet) Community Data Program.

- 106 When HR last reported the data to GIC in November 2022 (see Figure 5) the 2021 Census data was not published and has only recently become available. HR plans to report to GIC with the 2021 Census data in Q4 of 2023.
- 107 HR management stated they do not undertake targeted recruitment for visible/racialized minorities. However, OAG believes there is room to take a more inclusive approach to recruiting.
- 108 For example, the OAG was provided with a spreadsheet by the HR Director Talent & Diversity of their "Diversity Recruitment Resources" which contained a list of various job posting sites. OAG looked at each of the resources listed with websites and found one City of Hamilton position on an Indigenous job board and it was for the Director of Indigenous Relations for the City of Hamilton. This was not targeted recruiting to increase Indigenous staff within the City overall, this was targeted recruiting to attract a pool of Indigenous candidates for the Indigenous Relations position. This is understandable, but in contrast, right above it, McMaster University had a posting for a position for their Associate Vice President and Chief Financial Officer.
- 109 OAG also checked the PinkJobs.com website listed in their file. The website is a free diversity and inclusion focused job board that serves North America (including Canada), Australia, and Europe. Pink Jobs is headquartered in Manchester, United Kingdom, but employers in Canada can list unlimited job postings for both full-time and part-time roles on Pink Jobs and view candidate resumes." Pink Jobs was originally created over 10 years ago to list LGBT friendly roles and has grown to focus all aspects of diversity and inclusion. There did not appear to be any City of Hamilton jobs on the website. OAG noted that the Region of Peel and the City of Toronto had posted several jobs.
- 110 Though there is a cost associated with some of these sites, several listed were free. HR Talent & Diversity should take a more inclusive approach to recruiting if the City's stated goal is to have City staff be more reflective of the community it serves. In addition to helping with recruiting a diverse staff, it also sends a message to job seekers that the City of Hamilton is an inclusive employer.

## EDI in Corporate Policies

- 111 OAG found that HR EDI have yet to meet with the Corporate Policy Review Group (PRG) to discuss how the group can incorporate the EDI Framework into their policy review process. This is a part of the HR Strategic Plan. Per one of the co-chairs of the PRG, the HR EDI team have not been able to attend their meetings and they are scheduled to meet in the Fall of 2023. After fieldwork on this audit was completed, OAG confirmed that in late September 2023, HR EDI met with the PRG and presented "Embedding IDEA into Policy Guide" and requested feedback.

## EDI Champions

- 112 In general, the OAG finds that the City has a top-down approach for EDI implementation and communications. SLT and management have been the initial focus for training with the Harvard ManageMentor. In their September 18, 2019 GIC report on the EDI Framework (HUR19019), HR recommended that the City Manager "be identified as the Diversity and Inclusion Champion for the City of Hamilton." As noted above, videos of SLT speaking about EDI have been recorded with the intention they will be included in new employee training.
- 113 In the 2021 Our People Survey, one of the Bottom 5 drivers for staff were the availability/accessibility of Senior Leadership and Two-Way Communication. From the OAG's interviews with GMs and the City Manager, they all seem genuinely supportive of EDI work. However, if staff see SLT as inaccessible and two-way communication is lacking between themselves and supervisors, the top-down approach may seem superficial or they may not feel they are being heard. If most of the diversity of the City's workforce is at the staff level, this approach by itself, may not work.
- 114 As noted in the Community and Service Delivery EDI work below, despite a lack of a governance structure and overall strategy, there is a lot of good work on EDI being done thanks to the dedicated and knowledgeable staff at the City. Many staff have education, training, and work experience working with equity, diversity, and inclusion challenges. They should be the champions. The SLT and City Manager should champion the work of these particular individuals in their newsletters and videos in addition to speaking broadly about their own commitment to EDI. This sets up a two-way communication flow regarding EDI efforts and commitment in the City.

## Use of the Term "EDI lens"

- 115 The term "lens" is still being used in EDI discussions despite EY's recommendation (and HR EDI's agreement) to not use it. It is not clear that this information and the reason was shared with City staff. This was included as a recommendation for revisions to the Handbook that were part of EY's work related to the development of the EDI Framework. Since the Handbook was never revised, there has been no direction on alternative ways to express this.



## Community EDI

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- 116 The Office of Government and Community Relations (OGCR) was leading the City's public engagement efforts at the time of the audit. In a broad sense, public engagement should include leading and supporting citizen advisory committees, working with community partners and engaging the public in resolving prominent issues and seeking feedback in the way the City operates, etc. Among many benefits of public engagement are: enhanced understanding of public interests, concerns and priorities, and public engagement helps build resident's trust and confidence in City government.
- 117 Community relations work supporting and overseeing community groups and volunteer advisory committees is an important component of EDI efforts at the City. The OAG did not locate a framework or a clearly documented objective of what is to be achieved in working with community groups and volunteer advisory committees. We noted work with these groups tends to be issue driven. Further, each community group and volunteer advisory committee has its own agenda and mandate. Per the OGCR, there are 21 citizen advisory committees at the City, five are supported and overseen by the Office of Government and Community Relations. Other groups are either supported by the Community Strategies (formerly Community Initiatives) team in Healthy and Safe Communities or other departments across the Corporation. As the activities of many of the volunteer advisory committees in the City will be undergoing a review, we feel the review should consider finding a common objective or goal, as well as an executable strategy to lead the volunteer advisory committees, and a consistent methodology to monitor the progress of their work. This approach would reduce the amount of work imposed on the team who leads and supports these groups and enable reportable results.
- 118 Regular communication with public is one way to keep public informed of what is going on. From a public trust point of view, the OAG finds that the City could have done better in communicating with the public for some of the commitments that were made. On February 27, 2019, Council approved a motion that included seven actions the City was to take to address EDI. The motion was made public in a Media Release the next day. However, we confirmed some of the seven actions did not happen (e.g., an EDI Summit). In addition, terms such as "Mayor's Roundtable on Diversity and Inclusion" and "Diversity Advisory Committee" appeared in a Council report, which is public information. Staff confirmed that the Mayor's Roundtable and Diversity Advisory Committee either was never formed or was deferred. We were unable to locate any information with regards to if there was an explanation or discussion with the public on the commitment not being fulfilled.
- 119 Upkeeping the commitments that the City made and being transparent in everything the City does is key to maintain the trust and confidence of residents. When a commitment made cannot be achieved, it is a good strategy to provide an explanation to the public on why the commitment was not kept.
- 120 Sage Solutions consultants previously made 18 recommendations on anti-hate and discrimination mitigation strategies. The majority of these recommendations are very high-level and will require a collaborative approach across the organization and with community stakeholders. The OGCR team alone is simply not able to address all of them. From the OAG's

point of view, no single Division can effectively mitigate hate and discrimination without actions across the organization. Examples of these recommendations are:

- Accelerate decisive and well-informed City responses to stand against hate.
- Incorporate more diverse representation at decision-making table.
- Invest in more safe community spaces.

121 The OGCR developed an action plan in December 2021 that outlined seven actions to be taken in two phases. As four of the seven actions are recurring in nature, even though the actions to date can be considered completed, these efforts should continue. Examples of such ongoing efforts include engaging with stakeholders and advocating to higher levels of government. Due to lack of oversight authority, the team can only address those recommendations within their control.

122 For the value of the consulting work to be fully achieved, and for the hate mitigation and anti-racism strategy to be effective, collaborative actions are required from other City Divisions and community partners. When the recommendations are not acted upon, the money spent on hiring a consultant has not achieved its intended value.

123 We noted some of the work under this Office are similar in nature to those in other areas, for example the Urban Indigenous Strategy (UIS) implementation under Indigenous Relations Section and the Community Safety and Well-being Plan implementation with the Community Strategies Section. OAG believes it is important to review and streamline the work in these areas to avoid redundancy, and to create synergies and maximize the amount of progress that can be achieved with existing resources.

124 The Outstanding Business List (OBL) is maintained by the Office of the City Clerk to ensure Council directions are recorded as formal Council business, and when Council directions have been fulfilled, ensure they are reported back to Council. The current process is that only items specifically requiring a report back to Council are placed on the OBL. While the 2019 Council-approved motion (Council Minutes 19-004, Item 7(b)) on EDI implementation contained seven actions, only two of the actions (steps to implement EDI and EDI framework) were required to report back to Council. The remaining actions were not required to report back (per the approved motion), therefore never made it on to the OBL. As a result, there was no regular Council or staff line of sight on these other action items.

125 These six actions were:

- **Housing** - That implementation of the equity, diversity and inclusion lens begin in the City's Housing & Homelessness Strategy and service delivery;
- **EDI Toolkit** - That the attached draft Equity, Diversity & Inclusion toolkit, developed to support existing work by staff, be reviewed, edited, and revised as required following consultations with internal and external stakeholders and made available as a resource to City staff and the community;

- **EDI Summit** - That the City Manager, in partnership with the various Volunteer Advisory Committees representing equity seeking groups, be directed to plan and execute an Equity, Diversity and Inclusion Summit through which members of Council and the public can hear directly from subject matter experts and the community on equity practices and how an equity, diversity and inclusion lens could be integrated and incorporated into public policy and service delivery;
- **EDI Summit Budget** - That the costs associated with the Hamilton Equity, Diversity and Inclusion Summit be funded from the Mayor's Office, up to a maximum of \$5,000;
- **Participating upper-level government EDI initiatives** - That as part of ongoing efforts to develop and advance the equity, diversity and inclusion analysis, staff participate in relevant, Provincial and Federal equity, diversity and inclusion related initiatives; and
- **Audit of EDI** - That the City's Internal Audit services conduct an Equity, Diversity and Inclusion (EDI) Audit, city-system wide, to establish the baseline as it relates to City policy, program development, hiring and staff development practices, service delivery, budgeting, business planning and prioritization by which to measure progress annually.

126 The OAG notes that an EDI Audit was included on the 2019-2022 Term of Council Audit Work Plan (AUD19007) that was approved by Council in September 2019, subsequent to the motion.

127 Overall, the lack of tracking of these items could expose the City to significant reputational risk regarding items that were ultimately not tracked and actioned. It could also call into question how serious the City is with regards to implementing EDI.

## EDI Implementation in Service Delivery

128 OAG concluded EDI has not been fully embedded in service delivery business processes at the City of Hamilton, nor has there been an adequate project management plan or governance structure in place to enable consistent implementation across the organization. However, that does not mean that there are not EDI efforts underway at the City of Hamilton. Currently, in some service areas accessibility and inclusion concepts and principles are being applied during service planning and delivery. Primarily these efforts are to meet various compliance requirements for that particular service area or due to Council direction. Examples we noted are accessibility in transit services and inclusion programming in recreation centres owned and operated by the City.

129 We found that the City's current EDI work tends to be reactive to legislation requirements. Accessibility, one element of EDI or IDEA, has been implemented in all areas Accessibility for Ontarians with Disabilities Act (AODA) governs. City buses and bus-stops, parks and recreation centers and city facilities have been made accessible. Under Council direction, an inclusion program was developed and implemented in City owned recreation centers to support people with disabilities. The City as a whole strives to be in full compliance with AODA by 2025.

130 The audit did not review every service or program provided by the City. The ones that were selected for review were primarily outward facing services provided to general public by

departments/boards: City Housing Hamilton, Healthy and Safe Communities, Planning and Economic Development and Public Works. There were some limitations of information available due to many staff changes and regular webpage renewal and updating.

- 131 The methodology utilized in reviewing EDI in service delivery included interviews with frontline staff of the selected areas, research of department / division websites regarding services and programs, and review of policies and procedures for delivering services. To ensure consistency, we developed a standard set of questions, and adapted them as needed. We also interviewed four General Managers of these departments to gain an understanding of how senior management is directing EDI implementation in their own areas.

## Current State

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- 132 For the services selected for review by the OAG in this audit, and based on the available information, we were unable to locate a framework, nor a high-level plan or overall strategy that provides corporate standards for the implementation of EDI at the individual service delivery level. This situation ties back to the need for an governance structure to provide directions, strategies and oversee the implementation.
- 133 No business area has a budget set aside for EDI implementation. Interviews with senior management of Corporate Services confirmed our view that the City's current budgeting processes does not have specific considerations for equity.
- 134 Based on the interviews with over 40 staff members from all departments, and our research of their services, EDI has not been formally embedded in business processes. However, as a starting point, some areas have recruited an EDI specialist such as Children Services, but actual EDI work is yet to be developed, while in other areas EDI work is less advanced. Other areas have included EDI in their action plans such as the 2021-2025 Economic Development Action Plan.
- 135 Most staff we interviewed were passionate about EDI and expressed a strong desire to do more, but they were unclear where to start and what to do. A strong message we received is there is a need for Corporate direction, standards, and guidelines. This need is not only because there is a shortage of experience and skill in implementing EDI, but also because consistency in service delivery across the organization is almost impossible without an established governance structure.
- 136 Below is a summary of the OAG's findings of EDI efforts in each City Department. A sample of programs and services were selected for review to determine whether EDI has been or is planned to be embedded in each Department.

## **Planning and Economic Development Department (PED)**

- 137 Divisions with the following services were selected for review. Sustainable Community Planning, Commercial and Small Businesses, Business Development and Immigration Partnership, Heritage Resources, Cultural Development, Placemaking and Public Art.
- 138 We found that being in compliance with AODA requirements is one of the key considerations in planning for services in the Planning and Economic Development Department. Some informal EDI considerations were applied in public consultation meetings held by the Department; however, there were no policies or procedures that speak to embedding EDI in the service planning and delivery process.
- 139 The Economic Development Action Plan 2021-2025 is the guiding document for the City's Economic Development Division, as well as for Hamilton business communities. The Plan recognizes the importance of EDI in Hamilton's economic growth and the contribution of immigrants to the local labour force and have included two actions to address EDI in the Action Plan.
- 140 The Placemaking Grant Pilot Program started in 2021, and through 2023 aimed to enliven public spaces in Hamilton. The Program awarded 13 projects in 2021, of which 3 projects were either led by community groups or designed with inclusivity being considered. The Art Sector Review Panel and Final Jury for Hamilton Arts Awards included people from EDI backgrounds. PED staff did note there is a shortage of EDI knowledge and experience in PED staff. To support Indigenous heritage, Civic Museums have co-funded a contract employee, an Indigenous Specialist, with the Indigenous Relations Section in the Healthy and Safe Communities Department.

## **Public Works Department**

- 141 Two divisions were selected for review: Transit, and Parks, Open Spaces and Cemeteries.
- The priority has been to ensure City properties and facilities such as parks, buses and bus stops are in full compliance with AODA accessibility requirements.
- 142 In addition to the existing DARTS service, EDI is newly built into the six principles that will guide the work of Transit however neither a strategy nor action plans are fully developed to embed EDI into Transit service delivery.
- 143 The six principles of the Transit Division are: 1. Customer experience is at the heart of what we do; 2. We honor equity, diversity and inclusion; 3. We deliver on our promises; 4. We connect, innovate and go forward; 5. We engage with our employees to improve customer experience; 6. We make a positive impact on communities, environment and economy. Management has played a strong role in advocating and embracing diversity and reducing hate and discrimination incidents on City of Hamilton Transit.



- 144 Other items noted by Public Works included: training of staff who work on different shifts and different locations within a 7-day operation has been challenging. For parks and open spaces, with the existing budget, staff tried to apply EDI on items such as arm rests on benches to help getting up; wheelchair accessible swings and picnic tables; rubber surfaces for play structures; wayfinding signage on trails, focusing on pictographs, etc. in a limited number of parks and open spaces. For Cemeteries, burial supports for special income and a variety of interment options are offered. There is no budget for items such as universal washrooms on City properties to accommodate the diverse needs of the community.

## Healthy and Safe Communities Department

- 145 The following services in Healthy and Safe Communities Department were selected for review: Indigenous Relations, Community Initiatives (now Community Strategy), Health Equity (Public Health Services), Children Services/Early Years, and Housing Services as well as Recreation.
- 146 The implementation of the Community Safety and Well Being Plan (CSWBP) and the Urban Indigenous Strategy (UIS) resides with two teams in the Healthy and Safe Communities Department: Community Strategy, Indigenous Relations. It appears there was some overlapping work with that of the Office of Government and Community relations. There is a need to review the location of the work within the organization and streamline the work as part of reviewing governance of EDI in the organization.
- 147 Both CSWBP and UIS are corporate initiatives requiring collaboration across the organization. The two teams do not appear to have the oversight authority needed to fully and successfully implement these initiatives.
- 148 In Recreation, an Inclusion Program is in place to accommodate persons with disabilities in City operated/owned recreation centres to comply with AODA requirements as well as Council direction. Fee subsidy is available for low-income families to access the City's recreation facilities. Universal changerooms and recreation program brochures in languages other than English are available.
- 149 Public Health Services' Health Equity Plan was in the development stage at the time of our fieldwork. The plan is required under Health Equity Guidelines, 2018. Barriers were identified in current recruitment processes in attracting racialized and Indigenous applicants to Public Health Services.
- 150 An Equity Specialist has been recruited and will be a shared resource in the Children and Community Services Division for equitable service delivery. However, strategy and action plans are yet to be developed. The OAG was told that inclusive measures supporting families and children with special needs are in compliance with *Child Care and Early Years Act, 2014*.
- 151 The Housing and Homeless Action Plan (HHAP) was developed in 2013 and reviewed and revised in both 2019 and 2020. The 2020 version of the Action Plan stated "*The HHAP will always be implemented through a person-centred approach to equity that acknowledges the unique needs of each individual...*" Housing Services is currently in the process of developing

an EDI framework for the housing system, which will require corporate guidelines and support to ensure consistency with Corporate EDI Framework.

## CityHousing Hamilton

- 152 The mission of CityHousing Hamilton is to “*provide affordable housing that is safe, well maintained, cost effective and that supports the diverse needs of our many communities.*”
- 153 The 2023-2027 Strategic Plan of CityHousing Hamilton included two action plans to implement EDI, of which the first one is to recruit an Equity Specialist. Per the Strategic Plan, CityHousing is to first undertake a tenant need assessment and perform analysis which would serve as the starting point of EDI strategy. The Equity Specialist is yet to be recruited to develop the strategy and lead the work of EDI implementation.

## Overall Analysis of EDI at the City of Hamilton

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- 154 Implementing a City-wide EDI plan requires a solid foundation consisting of a governance structure, communications, planning, clear objectives, strategies, and metrics. The leadership and staff OAG spoke with are committed to embedding EDI in the organization, in the work they do, and in the services they provide to the community. However, the City of Hamilton needs a more robust foundation in the form of such elements as governance structure, project plans, risk management tools, performance measures and benchmarks, defined objectives, and detailed strategies.
- 155 We have noted a lack of governance in several sections of this report, in particular, there is not an overall strategy or oversight body for implementing Community EDI and embedding it in all service delivery. The current EDI Framework being implemented by HR EDI only addresses EDI within the organization, primarily as an employer. Much of the service delivery related EDI work to date has been driven by or has been implemented in reaction to legislation (e.g. AODA requirements). There is no systematic framework for implementing EDI principles across the entire organization in service delivery. To do so, resources and a high degree of collaboration across the organization would need to occur.
- 156 In addition, what staff have implemented or applied with respect to EDI in delivering services to residents and business (where it exists) is fragmented. Each area is doing what they believe is right. However, there is no leveraging of synergies or communication amongst them to standardize EDI language, utilize common approaches, achieve efficiencies, and avoid duplication of efforts and/or costs. Corporate support is needed for EDI development and implementation in both Community EDI work and in City service delivery to ensure they are consistent with a Corporate framework and expectations. The City as a whole, in all areas, should be sending a consistent message and have a consistent approach.
- 157 In our view, EDI implementation in all three areas will require more than a framework to be effectively embedded in the organization. “HR Diversity initiatives should address three levels of organizational change: structural, cultural, and behavioral.”<sup>1</sup>. Governance structures, frameworks, succession plans, etc. are the structural elements but culture and behavioral


change is also required. For example, equitable hiring practices, performance evaluations, and advancement policies and plans may remove barriers to the participation of women, Visible Minorities/Racialized people, Indigenous/Aboriginal people, and Persons with Disabilities but if the City's culture does not support their hiring and advancement, EDI principles will not be achieved or embedded in the organization. To this end, the training being rolled out by HR EDI is helpful but in and of itself will not change the culture. In our opinion, much more than a top-down approach is needed.

<sup>1</sup> Holvino, Ferdman, Merrill-Sands, Creating and sustaining Diversity and Inclusion in Organization: Strategies and approaches.

- 158 In addition, when consultants are relied upon to provide advice and make recommendations, the City should more rigorously review the consultant's deliverables and their recommendations. Consultant recommendations should be suited specifically for the City of Hamilton's needs and be actionable (e.g. sufficiently detailed on how to operationalize and/or identify who will be responsible) instead of being generic to municipalities or organizations in general.
- 159 Keeping commitments made to the public is also important to enable and maintain public confidence in the City. Unrealistic assessment of resources (people, systems, time commitments, etc.) and efforts regarding what may be needed to embed EDI in the organization may lead to unrealistic commitments being made, which may result in the City and/or Council not being able to keep its commitments. When this happens, communication with public on what is going on is required to demonstrate the City's seriousness about its commitment to Equity, Diversity, and Inclusion. Without this fundamental piece, the successful implementation of EDI in the organization is at risk.
- 160 As part of EY's report to the City regarding the EDI Framework, they performed an assessment of the current state of EDI within the City. Using a maturity model that shows increasing levels of proficiency with regard to the extent to which EDI is embedded within an organization, the City was in the early stages of EDI maturity (Figure 7).



Figure 7: Summary of Results – EDI Maturity Model

Summary of Results – EDI Maturity Model					
	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 4	LEVEL 5
	We are compliant	We are all the same	We encourage everyone to be themselves	EDI is part of everything we do	EDI is who we are, not what we do
<b>What issues are you tackling?</b>	<p>People can be judgemental about cultural differences</p> <p>Our workforce is disillusioned</p> <p>Don't have the right EDI data</p>	<p>We have one size fits all approach</p> <p>We struggle to identify the gaps and set targets</p> <p>We don't know how to start the conversation</p> <p>We don't have leadership commitment</p>	<p>We know where the barriers to progression are</p> <p>We tend to focus on traditional interventions that don't tackle the barriers systemically</p> <p>We have a strategy but it isn't followed through</p>	<p>We're very focused on EDI but it is not yet a part of our everyday culture</p> <p>We have clear accountability, but not everyone contributes</p> <p>Struggle to manage this against other strategic priorities</p>	<p>We can articulate the ROI of our investment and we want to do more to evidence non financial value to a broad set of stakeholder</p> <p>We want to use our progress to influence others and change the world</p>
<b>What is the business doing?</b>	<ul style="list-style-type: none"> <li>Focus policy only on regulatory requirements</li> </ul>	<ul style="list-style-type: none"> <li>Collect limited diversity data (gender, age and ethnicity) but don't proactively analyse</li> </ul>	<ul style="list-style-type: none"> <li>Strategy in place with leadership commitment, but limited follow through</li> <li>Interventions in place but not always targeted or prioritized</li> <li>Bias awareness</li> <li>Limited metrics &amp; tracking</li> <li>Networks and groups drive change</li> </ul>	<ul style="list-style-type: none"> <li>Leadership are accountable</li> <li>Can demonstrate progress against objectives</li> <li>Collect diversity and EX data that shapes the approach</li> <li>Business case for diversity is part of strategic and operational activities</li> </ul>	<ul style="list-style-type: none"> <li>Cultural evolution is core to business strategy</li> <li>Progress and evolution is evaluated and lessons learned are fed back into every part of the business</li> <li>All employees are empowered to influence</li> <li>Dedicated budget and clear ROI</li> </ul>
<b>What is the impact?</b>	<ul style="list-style-type: none"> <li>High attrition, absenteeism</li> <li>Employees are cynical mistrustful of leadership</li> </ul>	<ul style="list-style-type: none"> <li>'Don't ask, don't tell' culture stifles team spirit and creativity</li> <li>Employees disengaged</li> </ul>	<ul style="list-style-type: none"> <li>Positive impact on productivity</li> <li>Employees feel valued and teams perform well</li> </ul>	<ul style="list-style-type: none"> <li>Better engagement scores</li> <li>Senior management is more diverse</li> <li>Employees seek mentors and take responsibility for career development</li> </ul>	<ul style="list-style-type: none"> <li>Higher profit margins</li> <li>Employees are passionate brand ambassadors</li> <li>Influencing broad set stakeholders and re-shaping corporate expectations</li> <li>Voice in the market</li> </ul>
<b>Where are you now and where do you want to get to?</b>	 <p style="text-align: center;"><b>CURRENT STATE</b></p>				

Source: Report to Council HUR19019 (b) Appendix F, from September 22, 2021.

161 Based on OAG's review, the City has made some progress in individual elements but still lies somewhere between Levels 2 and 3. "EDI is part of everything we do" is the descriptor for Level 4. Even though it has been almost two years since the EDI Framework was approved by Council, resources were not hired until 2022, and more substantive progress will take time.

162 Related to this, we note that the new 2023-2026 Term of Council Priorities do not include EDI as a stand-alone priority. OAG reached out to Corporate Initiatives staff in the City Manager's Office regarding this observation:

*"The discussion and individual feedback noted that it was more of a lens that should always be applied to how the City approaches our work and deliver City services, rather than an individual priority."*

It is the OAG's opinion that the City of Hamilton, in its current state, is not yet mature enough to reliably achieve this based (as noted above, see Figure 7). The City is at risk of not successfully implementing EDI throughout the organization.

163 We note that the Report on Council Priorities states that "All of these priorities will be applied with an equity and accessibility lens, ensuring this maximum benefit for the people of Hamilton". A realistic appraisal of the current situation is needed, including the resources required to successfully embed EDI in City service delivery.

164 In 2017-2018, the City's Diversity staff participated in the Regional Roundtable on Diversity forum facilitated by external consultants. An internal environmental scan was performed on the EDI conditions in the City. An environmental scan is the process of gathering information about factors that may impact an organization's internal and external environments. The basic purpose of environmental scanning is to help management understand their current state and determine the future direction of the organization.

165 The details of the assessment were reported to the GIC on September 18, 2023 (HUR19019 Appendix C, City of Hamilton Internal Environmental Scan). The assessment was done on eight domains –

- Planning & Policy
- Organizational Culture
- Education & Training
- Human Resources
- Community Capacity Building
- Service Planning & Development
- Client Engagement
- Service Provision

166 Based on the scan the three domains where the organization was the strongest with regards to equity, diversity, and inclusion were Education & Training, Community Capacity Building, and Planning & Policy. The three domains where the organization required improvement were Client Engagement, Service Planning and Development, and Human Resources. The results of the scan led to the implementation of the collection of the EES data, diversity competencies in management's PAD process, and community engagement at Festival and Events. This same assessment or similar assessment could be done annually and kept as an annual benchmark for the City.

- 167 From an external point of view, environmental scan comparators could include benchmarking against other municipalities (Ottawa and Toronto are among the 2023 top 100 of "Canada's Best Diversity Employers."), reviewing regulatory changes impacting IDEA, and understanding shifts in the City's population prior to Census data every five years. The results of these scans could be reported to Council every two years.
- 168 When reporting to Council, HR EDI should present a road map of then to now and report on how exactly efforts and implemented action plans address equity, diversity, and inclusion (and accessibility) and their outcomes. EES data could be presented again until the 80% response and return rate has been met and at that time, a detailed action plan associated with what it will be used for should be presented.
- 169 Though there are many examples of good efforts towards EDI implementation throughout the organization in all areas reviewed by OAG, they tend to lack clear objectives and purpose, are disparate, and often siloed. It is our view that the City needs a sound strategy and project plan in place to implement EDI across the organization including: as an employer, in community and public engagement efforts, and in the delivery of city services to residents and businesses. However, there have been numerous good efforts made by staff across the organization that forms the foundation for further EDI work, which will be strengthened with the provision of clear corporate direction, including the development of objectives and executable strategies, and the provision of effective tools and resources.
- 170 The OAG found a number of indicators that the existing team lacks the capacity to implement the EDI Framework and bring it to a more robust maturity level. To address this, we recommend that they formally assess their resources and needs for the future.
- 171 In an initiative of this size and scope, the challenges for change management are significant. To create the cultural and behavioural change to make EDI the norm for what the City does, the organization may need to step back and reorganize to make it happen. A large part of the cultural and behavioural change is organizational commitment, including management buy-in. Though the GMs have shown their support by participation in the ELA and in filming EDI videos, more ingrained efforts beyond this in each Department need to be part of the day-to-day work and strategic objectives. As previously stated, there were indications through the course of the audit that the City's current capacity for implementation has, and may, be insufficient to address the gaps identified in this report at a level of maturity and comprehensiveness that is desired by management and within reasonable timelines.

## Recommendations

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- 172 Please refer to Appendix "B" to Report AUD23013 for a list of Recommendations and the related Management Responses that will address the key audit findings, with a focus on EDI implementation from project management and governance perspective, data collection and metrics, and related process improvements.

## Conclusion

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- 173 The OAG has brought forward 33 recommendations to strengthen EDI processes at the City of Hamilton.
- 174 The OAG would like to thank the Human Resources Talent & Diversity team, and, the members of the EDI Steering Committee, the Office of Government and Community Relations team, as well as staff across the organization who we interviewed and provided information for their help throughout this audit. We look forward to following up with management in the future to see the progress of their action plans and their impact on improving EDI at the City of Hamilton.

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Hamilton  
OFFICE OF THE  
AUDITOR GENERAL

# Equity, Diversity, and Inclusion Audit

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# Recommendations and Management Responses

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**December 7, 2023**

**Office of the Auditor General**

**Lyn Guo**, Senior Audit and Investigations Specialist

**Nancy Hu**, Senior Audit and Investigations Specialist

**Brigitte Minard**, Deputy Auditor General

**Charles Brown**, Auditor General

## Introduction

The following 33 recommendations will help improve the governance and management of Equity, Diversity, and Inclusion (EDI) implementation in the City in all three areas reviewed. They will help ensure the successful embedding of EDI as part of the ingrained culture in everything the City does.

## Recommendation 1

We recommend a governance structure that helps ensure proper oversight and accountability for EDI initiatives be created. This could be set up within the current organizational structure using a conventional Steering Committee or by creating a standalone Diversity Office (Appendix A, para. 155-157).

## Management Response

### **Agree.**

This Recommendation will be subject to review and concurrence by Senior Leadership Team and Council approval as it will require additional resources in terms of people and financial support. It should be noted that the recommendation of a standalone Diversity Office was presented to Council in 2019 for consideration. It was noted in HUR19019 that the standalone option would:

- 1) Clearly communicate the priority this work has within the organization
- 2) Allow for dedicated resources and focus on Diversity and Inclusion work
- 3) Increase the effectiveness and timeliness of the deliverables

At that time, Council was not supportive of additional structure for this work and directed the work to remain with the Human Resources division.

**Estimated Completion Date: Unknown at this time.**

## Recommendation 2

We recommend management consider having the Steering Committee include at least one representative from all Departments including the City Manager's office and CityHousing Hamilton, and key corporate functions.

Members should be made up of the Corporate Leadership Team (CLT) comprised of Directors and above. This level is between middle-managers and Senior Leadership and has a broader range of influence across their Departments and Divisions. The Committee should also prioritize the inclusion of



members with public engagement expertise. This would also help address the fractured and siloed approaches to EDI within the City (Appendix A, para. 155-157).

## Management Response

### **Agree.**

This Recommendation will be subject to review and concurrence by Senior Leadership Team as it will require additional resources in terms of people and financial support. This Recommendation changes the intent of the original Steering Committee which was to provide future leaders an opportunity to learn and develop competencies and capacity in relation to EDI/IDEA. The original committee approved by Council was never intended to form a governance structure when created. The recommended commitment of time and resources to have CLT and above participation may prove challenging to resource adequately given competing priorities.

**Estimated Completion Date: Unknown.**

## Recommendation 3

We recommend, to support the Steering Committee, each Department and/or Division consider creating their own EDI advisory committees. These could include the current members of the HR EDI Steering Committee. The oversight of the advisory committees would be within the Departments and Divisions and could be formed according to each Department and Division's unique needs.

HR could be the knowledge lead (set the standard for resources, policies, language, training, etc.) but the implementation would be done by each Department in conjunction with the input of the Divisions (Appendix A, para. 49-50, para. 67-78).

## Management Response

### **Agree.**

This Recommendation will be subject to review and concurrence by Senior Leadership Team as it will require additional resources in terms of people and financial support. This Recommendation would greatly expand involvement in terms of number of skilled resources required to staff the number of committees as outlined above.

**Estimated Completion Date: Unknown.**

## Recommendation 4

We generally recommend a risk assessment be performed prior to the launch of a major long-range project like EDI implementation. This should also be done as a part of setting up the governance structure (consider people, process, and technology). Aside from operational and compliance risks, reputational risks and related legal risks should be considered as well (Appendix A, para. 50).

## Management Response

**Agree.**

This Recommendation will be subject to available financial resources to conduct an EDI/IDEA risk assessment as those skills are not currently available in-house. This would require Council approval for additional funding as outlined in a Recommendation Report to be presented at a later date.

**Estimated Completion Date: 12 – 18 months subject to Council approval of funds.**

## Recommendation 5

We recommend that EDI implementation in all areas be executed and managed as a large-scale multi-year project, that is led by a project management team who should be accountable to the governance structure discussed in Recommendation 1 (Appendix A, para. 50, para. 60-63).

## Management Response

**Agree.**

This Recommendation will be subject to review and concurrence by Senior Leadership Team and Council as it will require significant additional resources in terms of people and financial support. This would require Council approval for additional funding as outlined in a Recommendation Report to be presented at a later date.

**Estimated Completion Date: Q4 2025.**

## Recommendation 6

With the frequent use of consultants in the EDI implementation work, we recommend management have more scrutiny of the quality of the work and/or deliverables of the consultants they engage to ensure maximum value for money is achieved. This includes if the recommendations are specific enough (to the City of Hamilton vs. any municipality) and feasible to operationalize and if it will make a long-lasting impact and/or meaningful change (Appendix A, para. 59, 121, 158).

## Management Response

### **Agree.**

In the initial stages of EDI work, the scope and recommendations were often broad by design and, at times, as requested by Council. As we continue to gain clarity and increased focus on specific operational items, i.e., Training, we are better able to refine expected outcomes accordingly in RFP documents. From an HR perspective, the one challenge noted in the Audit was in relation to EY survey completion rates. We elected to conduct the survey in 2021, despite the global pandemic, rather than delay the work for an unknown period. As such, we recognized the ability to reach all employees would be hampered by limited access to employees without email. This has been addressed in partnership with IT who have provided all employees with email addresses since that time.

**Completion Date: Completed Q1 2024.**

## Recommendation 7

Where consultants have recommendations that impact multiple areas, the City should ensure a collaborative approach with areas impacted to address recommendations from consultants. Such a collaborative approach should be initiated by the leading area who retained the consultant and brings all areas impacted on board to take actions. The value for money spent on retaining a consultant is only achieved when consultant's recommendations are acted upon (Appendix A, para. 120-122).

## Management Response

### **Agree.**

The consultants' recommendations were informed through extensive community consultation efforts with equity-deserving groups, people with lived experience of hate and discrimination as well as residents and other impacted parties. A collaborative approach was used to execute the consultants' recommendations.

A Hate Prevention, Mitigation and Community Initiatives Action Plan was developed to coordinate both cross-departmental and community-driven efforts to address and action eighteen Council-approved recommendations as outlined in the consultants’ final report.

There are many collaborative corporate-wide initiatives that have actioned and continue to further advance these recommendations including the following: City Enrichment Fund; select Citizen Advisory Committees (i.e., Committee Against Racism; LGBTQ Advisory Committee); Community Safety and Well-being Plan; Economic Development Action Plan; Hamilton Immigration Partnership Council; Hamilton Police Services (Hate Crime Review Team); Housing and Homelessness Action Plan; One-Time CEF Grant Relief Program; Placemaking Grant Program; Public Engagement Policy and Administrative Framework; Urban Indigenous Strategy; and Youth Engagement Strategy.

Outcomes of collaborative cross-departmental efforts that have addressed the consultants’ recommendations include:

- Amended Sign By-Law 10-197 banning hate flags and symbols from public property
- Hamilton4All Community Inclusion campaign
- Salam Hamilton Anti-Islamophobia campaign
- Transit “Speak Up, Speak Out” campaign
- Municipal Anti-Hate Symposium
- We Are Hamilton: Black History Remembered campaign
- No Hate in the Hammer Coalition
- Hamilton Police Services Hate Crime Review Team
- Hamilton Police Services Hate Crime Symposium
- Anti-Hate Tool Kit
- Building Safer Communities Multi-Year Plan
- Community Safety and Wellbeing Plan
- Hamilton Anti-Racism Resource Centre
- We Support Hamilton – Community Online Hate Reporting Tool
- City-Approved Days and Months of Recognition

Note: Hate is an ongoing issue in our city. While the key deliverables outlined within the Hate Prevention, Mitigation, and Community Initiatives Action Plan have been completed, ongoing cross-departmental collaborative initiatives will continue to support this work.

**Completion Date: Completed Q4 2023.**

## Recommendation 8

We recommend that management evaluate if there is still value in paying a consultant to have the cultural assessment and ELA completed each year. It was not done in 2022. Senior Leadership asked that the ELA not be done due to other priorities.

These activities are in addition to the City's Our People Survey (OPS) Survey every three years. They were intended to be used to collect metrics. The OPS survey is essentially a cultural assessment of the City. It could be done more frequently than 3 years and in lieu of the Cultural Assessment (Appendix A, para. 52-55).

## Management Response

**Agree.**

The Cultural Assessment was undertaken in 2021 as the regularly scheduled OPS survey was delayed due to the pandemic. These questions will be implemented in the next OPS survey scheduled for 2024. With respect to the ELA, it was determined not to repeat the following year due to the significant changes in Senior Leadership Team composition (GM Healthy and Safe Communities and GM Public Works) as well as competing priorities during the pandemic and Emergency Response.

**Completion Date: Completed November 2023.**

## Recommendation 9

We recommend that management should consider incorporating some of the KBI/KPI's (Key Behavioural Indicators/Key Performance Indicators) in EY's recommendations of what to measure such as, "Employee perception of leadership accountability as it relates to EDI," "Employee perception of leadership transparency as it relates to EDI," "Feedback provider perception of leadership commitment to EDI," into the City's internal staff survey, the Our People (OPS) survey (Appendix A, para. 97).

## Management Response

**Agree.**

These questions will be incorporated into the next iteration of the Our People Survey.

**Estimated Completion Date: Q4 2024.**

## Recommendation 10

We recommend criteria for the Department EDI Advisory Committees described above, that prioritize staff with lived experiences and/or staff already doing EDI work for their Departments or Divisions. Consideration should be made regarding the skills of the individual as to how they could contribute to project implementation (e.g. an experienced project manager or data analyst with lived experiences would be ideal) (Appendix A, para. 76-79).

## Management Response

**Agree.**

This is subject to Recommendation #3 above and would require Senior Leadership Team review and concurrence. It is agreed that staff already doing work in EDI and those with lived experiences bring significant value to the Advisory Committee, it is also important to create opportunities to develop capacity and competencies in those identified on Succession Planning Slates to ensure future leaders are confident in the EDI/IDEA realm.

**Estimated Completion Date: Unknown.**

## Recommendation 11

We recommend that management, in addition to designating the City Manager or SLT to be champions of EDI, they should regularly highlight the work of those staff already doing EDI work in the City (Appendix A, para. 112-114).

## Management Response

**Agree.**

We have developed an IDEA poster which includes an option for employees to submit success stories to the Diversity team for inclusion in an upcoming newsletter or City Manager and General Manager communications. We recently held a recognition event for the inaugural EDI Steering Committee upon completion of their three-year term. We are also highlighting EDI efforts on Closed Circuit television where available. The goal of regular communication highlights will be incorporated into the 2024 PADs for Senior Leadership Team.

**Expected Completion Date: Q1 2024.**

## Recommendation 12

We recommend management explore alternatives to the existing PeopleSoft system for data collection to allow for more robust data collection, and consideration be given to acquiring the competencies of a data analyst for EDI. This should be in conjunction with other HR areas which may also benefit from enhanced data collection and storage (Appendix A, para. 85-86).

## Management Response

**Agree.**

Fully support the Recommendation that enhanced capabilities are required for data collection, compilation, and analysis. The need for a new HRIS has been established and work is underway with Deloitte to source best option. It is important to note that this will require a significant undertaking of both people and financial resources to bring to fruition and is a massive project due to scope. This will require financial support from Council over a period of several years.

**Estimated Completion Date: Q4 2028.**

## Recommendation 13

We recommend HR EDI consider the collection of legally and culturally accepted demographic data, including gender identity/expression data, and Commonly Tracked Metrics provided by EY as part of the OPS survey (Appendix A, para. 95).

## Management Response

**Agree.**

We can include the additional questions on demographics as outlined in the Recommendation, however, there are limitations on use given that the OPS survey responses are anonymous and not tied to individual employees by design and to encourage a high response rate.

**Expected Completion Date: Q4 2024.**

## Recommendation 14

We recommend for Departments where Employment Equity Data has already met or exceeded the 80% response and return rate, that management consider reviewing the data (including exit/termination demographic data) in collaboration with HR to establish objectives and/or goals related to diverse and inclusive recruitment, retention, and promotion in alignment with departmental strategic plans and initiatives. Once established, management should consider discussing targeted recruiting, retention, and promotional (succession) plans with HR to meet these goals (Appendix A, para. 94).

### Management Response

**Agree.**

The ability to do comprehensive data analysis is an ongoing challenge with our current system limitations. This detailed analysis and targeted goal setting will take place once a new HRIS system is implemented.

**Estimated Completion Date: Q4 2028.**

## Recommendation 15

We recommend an immediate priority be placed on providing clear directions, expectations, and objectives regarding the use of the IDEA Framework to internal departments, divisions, services, and programs areas with regarding the use of the Framework (Appendix A, para. 155).

### Management Response

**Agree.**

We are in the process of hosting information sessions at all Departmental Management Team meetings to engage managers and above on the use of the IDEA Framework. Additionally, a resource document has been developed for implementation on how to revise policies to embed IDEA. This has been shared with the HR Policy Review Group for feedback and will be disseminated to all policy makers across the organization. Each department will then undertake the application of the Framework on their respective scope of work.

**Expected Completion Date: Q2 2024.**



## Recommendation 16

We recommend annual reporting on EDI implementation efforts should include what tangible and significant progress was made towards goals and initiatives (Appendix A, para. 168).

### Management Response

**Agree.**

We have been providing annual updates to both Senior Leadership Team and Council on an annual basis since the introduction of the Diversity and Inclusion Strategic Plan in 2017. The most recent update was provided on November 15, 2023, at GIC.

**Completion Date: Completed November 2023.**

## Recommendation 17

We recommend management consider relaunching the IDEA page in HOWI (or any successor technology) at later date, once it is fully developed as a resource, and notify staff of its launch at that time (Appendix A, para. 100-101).

### Management Response

**Agree.**

The HOWI landing page was launched in July 2023 and is an ongoing effort to further develop resources and tools for staff. A broader Communications plan will require support from Corporate Communications team.

**Estimated Completion Date: Q4 2024.**

## Recommendation 18

We recommend the IDEA page include a definition of Equity, Diversity, Inclusion, and Accessibility on the IDEA landing page in HOWI, as the definitions, as well as information such as the alternative terminology for "lens," should be known to all staff (Appendix A, para. 100-101, 115).

## Management Response

**Agree.**

The definitions have been added to HOWI as of November 2023.

**Completion Date: Completed November 2023.**

## Recommendation 19

We recommend management consider more inclusive recruiting practices. Positions, including those at the SLT level, should be posted on websites that target equity seeking groups (Appendix A, para. 108-109).

## Management Response

**Agree.**

We continue to post on a wide variety of sites, however, those efforts can be expanded at additional cost. SLT positions are recruiting using an Executive Search firm who has experience in attracting diverse candidate pool. There are numerous sites these positions are posted to ensure a robust and diverse candidate pool.

**Expected Completion Date: Q1 2024.**

## Recommendation 20

Consider having a recruitment budget to enable posting of City of Hamilton jobs on sites that may have a more diverse reach but require a fee (Appendix A, para. 110).

## Management Response

**Agree.**

This would be subject to Council approval for enhanced recruitment budget through the budget process.

**Expected Completion Date: Q2 2024.**

## Recommendation 21

We recommend management track how many of the applicants that come to the City of Hamilton are from diversity-specific job posting websites versus non-diversity specific sites (Appendix A, para. 108-110).

### Management Response

**Agree.**

This Recommendation is subject to the acquisition of a new Talent Management System as part of the overall HRIS. Our current system has limited opportunity to capture this data without placing additional requirements on candidates to complete lengthy questionnaires. This has not been pursued due to the adverse impact on the candidate experience at this time.

**Estimated Completion Date: Q4 2028.**

## Recommendation 22

We recommend that, for the four demographic groups from the EES that are challenging for the City to improve, management consider identifying key positions (including leadership) that could incorporate criteria such as having people with lived experiences who understand barriers to employment and career progression. This could help facilitate the recruitment of a more diverse staff and help remove barriers (Appendix A, para. 102-107).

### Management Response

**Agree.**

This recommendation was made to SLT in February 2023 as part of an enhanced Succession Planning program which would identify key development roles throughout the organization. SLT deferred this recommendation until the Organizational Review work, as recommended by consultant Optimus SBR and approved by Council in Q1 2023, is completed in 2024.

**Estimated Completion Date: Q4 2024.**

## Recommendation 23

We recommend management consider a more inclusive recruitment/retention approach.

Consider for entry-level and junior roles, candidates who may have skills and life experiences or perspectives that may contribute to EDI. The City can invest in a less experienced person for an EDI role through training. This may also help with retention (Appendix A, para. 102-110).

## Management Response

**Agree.**

We are currently working with various agencies such as the Hamilton Disability Employment Network and CNIB to source candidates with relevant and transferable skills for entry level jobs, such as Crossing Guards. These agencies evaluate the skills, education, and experiences of job seekers and match them to our available job postings which we provide on a weekly basis.

**Completion Date: Completed September 2023.**

## Recommendation 24

We recommend management review work related to the community strategy in both Children and Community Services Division and Office of Government and Community Relations to identify work that can be shared, simplified and combined. Streamlining similar work not only reduces duplicated efforts but also harnesses potential synergies (Appendix A, para. 123).

## Management Response

**Agree.**

The Government and Community Relations Division has been actively engaged with the Children & Community Services Division regarding existing work and common objectives that are shared which can be simplified and combined. Both teams are deeply committed to working together to deliver on a variety of objectives for the benefit of community in Hamilton. Since Fall 2022, Staff in both divisions initiated consistent meetings to ensure duplication was avoided and to work collaboratively to identify relevant leads and potential synergies for these ongoing and communal shared initiatives.

Between the Government and Community Relations team and Children & Community Services Division an initial environmental scan occurred, where

positions within each team were evaluated based on existing job descriptions and titles to ensure relevant work was tasked to the current team member within the appropriate division.

As a result, specific actions were taken to address this such as the shifting of responsibilities for the staff liaison role and support of the LGBTQ+ Advisory Committee from Government & Community Relations to Children & Community Services Division in early 2022.

Due to similar equity deserving groups in community being supported by both divisions, this work will continue to be on-going with a collaborative approach being taken in an effort to avoid duplication. Where there is duplication, each team will seek to achieve any mitigation measures to streamline tasks and maintain efficiency.

**Estimated Completion Date: Q1/Q2 2024.**

## Recommendation 25

We recommend that clear objectives be defined for EDI work with citizen advisory committees and community partners, and a further strategy / plan be developed to systematically guide the work with these stakeholders. The strategy should consider all equity seeking groups and what they are interested in to avoid a siloed approach (Appendix A, para. 117).

## Management Response

### **Agree.**

A recent motion from Council, brought forward at Audit, Finance and Administration on July 13, 2023, referenced the City Manager's Office and Corporate Services being directed to report back to the Audit, Finance and Administration Committee with recommendations on the following:

- (i) best practices that prioritizes resident engagement including access to, understanding of and participation in community engagement;
- (ii) review and provide recommendations to Council as informed by existing partnerships with local community-based organizations and networks to help shape and advise decision-making efforts on City initiatives, programs, services, policies, and by-laws;
- (iii) existing community-based engagement methods inclusive of the Volunteer Advisory Committees to fulfil the priorities of Council aligned with the Term of Council priorities 2022 – 2026; and

- (iv) a resource list of local equity-deserving groups doing community and grassroots organizing that can be contacted for engagement and feedback on City Wide processes and policies.

In September 2023, through the City Manager, the Office of the Government & Community Relations reported back on this initiative with an intention to work with the Corporate Services division to undergo a comprehensive review of Citizen Advisory Committees. The following was deemed to be "in scope":

- Conduct a best practice scan of municipal Voluntary Advisory Committees and related alternatives, including a comparative analysis across other jurisdictions
- Consultation with Council members, advisory committee members, and staff liaisons to better understand current challenges and needs
- A review of financial and human resources required in the current advisory committee structure
- Assess current state of meetings including attendance, meeting frequency, turnover, etc.
- Scan of other advisory tables that the City actively consults with for advice and feedback, including community-based task forces, steering committees, and working groups
- Review external community-based organizations, and their methodology, that support similar work provided by Voluntary Advisory Committees
- Consider the role of advisory committees within the forthcoming Public Engagement Framework and Policy

As a result, Staff will be reporting back to Council at the end of Q1/early Q2 with clear objectives for citizen advisory committees and community partners, inclusive of future recommendations as to how best to engage with residents and equity deserving groups. The strategy will consider the lived experience of equity deserving residents, previous members of volunteer advisory committees, local community groups and what they are interested in to avoid a siloed or duplicative approach.

**Expected Completion Date: Q2 2024.**

## Recommendation 26

We recommend Department management consider collecting an inventory (listing and responsible staff) to understand the work already going on in their respective areas and to understand if there may be synergies to be had. This can be shared with other areas in other Departments through a steering committee or other governance structure as previously recommended (Appendix A, para. 156).

## Management Response

**Agree.**

This Recommendation would be subject to Senior Leadership Team review and approval and available resources.

**Estimated Completion Date: Q4 2025.**

## Recommendation 27

We recommend that as the City moves to revamp the budgeting process, that the updated budget process consider EDI principles as part of the budget ranking and prioritization criteria, and that performance outcomes specific to EDI be measured in corporate performance measurement (Appendix A, para. 51).

## Management Response

**Agree.**

This Recommendation would be subject to Senior Leadership Team and Council review and approval. For 2024, as outlined in CM23020, one of this Council term's Measure of Success is:

Transition to a revised budget process that emphasizes long-term financial planning, asset management, public engagement and climate principles.

The Government Finance Officers released a research report in July 2023 which highlights the importance of "Budgeting for Equity". This recommendation will be referred to Corporate Services.

**Estimated Completion Date: Unknown.**

## Recommendation 28

We recommend management consider conducting regular internal and external environmental scans related to IDEA implementation. The results of these scans could be reported to Council every two years (Appendix A, para. 164-167).

### Management Response

**Agree.**

This Recommendation is subject to Senior Leadership Team review and approval. There would be financial resources required to perform these environmental scans on an ongoing basis.

**Estimated Completion Date: Q4 2026.**

## Recommendation 29

We recommend that management consider incorporating EDI costs into budget processes in an identifiable manner so that these investments are known and tracked by the organization. This may include cost for training of staff, cost for EDI related facilities such as universal washrooms in the park, prayer/worship room within City Hall, cost for upgrading IT systems to enable data collection as discussed in Recommendation 13, etc. During future budgeting processes revamp, equity-based budgeting as a budgeting methodology could also be considered (Appendix A, para. 52-55, 86, 170).

### Management Response

**Agree.**

Similar to Recommendation #27 above, this Recommendation would be subject to Senior Leadership Team and Council review and approval. There may also be a needs assessment to determine if current systems are capable of details required. Refer to Corporate Services for follow up.

**Estimated Completion Date: Unknown.**

## Recommendation 30

We recommend that management put in place a robust, long-range strategic project plan for EDI implementation throughout the entire organization that covers all aspects of EDI (as an employer, for community engagement and for service delivery). This means there should be a plan for what the short-term EDI objectives are and what the long-term EDI objectives are, how these objectives



can be achieved. Furthermore, there should metrics to demonstrate what success looks like at each phase (Appendix A, para. 40, 57, 60-63, 168).

## Management Response

**Agree.**

This Recommendation would require Senior Leadership Team review and approval and/or Council direction and resource support.

**Estimated Completion Date: Unknown.**

## Recommendation 31

It is our understanding that the EDI Framework is also the guideline for incorporating EDI principles into the delivery of City services. We recommend such expectations of implementing EDI Framework in service delivery be clearly communicated to each service and program area. Individual services and program areas should develop their own plan to apply EDI in their business processes while applying the concepts and principles in the Framework (Appendix A, para. 156).

## Management Response

**Agree.**

This Recommendation is subject to Senior Leadership Team's review and approval as well as allocation of resources (people and financial) to achieve if approved.

**Estimated Completion Date: Unknown.**

## Recommendation 32

We recommend a corporate direction that brings more focus to external service delivery, and that support be provided to better enable service delivery areas in developing their own EDI framework such as Housing Services or in embedding EDI in the business processes to deliver services such as Transit. Such support should ensure the message to internal staff, and to the community is consistent and in line with the corporate EDI Framework (Appendix A, para. 154-155).

## Management Response

**Agree.**

This Recommendation is subject to Senior Leadership Team's review and approval as well as approval of additional resources to complete.

**Estimated Completion Date: Unknown.**

## Recommendation 33

We recommend that in consideration of the recommendations herein, that a needs assessment be completed to determine what resources are required for their successful implementation. It should include an assessment of what resources are available and what resources are needed to achieve the City's objectives for each phase (Appendix A, para. 169-170).

## Management Response

**Agree.**

Similar to Recommendation #30, this would be subject to Senior Leadership Team review and approval and/or Council direction and resources to conduct both the project plan and needs assessment.

**Estimated Completion Date: Unknown.**

## Overall Management Response:

In reviewing the EDI Audit Report, it is important to note that, while all Recommendations are agreed to, the gap between the current state of the organization versus the desired future state as outlined in the Audit Recommendations is quite significant.

Recommendation Report HUR19019 as of September 2019 highlighted that based on the data collected and environmental scan performed, the City of Hamilton was at a Level 2 overall on the following Diversity and Inclusion Maturity Matrix.

In 2021, EY's assessment concurred that the City of Hamilton at the upper edge of Level 2 as indicated in Figure 7 on page 37 in the Audit Report. It should be noted that the pandemic resulted in staff redeployments which also impacted delivery of EDI efforts during the period between evaluations.

The Audit Recommendations are reflective of an organization at a Level 5. This transition from Level 2 to Level 5 is a massive shift that would typically take place over a period of many years. While we fully support the Recommendations made, our concern is that they are not achievable in a short period of time, but rather can only be achieved with extensive people and financial resources over a prolonged timeframe.

Our focus has always been on meeting the organization where it is and making year over year improvements, which have been fully supported by Senior Leadership Team and as directed by Council. The recommended Audit changes are far reaching given our current state, system and data limitations, and resources. To successfully achieve the Recommendations, it will require an enduring commitment and investment by the organization.

As a result, many of the Management Responses indicate a need for Senior Leadership Team and/or Council review and approvals. There will be a need to prioritize the Recommendations to determine what is fiscally feasible and how quickly the organization can allocate the necessary resources to achieve given other critical priorities currently facing the City of Hamilton.

It is suggested a follow up report back to Council as of Q4 2024 be undertaken to confirm the level of commitment and resources available.



Report AUD23013



Hamilton

OFFICE OF THE  
AUDITOR GENERAL

# Equity, Diversity, and Inclusion Audit

December 7, 2023

**Lyn Guo**

Senior Audit and Investigations Specialist

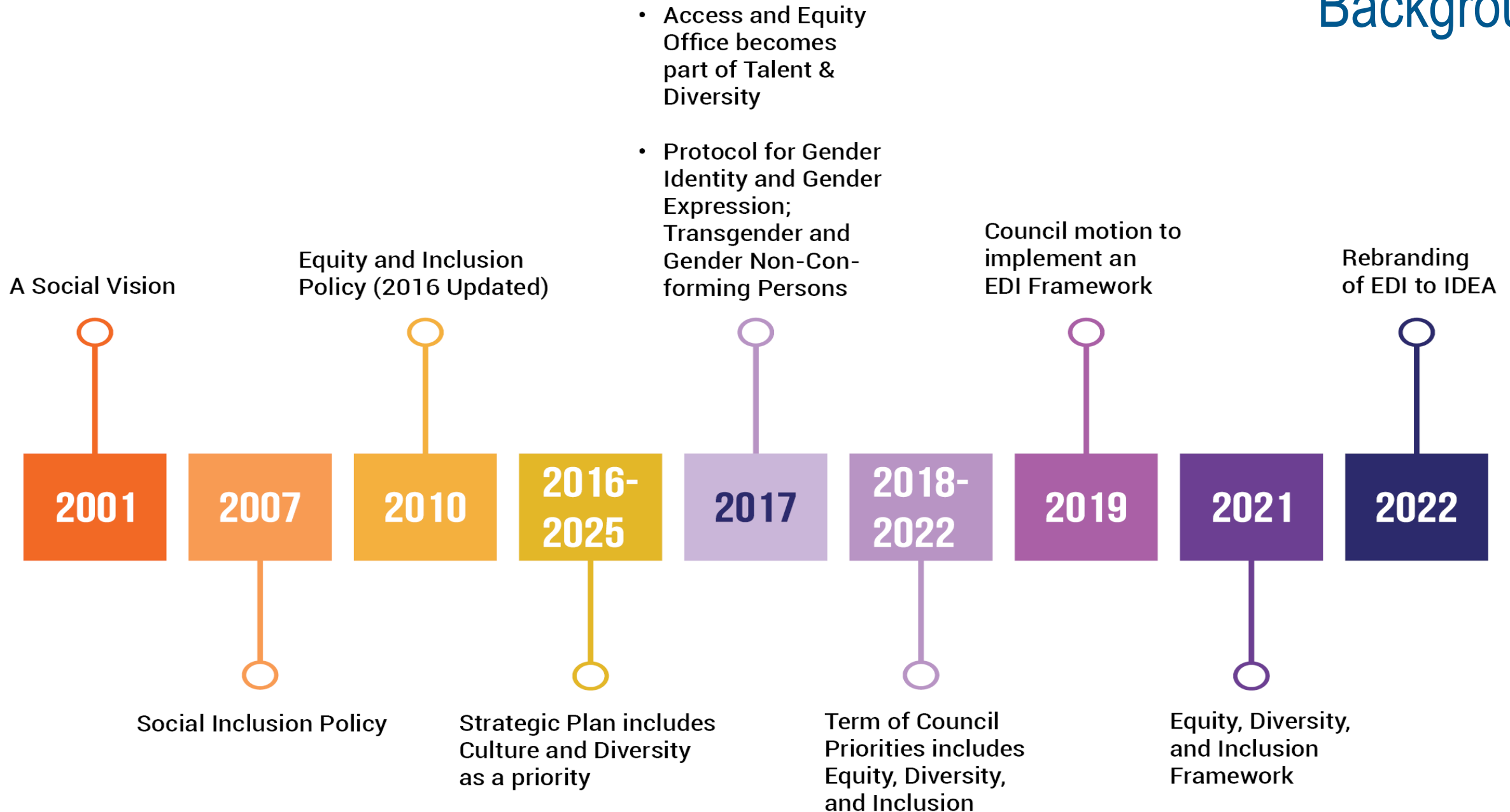
**Brigitte Minard**

Deputy Auditor General

**Charles Brown**

Auditor General





- Council motion passed in February 2019 that provided direction to staff to develop and implement an Equity, Diversity, and Inclusion (EDI) Framework.
- In 2021 the City of Hamilton's EDI Framework was launched.
- EDI was rebranded to be IDEA (Inclusion, Diversity, Equity and Accessibility) in late 2022.

# EDI Framework





To assess whether the City has a sound plan and strategy, as well as the management of tools and resources to support and achieve the EDI goals as stated in 2018-2022 Council Terms of Priorities, that:

“equity-seeking communities will feel safe, supported and have an enhanced sense of belonging through strengthening community capacity, City responsiveness and creating inclusive engagement opportunities.”

Note: At the time of audit fieldwork, the 2023-2026 Term of Council Priorities had not yet been finalized.

5

- Performed an audit that evaluated and assessed the management of progress made on EDI efforts at the City of Hamilton resulting from Council direction.
- We sought to answer the following question:

**“Is the City set up for a successful implementation of EDI throughout the organization?”**

- We sought to answer this question by focusing our work in three areas:
  - 1) internally, as an employer;
  - 2) when engaging with the community in community and public engagement; and
  - 3) in City service delivery.

- Reviewed EDI implementation related documentations, Council reports, contracts, Requests for Proposals (RFPs), policies and procedures.
- Researched EDI literature, websites and EDI work of other municipalities.
- Reviewed webpages of outward-facing services provided to public.
- Interviewed over 60 staff members across the organization.

Is the City set up for a successful implementation of EDI throughout the organization?

Some progress has been made; however, we find that the City is not currently set up for assured success.

More needs to be done, particularly for some fundamental items that are required as the foundation of EDI efforts at the City of Hamilton.

# What We Found – Significant Issues

The significant issues identified were:

- Governance
  - Significant need for corporate direction and guidelines for service delivery
- Lack of Risk Assessment in planning and implementation
- Lack of Change management in planning and implementation
- Absence of overarching strategies and objectives for Community EDI and Service delivery

# What We Found – Some Progress Made

## Internal EDI:

- EDI Framework and Roadmap were developed
- EDI training rolled out to Supervisors and above
- Collecting basic employment equity data to inform decision making
- Some resources are in place, two EDI specialists on board to lead EDI implementation
- Staff participation in Steering Committee

# What We Found – Some Progress Made

## Community EDI:

- Various citizen volunteer committees and advisory groups
- 18 consultant recommendations on hate reduction and anti-racism strategy
  - Some of the 18 recommendations were actioned
- Collecting EDI data to inform City Enrichment Fund decision making

# What We Found – Some Progress Made In Service Delivery

## Healthy and Safe Communities Department

- Updated Housing and Homeless Action Plan
- Shared resources/equity specialist on board in Children Services
- Urban Indigenous Strategy implementation and Community Safety and Well-being Plan
- Inclusion program in Recreation Centers

## Planning and Economic Development Department

- Economic Development Action Plan 2021-2025 include actions to address EDI
- Placemaking Grant Pilot program

## Public Works Department

- Accessible transportation and DARTS
- Accessible City facilities and properties

## CityHousing Hamilton

- 2023-2027 Strategic Plans includes two actions on EDI



# What We Found – Areas Needing Improvement

## Internal EDI

- EDI Framework and Roadmap lacks details to operationalize
- Unclear short-term vs. long-term goals, what to achieve and resource requirements
- Current Steering Committee structure does not support effective governance
- More robust, rigorous data collection and analysis is needed
- More diverse and inclusive recruitment strategy would be advantageous

# What We Found – Areas Needing Improvement

## Community EDI

- Lack of overarching objectives and strategy for EDI citizen advisory groups
- Upkeep of commitments made to the public and keeping the public informed
- Further collaboration needed to address consultant recommendations
- Reviewing areas of potential duplication to harness synergies
- Better tracking and actioning of Council direction received

# What We Found – Areas Needing Improvement

## EDI In Service Delivery

- Lack of robust project planning for EDI implementation
- EDI considerations not formally embedded in business processes
- Moving from being reactive to legislative requirements and Council direction to proactively embedding EDI in service delivery
- Lack of dedicated budgets for EDI and/or equity-based budgeting
- Significant need for corporate directions and guidelines

- **To improve governance**, we recommend a governance structure be created and an inventory of EDI work be compiled and shared with the broader organization.
- **To ensure EDI is operationalized and embedded**, we recommend further data collection and incorporating EDI principles into the budget.
- **To improve project management**, we recommend a risk assessment be performed, a long-range strategic plan for EDI implementation be put into place and there be further emphasis on performance measurement.
- **To ensure EDI is set up for success**, we recommend the EDI framework be used consistently and a needs assessment be completed to determine resource requirements.

- Overall, 33 recommendations were made to Management
  - Management agreed with all recommendations.
- Management is currently working on implementing their management responses.
- OAG is recommending that Council directs Management to report back with a status update by December 2024, and that as part of this update, all items with “unknown” completion dates have a date provided.



Hamilton

THANK YOU



# Hamilton

## HMRF-HWRF PENSION ADMINISTRATION SUB-COMMITTEE

### REPORT 23-002

9:30 a.m.

Monday, November 20, 2023

Room 192, 1<sup>st</sup> Floor

Hamilton City Hall

71 Main Street West

**Present:** Councillors C. Cassar (Chair) and A. Wilson  
 HMRF Members: D. Skarratt (Co-Vice-Chair)  
 HWRF Members: R. Slack (Co-Vice-Chair)

**Regrets:** HMRF Members: D. Alford  
 HWRF Members: H. Hicks

### THE HMRF-HWRF PENSION ADMINISTRATION SUB-COMMITTEE PRESENTS REPORT 23-002 AND RESPECTFULLY RECOMMENDS:

#### 1. Consent Items (Item 9)

That the following Consent Items, be received:

- (a) Hamilton Municipal Retirement Fund (HMRF), Hamilton Wentworth Retirement Fund (HWRF) Plan Wind-Up (FCS23006(a)) (City Wide) (Item 9.1)
- (b) Master Trust Pension Investment Performance Report as at June 30, 2023 (FCS23094) (City Wide) (Item 9.2)

#### 2. Master Trust Pension Statement of Investment Policies and Procedures (FCS23098) (City Wide) (Item 10.1)

- (a) That Appendix "A" to HMRF-HWRF Pension Administration Sub-Committee Report 23-002, respecting the 2023 City of Hamilton Defined Benefit Pension Plans Master Trust Statement of Investment Policies and Procedures, be approved and replace the previous 2022 City of Hamilton Defined Benefit Pension Plans Master Trust Statement of Investment

Policies and Procedures contained in Report FCS23009 and approved by Council on April 12, 2023;

- (b) That Appendix "A" to HMRP-HWRF Pension Administration Sub-Committee Report 23-002, respecting the 2023 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.

**FOR INFORMATION:****(a) APPROVAL OF AGENDA (Item 2)**

The Committee Clerk advised of the following change to the agenda:

**10. DISCUSSION ITEMS (Item 10)**

- 10.1 Master Trust Pension Statement of Investment Policies and Procedures (FCS23098) (City Wide)

The agenda for the November 20, 2023 meeting of the HMRP/HWRF Pension Administration Sub-committee was approved, as amended.

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

There were no declarations of interest.

**(c) APPROVAL OF MINUTES OF PREVIOUS MEETING (Item 4)****(i) March 30, 2023 (Item 4.1)**

The Minutes of the March 30, 2023 HMRP-HWRF Pension Administration Sub-Committee, were approved as presented.

**(d) COMMUNICATIONS (Item 5)****(i) Harvey Hicks, respecting Resignation from HMRP-HWRF Pension Administration Sub-Committee**

The resignation from Harvey Hicks was received and referred to staff for appropriate action.

**(e) GENERAL INFORMATION / OTHER BUSINESS (Item 13)****(i) Amendments to the Outstanding Business List (Item 13.1)**



The following amendment to the HMRP-HWRF Pension Administration Sub-Committee Outstanding Business List, were approved:

- (1) Items Considered Completed and to be Removed
  - (a) Hamilton Municipal Retirement Fund (HMRP), Hamilton Wentworth Retirement Fund (HWRF) Plan Wind-Up Added March 30, 2023, HMRP-HWRF Pension Administration Committee Report 23-001, Item 6 Addressed as Item 9.1 on today's agenda

**(f) ADJOURNMENT (Item 15)**

There being no further business, the HMRP-HWRF Pension Administration Sub-Committee was adjourned at 9:36 a.m.

**CARRIED**

Respectfully submitted,

Councillor C. Cassar  
Chair, HMRP/HWRF Pension  
Administration Sub-Committee

Tamara Bates  
Legislative Coordinator  
Office of the City Clerk



**Appendix "A" to HMRF-HWRF Pension Administration  
Sub-Committee Report 23-002  
Page 1 of 36**

**Statement of Investment Policies and Procedures**

City of Hamilton Defined Benefit Pension Plans Master Trust

November 2023

**APPROVED** on this                      day of November, 2023

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**Appendix “A” to HMRF-HWRF Pension Administration  
Sub-Committee Report 23-002  
Page 2 of 36**

## Contents

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<b>Section 1—Overview</b>	<b>3</b>
1.01 Purpose of Statement	3
1.02 Background of the Master Trust	3
1.03 Objective of the Plan	3
1.04 Investment and Risk Philosophy	3
1.05 Administration	3
<b>Section 2—Asset Mix and Diversification Policy</b>	<b>4</b>
2.01 Master Trust Return Expectations	4
2.02 Expected Volatility	4
2.03 Asset Mix	4
2.04 Management Structure	8
2.05 Environmental, Social and Governance (ESG) Issues	8
<b>Section 3—Permitted and Prohibited Investments</b>	<b>9</b>
3.01 General Guidelines	9
3.02 Permitted Investments	9
3.03 Minimum Quality Requirements	11
3.04 Maximum Quantity Restrictions	13
3.05 Prior Permission Required	14
3.06 Prohibited Investments	14
3.07 Securities Lending	15
3.08 Borrowing	15
3.09 Conflicts between the Policy and Pooled Fund Investment Policies	15
<b>Section 4—Monitoring and Control</b>	<b>16</b>
4.01 Delegation of Responsibilities	16
4.02 Performance Measurement	18
4.03 Compliance Reporting by Investment Manager	19
4.04 Standard of Professional Conduct	19
<b>Section 5—Administration</b>	<b>20</b>
5.01 Conflicts of Interest	20
5.02 Related Party Transactions	21
5.03 Selecting Investment Managers	22
5.04 Directed Brokerage Commissions	22
5.05 Monitoring of Asset Mix	22
5.06 Monitoring of Investment Managers	23
5.07 Dismissal of an Investment Manager	23
5.08 Voting Rights	23
5.09 Valuation of Investments Not Regularly Traded	23
5.10 Policy Review	24
<b>Appendix A - Statement of Investment Policies &amp; Procedures Hamilton Municipal Retirement Fund</b>	<b>25</b>
<b>Appendix B - Statement of Investment Policies &amp; Procedures Hamilton Street Railway Pension Plan (1994)</b>	<b>27</b>
<b>Appendix C - Statement of Investment Policies &amp; Procedures The Hamilton-Wentworth Retirement Fund</b>	<b>30</b>
<b>Appendix D – Compliance Reports</b>	<b>32</b>

**Appendix “A” to HMRF-HWRF Pension Administration  
Sub-Committee Report 23-002  
Page 3 of 36**

## **Section 1—Overview**

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### **1.01 Purpose of Statement**

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

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

### **1.02 Background of the Master Trust**

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

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

### **1.03 Objective of the Plan**

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

### **1.04 Investment and Risk Philosophy**

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

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

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

### **1.05 Administration**

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

**Appendix “A” to HMRF-HWRF Pension Administration  
Sub-Committee Report 23-002**

**Page 4 of 36**

## **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:

<b>Assets</b>	<b>Minimum %</b>	<b>Initial Target Weight %</b>	<b>Maximum %</b>	<b>Asset Category</b>
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

**Appendix “A” to HMRF-HWRF Pension Administration  
Sub-Committee Report 23-002**

**Page 5 of 36**

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

The Plan’s target asset allocation<sup>1</sup> for each investment category listed in subsection 76(12) of the Regulation 909 to the Pension Benefits Act (Ontario) is as follows:

**PfAD Table**

<b>Investment Category under subsection 76(12) of Regulation 909</b>	<b>Target Asset Allocation*</b>	<b>Accessed through mutual or pooled or segregated funds</b>
1. Insured Contracts	0.0%	-
2. Mutual or pooled funds or segregated funds	N/A	-
3. Demand deposits and cash on hand	0.0%	-
4. Short-term notes and treasury bills	0.0%	-
5. Mortgage Loans	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 Capita	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	18.0%	Yes
14. Non-Canadian stocks other than investments referred to in 1 to 12 above	18.0%	Yes
15. Canadian bonds and debentures other than investments referred to in 1 to 12 above	64.0%	Yes
16. Non-Canadian bonds and debentures other than investments referred to in 1 to 12 above	0.0%	-
17. Investments other than investments referred to in 1 to 16 above	0.0%	-

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

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

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

\* The target asset allocation indicated in the PfAD table is based on the glidepath positioning as of June 30, 2023.

**Appendix “A” to HMRF-HWRF Pension Administration  
Sub-Committee Report 23-002**

**Page 6 of 36**

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



**Appendix “A” to HMRF-HWRF Pension Administration  
Sub-Committee Report 23-002  
Page 7 of 36**

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

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

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

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

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

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

**Appendix “A” to HMRF-HWRF Pension Administration  
Sub-Committee Report 23-002**

**Page 8 of 36**

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.

**Appendix “A” to HMRF-HWRF Pension Administration  
Sub-Committee Report 23-002**

**Page 9 of 36**

## **Section 3—Permitted and Prohibited Investments**

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### **3.01 General Guidelines**

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

### **3.02 Permitted Investments**

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

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

**Appendix “A” to HMRF-HWRF Pension Administration  
Sub-Committee Report 23-002  
Page 10 of 36**

- (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

**Appendix “A” to HMRF-HWRF Pension Administration  
Sub-Committee Report 23-002**

**Page 11 of 36**

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).

**Appendix “A” to HMRF-HWRF Pension Administration  
Sub-Committee Report 23-002**

**Page 12 of 36**

**(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;

**Appendix “A” to HMRF-HWRF Pension Administration  
Sub-Committee Report 23-002**

**Page 13 of 36**

- (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.

**Appendix “A” to HMRF-HWRF Pension Administration  
Sub-Committee Report 23-002**

**Page 14 of 36**

- (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.



**Appendix “A” to HMRF-HWRF Pension Administration  
Sub-Committee Report 23-002  
Page 15 of 36**

### **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.

**Appendix “A” to HMRF-HWRF Pension Administration  
Sub-Committee Report 23-002**

**Page 16 of 36**

## **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;

**Appendix "A" to HMRF-HWRF Pension Administration  
Sub-Committee Report 23-002**

**Page 17 of 36**

- (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:

**Appendix “A” to HMRF-HWRF Pension Administration  
Sub-Committee Report 23-002  
Page 18 of 36**

- (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:

**Appendix “A” to HMRF-HWRF Pension Administration  
Sub-Committee Report 23-002**

**Page 19 of 36**

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.

**Appendix “A” to HMRF-HWRF Pension Administration  
Sub-Committee Report 23-002**

**Page 20 of 36**

## **Section 5—Administration**

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### **5.01 Conflicts of Interest**

#### **(a) Responsibilities**

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

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

#### **(b) Disclosure**

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

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

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

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

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

**Appendix “A” to HMRF-HWRF Pension Administration  
Sub-Committee Report 23-002  
Page 21 of 36**

## 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;

**Appendix “A” to HMRF-HWRF Pension Administration  
Sub-Committee Report 23-002**

**Page 22 of 36**

- (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 HMRF-HWRF Pension Administration  
Sub-Committee Report 23-002**

**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:

**Appendix “A” to HMRF-HWRF Pension Administration  
Sub-Committee Report 23-002**

**Page 24 of 36**

- (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” to HMRF-HWRF Pension Administration  
Sub-Committee Report 23-002**

**Page 25 of 36**

## **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, 2021 there were no active members, 3 deferred members and 148 retirees and beneficiaries.

As of December 31, 2021, the going-concern liability of the plan was \$58,278,888, including a Provision for Adverse Deviation (PfAD) of \$3,143,871, compared to the actuarial value of assets of \$73,721,565. On a solvency basis, the liability was \$48,960,477, while the assets (at market) were \$73,571,565 (net of a provision for

**Appendix “A” to HMRF-HWRF Pension Administration  
Sub-Committee Report 23-002**

**Page 26 of 36**

plan windup expenses of \$150,000). On a windup basis, the liability was \$60,690,521.

#### **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 “A” to HMRF-HWRF Pension Administration  
Sub-Committee Report 23-002**

**Page 27 of 36**

## **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

**Appendix “A” to HMRF-HWRF Pension Administration  
Sub-Committee Report 23-002**

**Page 28 of 36**

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

**Appendix “A” to HMRF-HWRF Pension Administration  
Sub-Committee Report 23-002**

**Page 29 of 36**

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 “A” to HMRF-HWRF Pension Administration  
Sub-Committee Report 23-002**

Page 30 of 36

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

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### **Overview**

#### **1.01 Purpose of Statement**

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

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

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

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

#### **1.02 Background of the Plan**

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

#### **1.03 Plan Profile**

##### **a) Contributions**

Under the terms of the Plan text:

For normal retirement age 60 class:

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

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

##### **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



**Appendix “A” to HMRF-HWRF Pension Administration  
Sub-Committee Report 23-002**

**Page 31 of 36**

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, 2021, there were no active members, no deferred members and 124 retirees and beneficiaries.

As of December 31, 2021, the going-concern liability of the plan was \$47,727,000, including a Provision for Adverse Deviation (PfAD) of \$3,510,000, compared to the actuarial value of assets of \$54,459,000. On a solvency basis, the liabilities were \$44,957,000 while the assets were \$54,389,000 (net of a provision for plan windup expenses of \$70,000). On a windup basis the liability was \$55,457,000.

**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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**Appendix "A" to HMRF-HWRF Pension Administration  
Sub-Committee Report 23-002**

Page 33 of 36

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

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

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

\* If policy not complied with, comment on specifics

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

**Appendix "A" to HMRF-HWRF Pension Administration  
Sub-Committee Report 23-002**

Page 34 of 36

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

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

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

\* If policy not complied with, comment on specifics

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**Appendix “A” to HMRF-HWRF Pension Administration  
Sub-Committee Report 23-002  
Page 35 of 36**

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

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

		GUIDELINES	POLICY COMPLIED WITH  YES/NO *
<b>ASSET MIX (at Market Value)</b>		%	
<b>FIXED INCOME</b>	BONDS	100%	
<b>CASH</b>	SHORT-TERM & CASH	0%	
<b>CONSTRAINTS</b>			
<b>GENERAL</b>	Investment Policy Section 3.01 – General Guidelines		
<b>BONDS</b>	Investment Policy Section 3.02 (b) – Bonds		
<b>CASH</b>	Investment Policy Section 3.02 (c) – Cash		
<b>DERIVATIVES</b>	Investment Policy Section 3.02 (c) – Derivatives		
<b>OTHER</b>	Investment Policy Section 3.02 (e) – Other Investments		
<b>INDEX</b>	Investment Policy Section 3.02 (f) – Index Mandates		
<b>QUALITY REQUIREMENTS</b>	Investment Policy Section 3.03 – Minimum Quality Requirements		
<b>QUANTITY RESTRICTIONS</b>	Investment Policy Section 3.04 – Maximum Quantity Restrictions		
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<b>VOTING RIGHTS</b>	Investment Policy Section 5.08 - Voting Rights		

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**Appendix "A" to HMRF-HWRF Pension Administration  
Sub-Committee Report 23-002**

Page 36 of 36

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

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


		GUIDELINES	POLICY COMPLIED WITH YES/NO *
<b>ASSET MIX (at Market Value)</b>		%	
<b>EQUITIES</b>	CANADIAN		
	U.S.		
	EAFE		
	TOTAL FOREIGN		
<b>CASH</b>	SHORT-TERM & CASH		
<b>CONSTRAINTS</b>			
<b>GENERAL</b>	Investment Policy Section 3.01 – General Guidelines		
<b>EQUITIES</b>	Investment Policy Section 3.02 (a) – Canadian and Foreign Equities		
<b>CASH</b>	Investment Policy Section 3.02 (c) – Cash and Short Term Investments		
<b>DERIVATIVES</b>	Investment Policy Section 3.02 (d) – Derivatives		
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<b>RESPONSIBILITIES</b>	Investment Policy Section 4.01 (b) – Delegation of Responsibilities – Investment Managers		
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\* If policy not complied with, comment on specifics

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



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

<b>TO:</b>	Chair and Members Audit, Finance and Administration Committee
<b>COMMITTEE DATE:</b>	January 18, 2024
<b>SUBJECT/REPORT NO:</b>	Reserve / Revenue Funds and Trust Accounts Statement of Investment Policies and Procedures Review (FCS24004) (City Wide)
<b>WARD(S) AFFECTED:</b>	City Wide
<b>PREPARED BY:</b>	Rosaria Morelli (905) 546-2424 Ext. 1390
<b>SUBMITTED BY:</b>	Brian McMullen Acting General Manager, Finance and Corporate Services Corporate Services Department
<b>SIGNATURE:</b>	

### RECOMMENDATION(S)

That Appendix "A" attached to Report FCS24004 respecting the Reserve / Revenue Funds and Trust Accounts Statement of Investment Policies and Procedures, dated December 12, 2023, be approved and replace the previous Reserve / Revenue Funds and Trust Accounts Statement of Investment Policies and Procedures contained in Report FCS19074 and approved by Council on December 11, 2019.

### EXECUTIVE SUMMARY

Report FCS24004 requests that Council approve the Reserve / Revenue Funds and Trust Accounts Statement of Investment Policies and Procedures (the "SIPP") dated December 12, 2023. The SIPP contains amendments arising from the formal review of the SIPP undertaken in 2023, which is required at a minimum once in every four calendar years. The amended SIPP is attached as Appendix "A" to Report FCS24004.

The SIPP is a document that contains investment policies and procedures in respect of the City's portfolios of investments.

There are no substantive amendments to the SIPP that arose from changes that have occurred to legislation since the last review undertaken in 2019.

**SUBJECT: Reserve / Revenue Funds and Trust Accounts Statement of Investment Policies and Procedures Review (FCS24004) (City Wide) – Page 2 of 8**

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An amendment to the SIPP that introduces for the first time the topic of Environmental, Social and Governance (ESG) considerations is contained in a new section, Section 1.10, on page 9 of the SIPP, as follows:

“The City of Hamilton believes that well-managed companies are those that demonstrate high ethical and environmental standards and respect for their employees, human rights, and the communities in which they do business, and that these actions contribute to long term financial performance.

The City has chosen to monitor the developments of ESG factors and will reconsider its approach as and when appropriate to do so.”

These ESG statements were recommended by Aon, the City’s investment consultant, in consultation with staff. The statements take into account the observation that ESG considerations are increasingly being considered in investment decisions and, therefore, into investment policies or SIPPs.

The statements also take into account the results of a survey undertaken by Aon who was engaged by the City to survey various Canadian municipalities with regard to whether and if so, how they take into account ESG and/or Responsible Investing (RI/ESG) considerations in their investment portfolios. (From the Principles for Responsible Investment website: “Responsible investment involves considering environmental, social and governance (ESG) issues when making investment decisions and influencing companies or assets (known as active ownership or stewardship).”)

Based on the findings of Aon’s survey, for those municipalities where there was RI/ESG wording in their SIPPs, the majority of those SIPPs contained RI/ESG wording that was very generic and did not clearly specify the steps required for implementation of RI/ESG within their respective investment portfolios.

Additionally, Aon’s survey found that a majority of the municipalities have RI/ESG policies (that are separate from their SIPPs) for governance and implementation of RI/ ESG that largely contains existing language limited to indicating a target of achieving approximately 50% reduction in emissions by 2030 and net zero or carbon neutral target by 2050. However, these separate RI/ESG policies do not speak to RI/ESG implementation related to their investment portfolios.

The following three minor amendments were made to the SIPP for the purpose of clarification, details of which can be found in the Analysis and Rationale for Recommendation Section of this Report FCS24004.



**SUBJECT: Reserve / Revenue Funds and Trust Accounts Statement of Investment Policies and Procedures Review (FCS24004) (City Wide) – Page 3 of 8**

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- (i) With respect to accounting issues for the Reserve / Revenue Funds, the SIPP now includes wording on the new Public Standard Accounting Board (PSAB) standard on portfolio investments (PS 3041 - portfolio investments) for the Reserve / Revenue Funds. This wording is found in Section 3.04 on pages 13 and 14 of the SIPP.
- (ii) With respect to the Trust Accounts, the SIPP now includes the phrase “if need be” to reflect the current and long-existing practice that separate sub-policies for the Trust Accounts would only be developed only “if need be”. This added phrase is found in the Executive Summary in Section 5 on page 5 of the SIPP and in Section 5.03 on page 21 of the SIPP.
- (iii) With respect to the Trust Accounts, the SIPP now includes a new section to reflect the current and long-existing practice of lending securities held in the Trust Accounts to generate lending income for the Trust Accounts. This new section, Section 6.05, is found on page 25 of the SIPP.

**Alternatives for Consideration – Not Applicable**

**FINANCIAL – STAFFING – LEGAL IMPLICATIONS**

Financial: Not Applicable.

Staffing: Not Applicable.

Legal: Not Applicable.

**HISTORICAL BACKGROUND**

According to Section 1.11 of the SIPP, the City Treasurer and Council must formally review the SIPP at a minimum once in every four calendar years.

The preceding formal review of the SIPP undertaken in 2019 is detailed in Report FCS19074 respecting Reserve / Revenue Funds and Trust Accounts Statement of Investment Policies and Procedures Review, which was approved by Council at its meeting held on December 11, 2019.

The scope of this year’s formal review focused primarily on updating the SIPP to incorporate any changes in legislation impacting the SIPP since the preceding review in 2019 and to include ESG considerations in the SIPP.

The City’s SIPP continues to be governed by legislation under the *Municipal Act, 2001* and Ontario Regulation 438/97 Part I, known as the Prescribed List and under the *Trustee Act* (Ontario).

**SUBJECT: Reserve / Revenue Funds and Trust Accounts Statement of Investment Policies and Procedures Review (FCS24004) (City Wide) – Page 4 of 8**

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Although not the subject of Report FCS24004, in 2018, legislation was introduced that would now enable eligible Ontario municipalities (other than the City of Toronto) to invest under either the Prescribed List or under Section 418.1 (Prudent Investment) of the *Municipal Act, 2001* and Part II of Ontario Regulation 438/97. The latter option is often referred to as the Prudent Investor Standard.

Investing under the prudent investor standard would provide municipalities with a framework and opportunity to invest in a much wider selection of securities and investments, but before being able to invest under the standard, a municipality must adopt the prescribed governance framework.

Under the prescribed governance framework, a municipality is required to establish an investment board in which City Council would delegate its authority to manage and oversee the municipality's investment funds that are not immediately required by the municipality.

### **POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS**

The amended SIPP provides the framework for the investment of the Reserve / Revenue Funds in accordance with the Prescribed List – Ontario Regulation 438/97 Part I - and for the investment of monies for the Trust Accounts in accordance with the *Trustee Act* (Ontario).

Under the Prescribed List, City Council is required to adopt a statement of the City's investment policies and goals before the City invests in an investment prescribed under the Prescribed List. The SIPP is the City's statement of its investment policies and goals.

There are no changes to Ontario Regulation 438/97 Part I since 2019 that results in substantive changes to the City's SIPP. There are no changes to the *Trustee Act* (Ontario) since 2019 that results in substantive changes to the City's SIPP.

### **RELEVANT CONSULTATION**

Staff consulted with Legal and Risk Management Services Division in the preparation of Report FCS24004.

Aon, the City's investment consultant, reviewed the SIPP from a compliance and governance perspective and provided recommended wording in the SIPP regarding ESG considerations. Aon was engaged to undertake a survey of ESG considerations in other Canadian municipalities' investment policies, the results of which informed their recommended wording in the SIPP regarding ESG considerations. In addition, Aon considered all applicable, regulatory guidance and any relevant changes were addressed in the SIPP, where appropriate.

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**SUBJECT: Reserve / Revenue Funds and Trust Accounts Statement of Investment Policies and Procedures Review (FCS24004) (City Wide) – Page 5 of 8**

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

I. No Substantive Amendments to the City’s SIPP from Changes to Legislation

There are no changes to Ontario Regulation 438/97 Part I since 2019 that result in substantive amendments to the City’s SIPP. There are no changes to the *Trustee Act* (Ontario) since 2019 that results in substantive amendments to the City’s SIPP.

Nevertheless, the two minor amendments of a housekeeping nature were made to the SIPP that reflect changes to O. Reg. 438/97 (by O. Reg. 106/22) since 2019.

First, the *Credit Unions and Caisses Populaires Act, 1994* was replaced by the *Credit Unions and Caisses Populaires Act, 2020* (which came into force in 2022). (Note that changes to the *Credit Unions and Caisses Populaires Act, 2020* do not impact the SIPP, because the SIPP restricts permitted investments in credit unions to a term of one year or less.) Second, the word “central” replaces the word “league” to reflect the new nomenclature in the *Credit Union and Caisses Populaires Act, 2020*.

These two housekeeping amendments appear in Footnote 7 of Appendix A on page 27 of the SIPP. Footnote 7 now reads:

“these prescribed securities (which are deposit receipts, deposit notes, certificates of deposit or investment, acceptances or similar instruments issued, guaranteed or endorsed by a credit union or central to which the *Credit Unions and Caisses Populaires Act, 2020* applies).”

II. Environmental, Social and Governance (ESG) Considerations

ESG considerations are increasingly being considered in investment decisions and, therefore, into investment policies or SIPPs.

The City consulted with its investment consultant, Aon, to provide guidance and best practices for how the City may include ESG considerations in its investment policy. Additionally, on the request of the City, Aon was engaged and conducted a survey to understand whether, and if so, how various Canadian municipalities are incorporating RI/ESG within their investment portfolios.

Based on Aon’s findings, for those municipalities where there was RI/ESG wording in their SIPPs, the majority of those SIPPs contained RI/ESG wording that was very generic and did not clearly specify the steps required for implementation of RI/ESG within their respective investment portfolios.

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**SUBJECT: Reserve / Revenue Funds and Trust Accounts Statement of Investment Policies and Procedures Review (FCS24004) (City Wide) – Page 6 of 8**

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Additionally, Aon’s survey found that a majority of the municipalities have RI/ESG policies (that are separate from their SIPPs) in place for governance and implementation of RI/ ESG that largely contains existing language limited to indicating a target of achieving approx. 50% reduction in emissions by 2030 and net zero/ carbon neutral target by 2050. However, these separate RI/ESG policies do not speak to RI/ESG implementation related to their investment portfolios.

The following amendments are recommended by Aon and proposed to be included in the SIPP that speak to the topic of ESG considerations. These amendments are contained in a new section, Section 1.10, Environmental, Social and Governance (ESG) Factors, on page 9 of the SIPP:

“The City of Hamilton believes that well-managed companies are those that demonstrate high ethical and environmental standards and respect for their employees, human rights, and the communities in which they do business and that these actions contribute to long term financial performance.

The City has chosen to monitor the developments of ESG factors and will reconsider its approach as and when appropriate to do so.”

### III. Clarifications / Corrections

Three minor amendments were made to the SIPP for the purpose of clarification in the area of accounting issues for the Reserve / Revenue Funds and in the areas of sub-policies and lending income for the Trust Accounts, listed as follows:

#### i. Accounting Issues for the Reserve / Revenue Funds

The following paragraphs were added to the SIPP in Section 3.04, Accounting Issues, on pages 13 and 14 of the SIPP, in order to reflect the new Public Standard Accounting Board (PSAB) standard on portfolio investments (PS 3041- portfolio investments):

“The following guidance is outlined within PS 3041-Portfolio investments:

- .07 When there has been a loss in value of a portfolio investment that is other than a temporary decline, the investment should be written down to recognize the loss. The write-down should be included in the statement of operations.
- .08 A write-down of a portfolio investment to reflect a loss in value should not be reversed if there is a subsequent increase in value.

**SUBJECT: Reserve / Revenue Funds and Trust Accounts Statement of Investment Policies and Procedures Review (FCS24004) (City Wide) – Page 7 of 8**

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.10A decline in quoted market value below cost or amortized cost of an investment with a fixed maturity amount may be considered temporary unless it is anticipated that the investment will be disposed of before it matures or that the cost or amortized cost may not be realizable.”

ii. Sub-Policy for the Trust Accounts

The following two corrections were made to the SIPP to reflect that a sub-policy for the Trust Accounts would be developed “if need be”. Previously the statement regarding a sub-policy for the Trust Accounts did not include the words “if need be”.

1. In the Executive Summary, Section 5, on page 5 of the SIPP:

**“Section 5: Trust Accounts**

- A very brief description of the City’s Trust Accounts is included.
- The primary goals of the Trust Accounts include: 1) conforming to legislative constraints; 2) preserving capital; 3) maintaining adequate liquidity and 4) maximizing returns.
- Individual performance objectives will be set for each Trust Account. If need be, a customized sub-policy will also be drafted and appended to this Policy because the composition of investment assets and asset mix may vary broadly for each Trust Account.”

2. In Section 5, Trust Accounts, in subsection 5.01, on page 21 of the SIPP:

**“5.01 Profile**

The City’s Trust Accounts consist of multiple accounts, each with distinct and unique objectives. The individual Trust Accounts, therefore, although small, may not be co-mingled.

Notwithstanding the following, a sub-policy will be developed for each individual Trust Account and appended to this Policy, if need be. Each sub-policy will contain a statement of objectives, and constraints and guidelines customized to the unique requirements of the individual Trust Accounts.”

iii. Lending income for the Trust Accounts

The following new section was added to the SIPP, in Section 6.05, on page 25 of the SIPP, to take into account the current and long-existing practice that securities held in the Trust Accounts are used to generate lending income, as is also the current and long-existing practice for securities held in the Reserve / Revenue Funds investment portfolios.

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**SUBJECT: Reserve / Revenue Funds and Trust Accounts Statement of Investment Policies and Procedures Review (FCS24004) (City Wide) – Page 8 of 8**

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**“6.05 Securities Lending**

The investments of the trust accounts may be loaned, for the purpose of generating revenue for the trust accounts on a fully indemnified basis.

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 bonds, the security held must have a market value of at least one hundred and two percent (102%) of the market value of the loaned securities. This market value relationship must be calculated at least 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 City Treasurer has a current list of those institutions that are approved to borrow the trust accounts' investments.”

**ALTERNATIVES FOR CONSIDERATIONS**

Not Applicable.

**APPENDICES AND SCHEDULES ATTACHED**

Appendix “A” to Report FCS24004 – Reserve / Revenue Funds and Trust Accounts Statement of Investment Policies and Procedures dated December 12, 2023.

RM/dt

**Statement of Investment  
Policies and Procedures**

**City of Hamilton –  
Reserve/Revenue Funds  
and Trust Accounts**

**Dated: December 12, 2023**

**APPROVED** on this \_\_\_\_\_ day of  
, 2023

\_\_\_\_\_

## Contents

<b>Executive Summary</b>	<b>3</b>
<b>Section 1 – Overview and Administration</b>	<b>6</b>
1.01 Purpose of Statement	6
1.02 Background	6
1.03 Delegation of Responsibilities	6
1.04 Performance Reporting	7
1.05 Downgrades in Credit Quality	7
1.06 Standard of Professional Conduct	7
1.07 Conflicts of Interest	8
1.08 Related Party Transactions	9
1.09 Monitoring of Asset Mix	9
1.10 Environmental, Social, and Governance Factors (ESG)	9
1.11 Policy Review	10
1.12 City Treasurer’s Report for the Reserve/Revenue Funds	10
<b>Section 2 – Asset Mix and Diversification Policy</b>	<b>11</b>
2.01 Portfolio Return Expectations	11
2.02 Management Structure	11
<b>Section 3 – Reserve/Revenue Funds</b>	<b>12</b>
3.01 Fund Profile	12
3.02 Objectives	12
3.03 Investment and Risk Philosophy	13
3.04 Accounting Issues	13
<b>Section 4-Reserve/Revenue Funds:Permitted Investment and Performance Measurement</b>	<b>15</b>
4.01 General Guidelines	15
4.02 Permitted Investments	15
4.03 Grandfathered Investments-Non Bank ABCP	15
4.04 Minimum Quality Requirements	15
4.05 Investments in School Board Issued Securities	15
4.06 Maximum Quantity Restrictions	16
4.07 Currency	16
4.08 Securities Lending	17
4.09 Forward Rate Agreements	17
4.10 Performance Measurement	20
<b>Section 5 – Trust Accounts</b>	<b>21</b>
5.01 Profile	21
5.02 Objectives	21
5.03 Investment and Risk Philosophy	22
<b>Section 6 – Trust Accounts: Permitted Investments</b>	<b>23</b>
6.01 General Guidelines	23
6.02 Permitted Investments	23
6.03 Minimum Quality Requirements	24
6.04 Maximum Quantity Restrictions	24
6.05 Securities Lending	24
6.06 General Restriction	25
<b>Appendix A – Sector and Issuer Limitations</b>	<b>26</b>
<b>Appendix B – Municipal Act, 2001 (Eligible Investments, Related Financial Agreements and Prudent Investment, Ontario Regulation 438/97)</b>	<b>28</b>



**Appendix “A” to Report FCS24004**

**Page 3 of 57**

<b>Appendix C – Trustee Act of Ontario (Investment Provisions)</b>	<b>48</b>
<b>Appendix D – CFA Institute Code of Ethics and Standards of Professional Conduct</b>	<b>54</b>

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## Executive Summary

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### Section 1: Overview and Administration

- Policy provides investment framework for the City’s Reserve/Revenue funds and Trust Accounts.
- Overall objective is to ensure Funds and Trust Accounts are invested in accordance with existing legislation.
- Overall responsibility for Funds and Trust Accounts rests with the City Treasurer and Council, but many administrative duties and responsibilities have been delegated.
- The Chief Investments Officer (CIO) will complete and deliver a performance report to City Treasurer annually as at fiscal year-end unless otherwise requested by City Council or the City Treasurer and inform the City Treasurer of any security which experiences a credit downgrade in a timely manner.
- City’s Investment staff will comply with the Code of Ethics and Standards of Professional Conduct as promulgated by the CFA Institute and the City’s Code of Conduct.
- Council members, the City’s senior management team, and all external advisors are subject to the City’s guidelines pertaining to actual and perceived conflicts of interest.
- CIO will monitor the Funds’ and Trust Accounts’ asset mixes on a quarterly basis and will rebalance when necessary.
- City Treasurer must formally review the Policy at least once in every four calendar years.
- City Treasurer shall prepare and provide a comprehensive annual investment report to Council.

### Section 2: Asset Mix and Diversification

- CIO will arrange for the investment of the Funds and Trust Accounts to achieve a satisfactory return using diversified portfolios that conform with all legislative constraints.
- Asset mix policies have been established for the Funds and Trusts Accounts at acceptable risk levels.
- Funds and Trust Accounts will be managed by the City’s investment personnel.

### Section 3: Reserve/Revenue Funds

- A short description of the City’s Reserve/Revenue Funds and important cash flow considerations.
- The primary goals of the Funds include: 1) conforming to legislative constraints; 2) preserving capital; 3) maintaining adequate liquidity; and 4) maximizing returns.
- The performance objective is to outperform its benchmark composed of sixty-two decimal five percent (62.5%) FTSE Canada All-Gov’t Short Term Bond Index, twenty-seven decimal five percent (27.5%) FTSE Canada All-Gov’t Bond Index and ten percent (10.0%) FTSE Canada 91-Day T-Bill Index.
- Accounting issues will be taken into account when managing the City’s fixed income assets.
- Duration is to be maintained between one (1) year and six (6) years.

## Appendix “A” to Report FCS24004

Page 5 of 57

### Section 4: Reserve/Revenue Funds – Permitted Investments

- The investments of the Funds must comply with the requirements and restrictions set out in the *Municipal Act, 2001*, specifically Eligible investments, Related Financial Agreements and Prudent Investment, Ontario Regulation 438/97 and any revisions thereof.
- Minimum quality standard for eligible individual bonds is “BBB” and for short term securities is “R-1 low” as rated by a recognized bond rating agency.
- Please refer to chart in Section 4.06 for maximum quantity restrictions.
- The City shall not invest in a security that is expressed or payable in any currency other than Canadian dollars with the exception of those investments specified in Section 4.07 and footnote 6 of Appendix “A”.

### Section 5: Trust Accounts

- A very brief description of the City’s Trust Accounts is included.
- The primary goals of the Trust Accounts include: 1) conforming to legislative constraints; 2) preserving capital; 3) maintaining adequate liquidity and 4) maximizing returns.
- Individual performance objectives will be set for each Trust Account. **If need be**, a customized sub-policy will also be drafted and appended to this Policy because the composition of investment assets and asset mix may vary broadly for each Trust Account.

### Section 6: Trust Accounts – Permitted Investments

- The investments of the Trust Accounts must comply with the requirements and restrictions set out in the *Trustee Act*.
- Permitted investments are set out in detail in Section 6.02.
- Minimum quality standard for eligible individual bonds is “A (low)” and short term securities is “R-1 low” at purchase, as rated by a recognized bond rating agency. However issues rated “BBB” are permitted subject to the individual Trust Account maximums.
- All investment must be reasonably liquid (capable of liquidation with six (6) months).
- Please refer to Section 6.04 for maximum quantity restrictions.
- If it is not obvious that an investment qualifies under this Policy, the CIO must consult with the City Treasurer prior to purchasing the investment.

### Appendix A – Sector and Issuer Limitations

### Appendix B – *Municipal Act, 2001* (Eligible Investments, Related Financial Agreements and Prudent Investment, Ontario Regulation 438/97)

### Appendix C – *Trustee Act* (Investment Provisions)

### Appendix D – CFA institute Code of Ethics and Standards of Professional Conduct

## Section 1 – Overview and Administration

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### 1.01 Purpose of Statement

This Statement of Investment Policies and Procedures (the “Policy”) provides the framework for the investment of the assets of the City of Hamilton’s Reserve/Revenue Funds (the “Funds”) and the City of Hamilton’s Trust Accounts (the “Trust Accounts”).

The overall objective of the Policy is to ensure that the Funds and Trust Accounts are invested in accordance with existing legislation in such a way as to maximize investment returns while minimizing investment risk.

### 1.02 Background

The City Treasurer of the City of Hamilton (the “City”) establishes the Policy for approval by the Council of the Municipality for the City of Hamilton (“Council”) and ensures that the designated assets are managed in accordance with the guidelines set out in the Policy. Council has determined that the Funds and Trust Accounts shall be managed internally by the Chief Investments Officer (the “CIO”). The Custodian, as appointed by council, is to hold an account for the assets to be managed in accordance to this policy.

### 1.03 Delegation of Responsibilities

Overall responsibility for the Funds and Trust Accounts ultimately rests with the City Treasurer and Council. It is permitted however to delegate administrative duties and responsibilities to internal and external agents.

#### a) Chief Investments Officer

The CIO is responsible for:

- (i) monitoring asset mix and rebalancing as required;
- (ii) day-to-day liaison with the Custodian and the Investment Consultant;
- (iii) monitoring and budgeting for cash flow within the Funds and Trust Accounts.
- (iv) researching, recommending and implementing improvements to asset management of the City’s investment assets; and
- (v) directing and implementing investment strategies for City managed portfolios.

#### b) Custodian/Trustee

The custodian/trustee will:

- (i) fulfill the regular duties of a Custodian/Trustee as required by law;
- (ii) maintain safe custody over the assets of the Funds and Trust accounts;
- (iii) execute the instructions of the City Treasurer and the CIO; and
- (iv) record income and provide financial statements to the City Treasurer monthly, or as required.

#### c) Investment Consultant

The investment consultant will:

- (i) assist the CIO and the City Treasurer in developing a prudent long-term asset mix, and specific investment objectives and policies;
- (ii) monitor, analyze and report on the Fund’s investment performance and to support the City Treasurer on any investment related matters;

**Appendix “A” to Report FCS24004**

Page 7 of 57

- (iii) assist with the selections of investment managers, custodians and other suppliers; and,
- (iv) meet with the City Treasurer and/or CIO as required.

**d) The City Treasurer**

The City Treasurer will provide annual audited financial statements of the Funds and Trust Accounts.

**e) City Solicitor**

The City's Solicitor will:

- (i) provide legal advice to the City Treasurer regarding compliance with relevant legislation; and
- (ii) provide legal counsel on a range of issues, including the review of contracts with suppliers.

The City Treasurer has the authority to retain other consultants/suppliers as the City Treasurer deems necessary from time to time.

**1.04 Performance Reporting**

The CIO is required to complete and deliver a performance report to the City Treasurer and to Council annually as at fiscal year-end unless otherwise requested by City Council or the City Treasurer.

**1.05 Downgrades in Credit Quality**

In order to keep the City Treasurer informed, the CIO will take the following steps in the event of a downgrade in the credit rating of a portfolio asset by a recognized bond rating agency to below the purchase standards set out in Sections 4.04 and 6.03:

- within ten (10) business days, the CIO will advise the City Treasurer in writing of the course of action taken, or intended to be taken by the CIO, and his rationale;
- immediately upon downgrade, the asset will be placed on a Watch List subject to monthly review by the CIO with the City Treasurer until such time as the security is sold or is upgraded to a level consistent with the Policy's purchase quality standards; and
- if an investment falls below the standard required, the City shall create a plan, including expected timelines, for selling the investment and shall sell the investment in accordance with the plan.

**1.06 Standard of Professional Conduct**

The City's investment personnel are expected to comply, at all times and in all respects, with the Code of Ethics and Standards of Professional Conduct as promulgated by the CFA Institute and the City's Code of Conduct Policy.

The CIO will manage the assets with the care, diligence and skill that an investment manager of ordinary prudence would use in dealing with assets of this nature. The CIO will also use all relevant knowledge and skill that he or she possesses, as a prudent investment manager.

**Appendix “A” to Report FCS24004**

Page 8 of 57

**1.07 Conflicts of Interest**

The standard applies to individual members of Council, the City’s senior management team, the Custodian, the Investment Consultant and any other external Advisor(s). All are subject to the following guidelines pertaining to both actual and perceived conflicts of interest.

**Disclosure of Council Members and the Senior Management Team**

Council Members and City employees shall subscribe to the City’s Conflict of Interest guidelines. In addition:

- a) A member of Council and the City’s senior management team shall fully disclose the particulars of any actual or perceived conflict of interest immediately upon becoming aware of the actual or perceived conflict, and in writing to the City Treasurer; and
- b) The person or persons in conflict as identified above shall not directly or indirectly participate in any discussion on the subject of the conflict nor participate in any vote on the matter. All such disclosures shall be recorded in the minutes of council or the senior management team meeting during which the apparent conflict was discussed.

**The Custodian, the Investment Consultant and any other Advisor(s) (the “Parties”)**

While it is impossible to determine every circumstance or case which can give rise to possible conflicts of interest, the following indicates some of the types of activities that could result in an actual or perceived conflict of interest and must be disclosed:

**a) Disclosure of Conflict**

A representative of the Parties shall disclose to the City Treasurer any material conflict of interest relating to him, and any material beneficial ownership of investments involved, which could reasonably be expected to impair his ability to render unbiased and objective advice. These disclosures shall be made whenever one of the Parties wishes to make recommendations concerning an investment in which he has a material beneficial interest or perceived conflict.

**b) Disclosure of additional compensation arrangements**

The Parties shall disclose to the City Treasurer in writing any compensation including payments in cash or in kind, he receives from an issuer of securities or any person other than his employer for services he renders to his customers or clients which could reasonably be expected to impair his ability to render unbiased and objective advice with respect to the assets. An employee of the Parties shall also disclose, with the approval of his employer, special compensation arrangements with the employer that might conflict with the City’s interests, such as bonuses based on short term performance criteria. Such written notice shall be presented within thirty (30) days.

**c) Disclosure of referral fees**

The Parties shall disclose any consideration paid to others for making a particular recommendation relating to asset matters. This disclosure statement shall be provided before the recommendation is implemented.

**Appendix “A” to Report FCS24004**

Page 9 of 57

**1.08 Related Party Transactions**

The City Treasurer, on behalf of the Funds and Trust Accounts, may not enter into a transaction with a related party unless:

- a) the transaction is both required for operation and or administration of the Funds and Trust Accounts and the terms and conditions of the transaction are not less favourable than market terms and conditions;
- b) securities of the related party are acquired at a public exchange; or
- c) the combined value of all transactions with the same related party is nominal or the transaction(s) is immaterial

For the purposes of this Section 1.08, transactions involving less than TEN THOUSAND DOLLARS (\$10,000.00) are considered nominal. A “related party” is defined to include any officer, director or employee of the City. It also includes a spouse or child of the persons named previously, or a corporation that is directly or indirectly controlled by the persons named previously, among others. 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 Funds and/or Trust accounts.

**1.09 Monitoring of Asset Mix**

In order to ensure that the Funds and Trust Accounts operate within the minimum and maximum guidelines stated in the Policy, the CIO shall monitor the asset mix on a calendar quarterly basis. Rebalancing can take place over a reasonably short period of time after an imbalance has been identified. Rebalancing may be affected by redirecting the net cash flows to and from the Funds and/or Trust Accounts, or by transferring cash or securities.

**1.10 Environmental, Social, and Governance Factors (ESG)**

The City of Hamilton believes that well-managed companies are those that demonstrate high ethical and environmental standards and respect for their employees, human rights, and the communities in which they do business, and that these actions contribute to long term financial performance.

The City has chosen to monitor the developments of ESG factors and will reconsider its approach as and when appropriate to do so.

**Appendix “A” to Report FCS24004**

Page 10 of 57

**1.11 Policy Review**

This Policy may be reviewed and revised at any time, but the City Treasurer and Council must formally review it at least once in every four calendar years.

**1.12 City Treasurer’s Report for the Reserve/Revenue Funds**

The City Treasurer shall provide an investment report annually to Council by May 31 of the calendar year for the prior fiscal year that complies with section 8 (Investment report) of Ontario Regulation 438/97, Eligible Investments, Related Financial Agreements and Prudent Investment, under the *Municipal Act*, 2001 S.O. 2001, c.25 (the “*Municipal Act*”), and shall contain, but not be limited to, the following information:

- a) a statement about the performance of the portfolio of investments of the City during the period covered by the report;
- b) a listing of the types of securities in which the portfolio invested during the period covered by the report;
- c) a listing of the securities and their credit ratings held by the portfolio at the date of the report;
- d) a description of the estimated proportion of the total investments of a municipality that are invested in its own long-term and short-term securities to the total investment of the municipality and a description of the change, if any, in that estimated proportion since the previous year’s report;
- e) a record of the date of each transaction in or disposal of its own securities, including a statement of the purchase and sale of each security;
- f) a statement by the CIO as to whether or not, in his or her opinion all investments are consistent with this Statement of Investment Policy and Procedures (“SIPP”) adopted by the City;
- g) a statement by the treasurer as to whether or not, in his or her opinion all investments are consistent with this SIPP adopted by the City; and
- h) any other information that the council may require or that, in the opinion of the City Treasurer, should be included.



## Section 2 – Asset Mix and Diversification Policy

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### 2.01 Portfolio Return Expectations

The City Treasurer has appointed the CIO to arrange for the investment of part or all of the assets of the Funds and Trust Accounts to achieve a satisfactory long-term rate of return through a diversified portfolio, consistent with acceptable risks and prudent management and that conforms with all legislative constraints.

An appropriate asset mix policy has been established for the Funds and Trust Accounts to provide a reference for long-term return requirements at risk levels acceptable to the City Treasurer. Risk is controlled by investing in well diversified and high-quality portfolios.

### 2.02 Management Structure

The Funds and Trust Accounts will be managed by the City’s investment personnel.

## Section 3 – Reserve/Revenue Funds

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### 3.01 Fund Policy

The City’s Reserve/Revenue Funds were amalgamated in 2001. Based on the pattern of cash flows experienced in the past, one can assume that cash flow will be added to the Funds between February and October and the Funds will be drawn down between November and February.

These assets of the Reserve/Revenue Fund will be managed on a total return basis and measured against performance benchmarks. Another important cash flow consideration relates to the Fund’s intra-month cash flow activity. According to City sources, there is a great deal of short-term cash activity every month and the Funds require a comprehensive cash management operation.

### 3.02 Objectives

The primary goals of the Funds are to ensure compliance with the *Municipal Act, 2001* and Eligible Investments, Related Financial Agreements and Prudent Investment, Ontario Regulation 438/97, to minimize investment risk, and to maximize investment returns.

The four basic objectives of the Policy are:

#### 1. Conform to Legislative Constraints

The City’s investment portfolios must conform with the *Municipal Act*, which is the guiding legislation for investment of municipal funds. In particular, the investments must conform to Eligible Investments, Related Financial Agreements and Prudent Investment, Ontario Regulation 438/97. Eligible investments are discussed in greater detail in Section 4.02.

#### 2. Preserve Capital

Ensuring the safety of principal is of paramount importance for the City. Proper diversification will help to ensure that this objective is met. The establishment of limitations relating to credit rating, sector exposure and term structure will ensure safety of principal by limiting the investment exposure to any one issuer, sector or term.

The limitations described in Section 4 reflect the requirements of the current legislation and the City’s own guidelines on prudent investment standards. All eligible investments must adhere to these limits.

#### 3. Maintain Adequate Liquidity

Maintaining adequate liquidity ensures that the Funds can be fully invested until required by the City. Liquid investments also afford more opportunities for investment management (i.e. lengthening or shortening the term of securities to take advantage of movements in interest rates or shifts in the yield curve).

The predictability of the City’s cash flows will be an important consideration in determining the degree of liquidity required in the portfolio.

## Appendix “A” to Report FCS24004

Page 13 of 57

### 4. Maximize Returns while Conforming to Other Objectives

Investment returns should be maximized through opportunistic investment management without compromising the objectives of preservation of capital and maintenance of liquidity.

The CIO is responsible for managing the Fund’s investment assets. For the purposes of evaluating the Fund’s performance, all rates of returns will be measured over moving one-year and four-year periods. Return objectives will be on a total return basis and will 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.

#### Performance Objectives:

The Fund’s performance objective, as outlined in Section 4.10, is to outperform a benchmark portfolio constructed from a blend of returns composed of sixty-two decimal five percent (62.5%) of the FTSE Canada All-Government Short Term Bond Index, twenty-seven decimal five percent (27.5%) of the FTSE Canada All-Government Bond Index and ten percent (10.0%) of the FTSE Canada 91-Day Treasury Bill Index, measured over four-year cycles.

The City’s cash management objectives include the maintenance of positive cash flow, the development of prudent temporary borrowing strategies and the investment of the City’s idle funds to earn a competitive rate of return.

### 3.03 Investment and Risk Philosophy

#### a) Investment Philosophy

The Funds will be managed on a total return basis, as per the objectives, guidelines and constraints imposed by the Policy. Efforts will be made to maximize returns and avoid capital losses, while incorporating the Funds’ unique cash flow demands.

#### b) Risk Philosophy

The Funds shall be managed in a conservative manner with special care and attention being taken to minimize risk and preserve capital.

### 3.04 Accounting Issues

With the likelihood that the City’s fixed income portfolio may incur unrealized losses, it is extremely important to address the accounting treatment of such unrealized losses with the City’s auditors. Discussions with the City’s auditors reveal that they will adopt a very conservative approach in valuing the portfolio, but will distinguish between temporary and permanent impairments in value. Should the loss in value of a portfolio be deemed permanent, the investment will be written down to recognize the loss. A write down of a portfolio investment to reflect a loss in value will not be reversed if there is a subsequent increase in value.

The following guidance is outlined within PS 3041-Portfolio investments:

.07 When there has been a loss in value of a portfolio investment that is other than a temporary decline, the investment should be written down to recognize the loss. The write-down should be included in the statement of operations.

.08 A write-down of a portfolio investment to reflect a loss in value should not be reversed if there is a subsequent increase in value.

.10 A decline in quoted market value below cost or amortized cost of an investment with a fixed maturity amount may be considered temporary unless it is anticipated that the investment will be disposed of before it matures or that the cost or amortized cost may not be realizable.

This information has important implications for the manner in which the City's fixed income investments should be managed and its resulting term structure.

## Section 4 - Reserve/Revenue Funds: Permitted Investments and Performance Measurement

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### 4.01 General Guidelines

The investments of the Funds must comply with the requirements and restrictions set out in the *Municipal Act, 2001* S.O. 2001, c.25 (the “*Municipal Act*”), specifically Eligible Investments, Related Financial Agreements and Prudent Investment, Ontario Regulation 438/97 and any revisions thereof. Any changes or revisions to the *Municipal Act*, specifically Eligible Investments, Related Financial Agreements and Prudent Investment, Ontario Regulation 438/97, subsequent to the formal adoption of this Policy, will be effective immediately. This Policy will be updated to reflect the change(s) at the time of its formal review.

### 4.02 Permitted Investments

The City will invest only in securities permitted under the *Municipal Act* and its related regulations, as amended from time to time.

A list of Sector and Issuer Limitations (the List) will be established by the City Treasurer and the Chief Investments Officer (see Appendix A). The List will state explicitly the approved sectors and issuer limitations of securities that may be held in the portfolio. In addition, while all investments on the List must meet legislative requirements, specific minimum credit rating requirements, dollar limits and/or percentage limits (of the total portfolio) will be established for each issuer. The List will be amended from time to time by the Chief Investments Officer.

### 4.03 Grandfathered Investments—Non-Bank ABCP

Investments which were allowed under the *Municipal Act* will be grandfathered and considered acceptable investments provided that:

- a) the City invested in the security before January 12, 2009; and
- b) the terms of the City’s continued investment in the security have been changed pursuant to the Plan Implementation Order of the Ontario Superior Court of Justice dated January 12, 2009 (Court file number 08-CL-7440) and titled “In the matter of the Companies’ Creditors Arrangement Act, R.S.C. 1985, c. C-36 as amended and in the matter of a plan of compromise and arrangement involving Metcalfe & Mansfield Alternative Investments II Corp. et al”. O. Reg. 438/97 s.2.1

### 4.04 Minimum Quality Requirements

The City shall not invest in a security that does not meet the credit rating requirements established under the *Municipal Act* and Regulations.

### 4.05 Investments in School Board Issued Securities

A municipality shall not invest in a security issued or guaranteed by a school board or similar entity unless the money raised by issuing the security is to be used for school purposes.

### 4.06 Maximum Quantity Restrictions

## Appendix “A” to Report FCS24004

Page 16 of 57

The City shall not invest more than twenty-five percent (25%) of the portfolio in short-term debt issued or guaranteed by the City. Short-term debt means any debt instrument that shall be fully repaid no later than three hundred and sixty-four (364) days after the debt is incurred. The total investment in ‘A’ or equivalent rated debt on purchase must not exceed thirty-five percent (35%) of the market value of the City’s bond portfolio.

Subject to the quality limits imposed above, the following quantity restrictions at the total fund level are to be respected. Please see the Sector and Issuer Limitations List in Appendix A for more details:

	Minimum %	Maximum %
Federal issues in aggregate	0	100
Federal Guarantee	0	100
Provincial holdings in aggregate	0	100
Single province exposure	0	50
Individual non-federal/non-provincial holding (*)	0	10
Non-federal/non-provincial holdings in aggregate	0	50
Municipal Issues (*)		
-individual muni issue rated “AAA”	0	10
-individual muni issue rated “AA”	0	10
-individual muni issue rated “A”	0	5
Municipal holdings in aggregate	0	30
Banks and Credit Unions in aggregate	0	50
Asset-Backed in aggregate	0	25
Foreign Country Debt in Cdn dollars	0	25
Commercial paper in aggregate	0	20
One Investment Program in aggregate	0	15
Corporate Debt rated A(low) or better < 5 years in aggregate	0	15
Ontario Infrastructure and Lands Corporation “AA” Broader Public Sector	0	15
Supranational	0	30
Short term securities in aggregate	0	50
Any security if the City acquires the security as a gift in a will or as a donation not made for a charitable purpose	0	N/A
Shares of a corporation received through a court order in lieu of debt that is payable to the municipality	0	N/A
Forward Rate Agreement	0	N/A
Portfolio benchmark duration (Macaulay)	1 year	6 years

(\*) Except for City of Hamilton issues which have a limit of twenty-five percent (25%).

#### 4.07 Currency

The City shall not invest in a security that is expressed or payable in any currency other than Canadian dollars with the exception of those investments specified in footnote 6 of Appendix “A”: investments in securities that are deposit receipts, deposit notes,

**Appendix “A” to Report FCS24004**

Page 17 of 57

certificates of deposit or investment, acceptances or similar instruments issued, guaranteed or endorsed by a bank listed in Schedule I to the *Bank Act* (Canada), expressed or payable in the currency of the United States of America, are permitted. A maximum portfolio and individual limit of 2%, within the maximum portfolio and individual limits for Schedule I banks as indicated in the Appendix “A”, applies. These investments will also adhere to a minimum credit rating and a minimum money market rating requirement of A(low) and R1(low) respectively.

**4.08 Securities Lending**

The investments of the Funds may be loaned, for the purpose of generating revenue for the Funds on a fully indemnified basis.

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 bonds, the security held must have a market value of at least one hundred and two percent (102%) of the market value of the loaned securities. This market value relationship must be calculated at least 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 City Treasurer has a current list of those institutions that are approved to borrow the Fund's investments.

**4.09 Forward Rate Agreements**

The City is authorized to enter into agreements to make prescribed investments as outlined in O. Reg. 438/97, on a future date and to that effect may enter into a one or more forward rate agreements.

**a) Description of a Forward Rate Agreement**

A Forward Rate Agreement (“FRA”) is legally binding agreement between two parties to exchange cash flows based on interest rates (usually one party pays a fixed interest rate and the other party pays a floating interest rate) applied to a notional principal amount at a given future date.

**b) Purpose**

The FRA should be used to minimize the cost or risk associated with investments because of fluctuations in interest rates.

Overall, the FRA should provide the City with the possibility to protect the future returns in anticipation of fluctuating interest rates (i.e. fixes today the interest rate that will accrue on an investment occurring in the future). It will also allow the City's to plan for cash flows more effectively as future interest rates are no longer uncertain.

The FRA must be entered into with the intent of accomplishing the above purposes. For example, the fund may enter into a FRA to fix the rate of return for an investment that would meet the obligations of a sinking fund debenture.

**c) Standard FRA Contract**

The standard FRA contract shall include the following:

- A forward amount, which is the principal amount of the investment or that portion of the principal amount to which the agreement relates;

**Appendix “A” to Report FCS24004**

Page 18 of 57

- A settlement day, which is a specified future date;
- A forward rate of interest, which is a notional rate of interest applicable on the settlement day;
- A reference rate of interest, which is the market rate of interest payable on a specified future date on an acceptance issued by a bank listed in Schedule I, II and III to the *Bank Act*, S.C. 1991, c. 46 (the “*Bank Act*”); and
- A settlement payment to be payable on the settlement day if the forward rate and the reference rate of interest are different.

**d) Type of investments**

The City is allowed to enter into a FRA in any of the fixed income securities prescribed in the Sector and Issuer Limitations list (Appendix A). Dealing in FRA’s is permitted in Canadian dollars only.

**e) Counterparty**

The City shall not enter a FRA except with a bank listed in Schedule I, II and III to the *Bank Act* and only if the bank’s long term debt obligations on the day the agreement is entered are rated A (high) or higher by DBRS, A+ or higher by Fitch, A1 or higher by Moody’s or A+ or higher by S&P.

**f) Reference Rate**

The reference rate is the market rate of interest (floating interest rate) payable on a specified future date.

The parties are free to use any market rate of interest as a reference rate for entering into a FRA, provided the methodology of computing the rate is objective, transparent and mutually acceptable to counterparties.

**g) Size Limit**

The City should not enter a FRA if the forward notional amount, when added to all forward notional amounts under other forward agreements, if any, relating to the same investment, would exceed the total amount of the principal of the investment.

**h) Term**

The City shall not enter a FRA unless the settlement day under the agreement is within twelve (12) months of the day on which the agreement is executed.

**i) Valuation**

The FRA portfolio must be marked to market as determined by the custodian. The City shall apply the Generally Accepted Accounting Principles (GAAP) in reporting the impact of the FRA on the financial statements.



**Appendix “A” to Report FCS24004**

Page 19 of 57

**j) Netting Settlement**

The agreement should be set up so that on the settlement date, all FRA payments to be exchanged will be net settled (i.e. only the differential between the fixed and floating is paid).

In case of insolvency, the claim of the counterparty provides for the netting of the transaction between the insolvent and the creditor. In such case, the amount payable by one party is set off against the amount payable by the other party and only the net balance is paid or received.

**k) Risk Management Authorization**

All agreements will be negotiated by the CIO and authorized by the City Treasurer or Council of the City. The City Treasurer or Council will be presented with:

1. Estimated cost to the municipality resulting from the use of a FRA
2. Detailed estimate of the expected results of the use of a FRA
3. An analysis of financial and other risk to the municipality that would exist with and without the use of a FRA

**l) Contract**

A FRA contract should be developed and used as standard in all transactions. The standard shall clearly define the rights and obligations of each party.

**m) Credit exposure limits**

FRA with Schedule III banks should be limited to twenty-five percent (25%) of the entire FRA portfolio.

**n) Monitoring**

The CIO shall ensure that the appropriate infrastructure and monitoring systems such as ability to price the FRA, marked to market the positions, monitor limit exposures on an ongoing basis are put in place.

**o) Monitoring Report**

If the City has any subsisting FRA in a fiscal year, the City Treasurer of the City shall prepare and present to the City council once in that fiscal year, or more frequently if the council or desires, a detailed report on all those agreements.

The report must contain the following information and documents:

- A statement about the status of the forward rate agreements during the period of the report, including a comparison of the expected and actual results of using the agreements;
- A statement by the City Treasurer indicating whether, in his or her opinion, all the forward rate agreements entered during the period of the report are consistent with the City’s statement of policies and goals relating to the use of forward rate agreements;
- Such information as the council may require; and
- Such other information as the City Treasurer considers appropriate to include in the report.

**Appendix “A” to Report FCS24004**

Page 20 of 57

**4.10 Performance Measurement**

For purposes of evaluating the performance of the Funds, all rates of returns are measured over moving one-year and four-year periods. Return objectives include realized and unrealized capital gains or losses plus income from all sources.

The Funds' performance objective is to outperform a benchmark portfolio constructed from a blend of returns composed of sixty-two decimal five percent (62.5%) of the FTSE Canada All-Government Short-Term Bond Index, twenty-seven decimal five percent (27.5%) of the FTSE Canada All-Government Bond Index and ten percent (10.0%) of FTSE Canada 91-Day Treasury Bill Index.

**Total Fund**

Investment weightings and investment results are to be measured regularly against a long-term Benchmark Portfolio comprising:

Benchmark	%
FTSE Canada All-Government Short-Term Bond Index	62.5
FTSE Canada All-Government Bond Index	27.5
FTSE Canada 91-Day Treasury Bill Index	<u>10.0</u>
	100.0

## Section 5 - Trust Accounts

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### 5.01 Profile

The City’s Trust Accounts consist of multiple accounts, each with distinct and unique objectives. The individual Trust Accounts therefore, although small, may not be co-mingled.

Notwithstanding the following, a subpolicy will be developed for each individual Trust Account and appended to this Policy, **if need be**. Each subpolicy will contain a statement of objectives, and constraints and guidelines customized to the unique requirements of the individual Trust Accounts.

### 5.02 Objectives

The primary goals of the Trust Accounts are to ensure compliance with the investment provisions of the Trustee Act, R.S.O. 1990, c. T.23 (the “Trustee Act”). Effective July 1, 1999, the investment provisions of the *Trustee Act* were amended to a “prudent investor” standard. The new legal standard of “prudent investor” allows for greater portfolio diversification and a less restrictive means of selecting appropriate investments.

The basic objectives of the Trust Accounts include:

#### 1. Conform to Legislative Constraints

The City’s Trust Accounts must conform with the *Trustee Act of Ontario*, which is the guiding legislation for investment of trust monies. In particular, the investments must conform to the requirements and restrictions imposed by Section 27 of the *Trustee Act*.

Among other criteria, Section 27 of the *Trustee Act* stipulates that a trustee:

- must exercise the care, skill, diligence and judgment that a prudent investor would exercise in making investments;
- may invest trust property in any form of property in which a prudent investor might invest; and
- must diversify the investments of trust property to the extent that is appropriate.

#### 2. Preserve Capital

Ensuring the safety of principal is of paramount importance for the City. Proper diversification will help to ensure that this objective is met.

The limitations described in Section 6 reflect the requirements of the current legislation and the City’s own guidelines on prudent investment standards. All eligible investments must adhere to these limits.

#### 3. Maintain Adequate Liquidity

Maintaining adequate liquidity ensures that the Trust Accounts can be fully invested until required by the City. Liquid investments also afford more opportunities for investment management (i.e. moving in to or out of equity investments as dictated by prevailing market conditions or lengthening or shortening the term of fixed income securities to take advantage of movements in interest rates).

**Appendix “A” to Report FCS24004**

Page 22 of 57

**4. Maximize Returns while Conforming to Other Objectives**

Investment returns should be maximized through opportunistic investment management without compromising the objectives of preservation of capital and maintenance of liquidity.

The CIO is responsible for managing the Trust Accounts' investment assets. For the purposes of evaluating the Trust Accounts performance, all rates of returns will be measured over moving one-year and four-year periods. Return objectives will be on a total return basis and will include realized and unrealized capital gains or losses plus income from all sources. Returns will be calculated on a time-weighted basis.

**Performance Objectives:**

The performance objectives of the individual Trust Accounts must be treated on an account-by-account basis. The Trust Accounts are too diverse in nature to set specific performance objectives as individual objectives and constraints vary and the composition of investment assets and asset mix vary broadly.

**5.03 Investment and Risk Philosophy****a) Investment Philosophy**

The Trust Accounts will be managed on a total return basis, as per the objectives, guidelines and constraints imposed by the Policy and individual Trust Accounts. Efforts will be made to maximize returns and avoid capital losses.

**b) Risk Philosophy**

The Funds shall be managed in a conservative manner with special care and attention being taken to minimize risk and preserve capital.

## Section 6 - Trust Accounts: Permitted Investments

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### 6.01 General Guidelines

The investments of the Trust Accounts must comply with the requirements and restrictions set out in the *Trustee Act*, R.S.O. 1990, c. T.23 (the “*Trustee Act*”), specifically the requirements and restrictions imposed by Section 27 of the *Trustee Act*. Any changes or revisions to the *Trustee Act*, specifically Section 27, subsequent to the formal adoption of this Policy will be effective immediately. This Policy will be updated to reflect the change(s) at the time of the Policy’s formal review.

### 6.02 Permitted Investments

The following are prescribed, for the purposes of this investment policy, as securities that the City may invest in:

#### 1. Canadian and Foreign Equities

Permitted instruments are:

- common and convertible preferred equity listed on recognized stock exchanges;
- debentures convertible into common equity;
- rights, warrants and special warrants for common or convertible preferred stock;
- instalment receipts;
- American Depository Receipts and Global Depository Receipts; and
- exchange traded index participation units.

#### 2. Bonds

Permitted instruments are:

- bonds, debentures, notes and other evidences of indebtedness of Canadian issuers denominated in Canadian dollars;
- mortgage-backed securities, guaranteed by the federal government as to the timely payment of all payments under the *National Housing Act*, R.S.C. 1985, c. N-11;
- term deposits and guaranteed investment certificates; and
- Supra-National bonds issued by the International Bank for Reconstruction and Development denominated in Canadian dollars.

#### 3. Cash and Short-Term Investments

Permitted instruments (defined to be securities with less than one (1) year to maturity) are:

- cash on hand and demand deposits including deposit accounts of the custodian,
- treasury bills issued by the federal and provincial governments and their agencies, obligations of trust companies and Canadian and foreign banks chartered to operate in Canada, including bankers’ acceptances, and
- commercial paper and term deposits.

**Appendix “A” to Report FCS24004**

Page 24 of 57

**4. Other Investments**

Permitted instruments are:

- deposit accounts of the custodian which can be used to invest surplus cash holdings; and
- investments may be made in mutual funds.

**6.03 Minimum Quality Requirements**

Within the investment restrictions for individual portfolios, including mutual funds, all portfolios should hold a prudently diversified exposure to the intended market.

The following minimum quality restrictions apply to all investments held in the portfolio:

- generally speaking, the minimum quality standard for individual bond issues is ‘A (Low)’ or equivalent, as rated by a recognized bond rating agency at the time of purchase, however, issues rated ‘BBB’ are permitted subject to the individual Trust Account maximums;
- the minimum quality standard for individual short term securities is ‘R-1 (Low)’ or equivalent, as rated by a recognized bond rating agency at the time of purchase; and
- all investments shall be reasonably liquid (i.e. in normal circumstances they should be capable of liquidation within six (6) months).

**6.04 Maximum Quantity Restrictions**

The following restrictions are to be respected:

**Equities**

- The equity holdings will be well diversified and contain at least fifteen (15) securities. The maximum holding for any individual stock will be ten percent (10%) of the equity portfolio based on market value;
- Equity holdings representing more than ten percent (10%) of the voting shares of a corporation or more than ten percent (10%) of the available public float shall be disclosed on a quarterly basis; and
- Equity holdings representing more than twenty percent (20%) of the voting shares of a corporation or more than twenty percent (20%) of the available public float are not permitted. In addition, the combined share of all holdings in excess of ten percent (10%) of the voting shares or public float may not exceed three percent (3%) of the total equity portfolio. All calculations are based on market value.

**Bonds and Short Term**

- Except for federal and provincial bonds (including government guaranteed bonds), no more than ten percent (10%) of the bond portfolio may be invested in the bonds of a single issuer and its related companies;
- No one bond holding shall represent more than ten percent (10% of the market value of the total outstanding for that bond issue;
- No more than ten percent (10%) of the market value of the bond portfolio may be held in ‘BBB’ issues; and
- No more than ten percent (10%) of the market value of the bond portfolio may be held in real return bonds.

**Appendix “A” to Report FCS24004**

Page 25 of 57

**Mutual Fund Investments**

The CIO may invest in mutual funds, provided that every effort is made to minimize investment management fees.

**Pooled Fund Investments**

Investments in pooled funds are not permitted, unless such funds can be deemed to be mutual funds.

**Prior Permission Required**

The following investments may be permitted **provided that** prior approval has been obtained from the City Council:

- investments in private placements;
- direct investments in real estate;
- direct investments in venture capital financing or private equity limited partnerships;
- investments in bonds of foreign issuers;
- investments in units of investment trusts (e.g. REITs or resource trust units); and
- direct investments in mortgages.

No other investment is permitted.

**6.05 Securities Lending**

The investments of the trust accounts may be loaned, for the purpose of generating revenue for the trust accounts on a fully indemnified basis.

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 bonds, the security held must have a market value of at least one hundred and two percent (102%) of the market value of the loaned securities. This market value relationship must be calculated at least 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 City Treasurer has a current list of those institutions that are approved to borrow the trust accounts' investments.

**6.06 General Restriction**

At all times, the CIO must meet the requirements for eligible investments as outlined in the *Trustee Act*.

If it is not obvious that an investment qualifies under this Policy, the CIO should consult with the City Treasurer of his concern about the investment before the investment is acquired.

## Appendix “A” to Report FCS24004

Page 26 of 57

## Appendix A – Sector and Issuer Limitations

	Sector Exposure Maximum Limits <sup>1</sup>		Restrictions		
	Portfolio Limit	Individual Limit	Minimum Credit Rating <sup>2</sup>	Money Market Rating	Maximum Term-to-Maturity (on the day the investment is made)
Federal Canada Government	100%	100%	N/A	R1(high)	
Federal Guarantees	100%	25%	N/A	R1(high)	
Provincial including Provincial Guarantees	100%	50%	AA(low)	R1(mid)	
	20%	10%	A(low)	R1(mid)	
	10%	10%	BBB(low)	R1(mid)	
Municipal					
City of Hamilton	25%	25%	N/A		
Other Municipalities and School Boards	25%	10%	AA(low)		
	15%	5%	A(low)		
Municipal Totals	30%				
Asset-Backed Securities (ABS) <sup>3</sup>	25%	10%	AAA	R1(high)	
Banks <sup>4</sup> and Credit Union					
Schedule I Banks <sup>6</sup>	50%	10%	AA(low)	R1(mid)	
Schedule I Banks <sup>6</sup>	20%	5%	A(low) <sup>5</sup>	R1(low)	
Schedule II Banks	15%	5%	AA(low)	R1(high)	
Schedule II Banks	10%	5%	A(low) <sup>5</sup>	R1(mid)	
Schedule III Banks	15%	5%	AA(low)	R1(high)	
Schedule III Banks	10%	5%	A(low) <sup>5</sup>	R1(mid)	
Credit Union with Guarantee <sup>7,8</sup>	8%	4%			1 year
Total for Banks & Credit Union with Guarantee	50%				
Negotiable promissory notes or Commercial Paper (other than ABS) <sup>3,9</sup>	15%	5%		R1(high)	1 year or less from the date of issue
	10%	2%		R1(mid) <sup>10</sup>	1 year or less from the date of issue
Total Promissory Notes/ Commercial Paper	20%				
Foreign Country Debt (C\$ Issued)	25%	10%	AA(low)		
One Investment Program <sup>11</sup>	15%	10%			
Corporate Debt <sup>12</sup>	15%	5%	A(low)		5 years



## Appendix “A” to Report FCS24004

Page 27 of 57

Ontario Infrastructure and Lands Corporation/ “AA” Broader Public Sector	15%	5%			
Supranationals	30%	10%	AAA		
Security – gift in a will; or non-charitable donation <sup>13</sup>	n/a	n/a			
Shares of a Corporation <sup>14</sup>	n/a	n/a			
Forward Rate Agreements	n/a	25% <sup>15</sup>			

## Notes:

<sup>1</sup> Exposure percentage limitations to be applied to the par value of the total portfolio exclusive of the exposure to similar assets and/or securities held under the investments made in the One Investment Program.

<sup>2</sup> Minimum credit rating is met from at least one of the following credit rating agencies: Standard & Poor's, Fitch Ratings, Dominion Bond Rating Service Limited or Moody's Investors Services Inc.

<sup>3</sup> Investments in ABS or negotiable promissory notes or commercial paper require, on the date that the investment is made, that the City of Hamilton itself is rated or all of the City of Hamilton's long-term debt obligations are rated AA(low) or higher; OR that such investments be made under One Investment Program.

<sup>4</sup> Prescribed securities are: deposit receipts, deposit notes, certificates of deposit or investment, acceptances or similar instruments issued, guaranteed or endorsed by a bank listed in Schedule I, II or III to the *Bank Act* (Canada); and bonds, debentures, promissory notes or other evidence of indebtedness, issued or guaranteed by a bank listed in Schedule I, II or III to the *Bank Act* (Canada).

<sup>5</sup> For securities of bonds, debentures, promissory notes or other evidence of indebtedness, issued or guaranteed by a bank listed in Schedule I, II or III to the *Bank Act* (Canada) with a term-to-maturity less than or equal to 2 years on the day the investment is made, the prescribed minimum credit rating is AA(low).

<sup>6</sup> Investments in securities that are deposit receipts, deposit notes, certificates of deposit or investment, acceptances or similar instruments issued, guaranteed or endorsed by a bank listed in Schedule I to the *Bank Act* (Canada), expressed or payable in the currency of the United States of America, are permitted. A maximum portfolio and individual limit of 2%, within the maximum portfolio and individual limits for Schedule I banks as indicated in the table above, applies. These investments will also adhere to a minimum credit rating and a minimum money market rating requirement of A(low) and R1(low) respectively.

<sup>7</sup> Prescribed securities are deposit receipts, deposit notes, certificates of deposit or investment, acceptances or similar instruments issued, guaranteed or endorsed by a credit union or central to which the *Credit Union and Caisses Populaires Act, 2020* applies.

<sup>8</sup> Unconditional (Irrevocable) Letter of Guarantee issued by the credit union central for the credit union in a form satisfactory to the City Solicitor and with content acceptable to the City.

<sup>9</sup> Promissory note or commercial paper has been issued by a corporation that is incorporated under the laws of Canada or a province of Canada.

<sup>10</sup> Minimum credit rating must satisfy R1(mid) by Dominion Bond Rating Service Limited, F1+ by Fitch Ratings, Prime-1 by Moody's Investors Services Inc. or A-1+ by Standard and Poor's.

<sup>11</sup> One Investment Program is jointly run by CHUMS (a subsidiary of the Municipal Finance Officers' Association of Ontario) and Local Authority Services (a corporation of the Association of Municipalities of Ontario).

<sup>12</sup> Bonds, debentures, promissory notes or other evidence of indebtedness issued by a corporation that is incorporated under the laws of Canada or a province of Canada

<sup>13</sup> Any security if the City acquires the security as a gift in a will or as a donation not made for a charitable purpose. If the City acquires such a security that is not otherwise prescribed under Part I of O. Reg. 438/97, the City shall create a plan, including expected timelines, for selling the investment and shall sell the investment in accordance with the plan.

<sup>14</sup> Shares of a corporation received if the corporation has a debt payable to municipality, under court order the corporation has received creditor protection, and in lieu of debt is authorized by the court order and in the opinion of the Treasurer of the municipality the debt would be uncollectable by the City.

<sup>15</sup> FRA with Schedule III Bank limited to 25% of entire FRA portfolio.

## **Appendix B - *Municipal Act, 2001*, Ontario Regulation 438/97 (Eligible Investments, Related Financial Agreements and Prudent Investment)**

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### **ONTARIO REGULATION 438/97** (formerly under Municipal Act)

#### **ELIGIBLE INVESTMENTS, RELATED FINANCIAL AGREEMENTS AND PRUDENT INVESTMENT**

Last amendment: 106/22

#### **PART I ELIGIBLE INVESTMENTS AND FORWARD RATE AGREEMENTS**

##### **Investment under s. 418 of the Act**

1. (1) This Part applies in respect of investments by a municipality under section 418 of the Act. O. Reg. 43/18, s. 2.

(2) A municipality does not have the power to invest under section 418 of the Act in a security other than a security prescribed under this Part. O. Reg. 43/18, s. 2.

##### **Eligible investments**

2. The following are prescribed, for the purposes of subsection 418 (1) of the Act, as securities that a municipality may invest in:

1. Bonds, debentures, promissory notes or other evidence of indebtedness issued or guaranteed by,
  - i. Canada or a province or territory of Canada,
  - ii. an agency of Canada or a province or territory of Canada,
  - iii. a country other than Canada,
  - iv. a municipality in Canada including the municipality making the investment,
    - iv.1 the Ontario Infrastructure and Lands Corporation,
    - v. a school board or similar entity in Canada,
      - v.1 a university in Ontario that is authorized to engage in an activity described in section 3 of the *Post-secondary Education Choice and Excellence Act, 2000*,
      - v.2 a college established under the *Ontario Colleges of Applied Arts and Technology Act, 2002*,
    - vi. a local board as defined in the *Municipal Affairs Act* (but not including a school board or a municipality) or a conservation authority established under the *Conservation Authorities Act*,

## Appendix “A” to Report FCS24004

Page 29 of 57

- vi.1 a board of a public hospital within the meaning of the *Public Hospitals Act*,
  - vi.2 a non-profit housing corporation incorporated under section 13 of the *Housing Development Act*,
  - vi.3 a local housing corporation as defined in section 24 of the *Housing Services Act, 2011*, or
  - vii. the Municipal Finance Authority of British Columbia.
2. Bonds, debentures, promissory notes or other evidence of indebtedness of a corporation if,
- i. the bond, debenture or other evidence of indebtedness is secured by the assignment, to a trustee, as defined in the *Trustee Act*, of payments that Canada or a province or territory of Canada has agreed to make or is required to make under a federal, provincial or territorial statute, and
  - ii. the payments referred to in subparagraph i are sufficient to meet the amounts payable under the bond, debenture or other evidence of indebtedness, including the amounts payable at maturity.
3. Deposit receipts, deposit notes, certificates of deposit or investment, acceptances or similar instruments the terms of which provide that the principal and interest shall be fully repaid no later than two years after the day the investment was made, if the receipt, note, certificate or instrument was issued, guaranteed or endorsed by,
- i. a bank listed in Schedule I, II or III to the *Bank Act (Canada)*,
  - ii. a loan corporation or trust corporation registered under the *Loan and Trust Corporations Act*, or
  - iii. a credit union or central to which the *Credit Unions and Caisses Populaires Act, 2020* applies.
- 3.1 Deposit receipts, deposit notes, certificates of deposit or investment, acceptances or similar instruments the terms of which provide that the principal and interest shall be fully repaid more than two years after the day the investment was made, if the receipt, note, certificate or instrument was issued, guaranteed or endorsed by,
- i. a bank listed in Schedule I, II or III to the *Bank Act (Canada)*, or
  - ii. a loan corporation or trust corporation registered under the *Loan and Trust Corporations Act*.
  - iii. REVOKED: O. Reg. 43/18, s. 3 (1).
4. Bonds, debentures, promissory notes or other evidence of indebtedness, the terms of which provide that the principal and interest shall be fully repaid no later than two years after the day the investment was made if issued or guaranteed by an institution listed in paragraph 3.1.
- 4.1 Bonds, debentures, promissory notes or other evidence of indebtedness, the terms of which provide that the principal and interest shall be fully repaid

## Appendix "A" to Report FCS24004

Page 30 of 57

more than two years after the day the investment was made if issued or guaranteed by an institution listed in paragraph 3.1.

4.2 Deposit receipts, deposit notes, certificates of deposit or investment, acceptances or similar instruments, the terms of which provide that the principal and interest shall be fully repaid more than two years after the day the investment was made if the receipt, note, certificate or instrument was issued, guaranteed or endorsed by a credit union or central to which the *Credit Unions and Caisses Populaires Act, 2020* applies.

4.3 Bonds, debentures, promissory notes or other evidence of indebtedness issued or guaranteed by a credit union or central to which the *Credit Unions and Caisses Populaires Act, 2020* applies.

5. Short term securities, the terms of which provide that the principal and interest shall be fully repaid no later than three days after the day the investment was made, that are issued by,

- i. a university in Ontario that is authorized to engage in an activity described in section 3 of the *Post-secondary Education Choice and Excellence Act, 2000*,
- ii. a college established under the *Ontario Colleges of Applied Arts and Technology Act, 2002*, or
- iii. a board of a public hospital within the meaning of the *Public Hospitals Act*.

6. Bonds, debentures, promissory notes, other evidence of indebtedness or other securities issued or guaranteed by the International Bank for Reconstruction and Development.

6.1. Bonds, debentures, promissory notes or other evidence of indebtedness issued or guaranteed by a supranational financial institution or a supranational governmental organization, other than the International Bank for Reconstruction and Development.

7. Securities that are arrangements for the sale of assets that entitle the purchaser to an undivided beneficial interest in a pool of assets.

7.1 Bonds, debentures, promissory notes or other evidence of indebtedness issued by a corporation that is incorporated under the laws of Canada or a province of Canada, the terms of which provide that the principal and interest shall be fully repaid more than five years after the date on which the municipality makes the investment.

7.2 Bonds, debentures, promissory notes or other evidence of indebtedness issued by a corporation that is incorporated under the laws of Canada or a province of Canada, the terms of which provide that the principal and interest shall be fully repaid more than one year and no later than five years after the date on which the municipality makes the investment.

8. Negotiable promissory notes or commercial paper, other than securities referred to in paragraph 7, maturing one year or less from the date of issue, if that note or commercial paper has been issued by a corporation that is incorporated under the laws of Canada or a province of Canada.

**Appendix “A” to Report FCS24004**

Page 31 of 57

- 8.1 Shares issued by a corporation that is incorporated under the laws of Canada or a province of Canada.
9. Bonds, debentures, promissory notes and other evidences of indebtedness of a corporation incorporated under section 142 of the *Electricity Act, 1998*.
10. Any security if the municipality acquires the security as a gift in a will or as a donation not made for a charitable purpose.
11. REVOKED: O. Reg. 43/18, s. 3 (5).
12. Shares of a corporation if,
- i. the corporation has a debt payable to the municipality,
  - ii. under a court order, the corporation has received protection from its creditors,
  - iii. the acquisition of the shares in lieu of the debt is authorized by the court order, and
  - iv. the treasurer of the municipality is of the opinion that the debt will be uncollectable by the municipality unless the debt is converted to shares under the court order. O. Reg. 438/97, s. 2; O. Reg. 265/02, s. 1; O. Reg. 399/02, s. 2; O. Reg. 655/05, s. 2; O. Reg. 607/06, s. 1; O. Reg. 39/07, s. 1; O. Reg. 373/11, s. 1; O. Reg. 74/16, s. 1, 2; O. Reg. 43/18, s. 3; O. Reg. 106/22, s. 1.

**Eligible investments, continued**

**2.1** A security is prescribed for the purposes of subsection 418 (1) of the Act as a security that a municipality may invest in if,

- (a) the municipality invested in the security before January 12, 2009; and
- (b) the terms of the municipality’s continued investment in the security have been changed pursuant to the Plan Implementation Order of the Ontario Superior Court of Justice dated January 12, 2009 (Court file number 08-CL-7440) and titled “In the matter of the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36 as amended and in the matter of a plan of compromise and arrangement involving Metcalfe & Mansfield Alternative Investments II Corp. et al”. O. Reg. 292/09, s. 1.

**Ratings, financial indicators**

**3.** (1) A municipality shall not invest in a security under subparagraph 1 iii, v.1, v.2, vi.1, vi.2 or vi.3 or paragraph 4 of section 2 unless the bond, debenture, promissory note or evidence of indebtedness is rated,

- (a) REVOKED: O. Reg. 265/02, s. 2 (1).
- (b) by Dominion Bond Rating Service Limited as “AA(low)” or higher;
  - (b.1) by Fitch Ratings as “AA-” or higher;
- (c) by Moody’s Investors Services Inc. as “Aa3” or higher; or

## Appendix "A" to Report FCS24004

Page 32 of 57

(d) by Standard and Poor's as "AA-" or higher. O. Reg. 438/97, s. 3 (1); O. Reg. 265/02, s. 2 (1); O. Reg. 399/02, s. 3 (1); O. Reg. 655/05, s. 3 (1, 2); O. Reg. 607/06, s. 2; O. Reg. 39/07, s. 2; O. Reg. 43/18, s. 4 (1).

(2) A municipality shall not invest in a security under paragraph 3.1 or 4.1 of section 2 unless the bond, debenture, promissory note or evidence of indebtedness is rated,

(a) by Dominion Bond Rating Service Limited as "A(low)" or higher;

(b) by Fitch Ratings as "A-" or higher;

(c) by Moody's Investors Services Inc. as "A3" or higher; or

(d) by Standard and Poor's as "A-" or higher. O. Reg. 43/18, s. 4 (2).

(2.0.1) If a municipality's total investments in securities under subparagraph 3 iii and paragraph 4.2 of section 2 have, in the opinion of the treasurer, a value in excess of \$250,000, the municipality shall not invest in any additional security under paragraph 4.2 of section 2 unless the credit union or central that issues, guarantees or endorses the security provides, within 30 days before the day the investment is made,

(a) audited financial statements indicating that the financial indicators mentioned in subsection (2.0.2) are met by the credit union or central; or

(b) certification in writing that all of the financial indicators mentioned in subsection (2.0.2) are met by the credit union or central. O. Reg. 43/18, s. 4 (2); O. Reg. 106/22, s. 2 (1).

(2.0.2) For the purposes of subsection (2.0.1), the financial indicators to be met by the credit union or central are the following:

1. Positive retained earnings in its audited financial statements for its most recently completed fiscal year.
2. Regulatory capital of at least the percentage of its total assets set out in subsection (2.0.3) as of the date of the latest audited financial statements, calculated in accordance with the regulations made under the *Credit Unions and Caisses Populaires Act, 2020*.
3. Regulatory capital of at least the percentage of its total risk weighted assets set out in subsection (2.0.4) as of the date of the latest audited financial statements, calculated in accordance with the regulations made under the *Credit Unions and Caisses Populaires Act, 2020*.
4. Positive net income in its audited financial statements for three of its five most recently completed fiscal years. O. Reg. 43/18, s. 4 (2); O. Reg. 106/22, s. 2 (2-4).

(2.0.3) The percentage mentioned in paragraph 2 of subsection (2.0.2) is the percentage obtained by adding one percent to the minimum percentage set out in paragraph 1 of subsection 20 (1) of Ontario Regulation 105/22 (General). O. Reg. 43/18, s. 4 (2); O. Reg. 106/22, s. 2 (5).

(2.0.4) The percentage mentioned in paragraph 3 of subsection (2.0.2) is the percentage obtained by adding one percent to the minimum percentage set out in paragraph 2 of subsection 20 (1) of Ontario Regulation 105/22 (General). O. Reg. 43/18, s. 4 (2); O. Reg. 106/22, s. 2 (6).

## Appendix "A" to Report FCS24004

Page 33 of 57

(2.0.5) A municipality shall not invest in securities under paragraph 4.3 of section 2 unless the credit union or central that issues or guarantees the security satisfies the conditions set out in subsection (2.0.1). O. Reg. 43/18, s. 4 (2); O. Reg. 106/22, s. 2 (7).

(2.1) A municipality shall not invest in a security under paragraph 6.1 of section 2 unless the security is rated,

- (a) by Dominion Bond Rating Service Limited as "AAA";
- (b) by Fitch Ratings as "AAA";
- (c) by Moody's Investors Services Inc. as "Aaa"; or
- (d) by Standard and Poor's as "AAA". O. Reg. 655/05, s. 3 (4).

(3) A municipality shall not invest in a security under paragraph 7 of section 2 that matures more than one year from the date of issue unless the security is rated,

- (a) by Dominion Bond Rating Service Limited as "AAA";
- (a.1) by Fitch Ratings as "AAA";
- (b) by Moody's Investors Services Inc. as "Aaa"; or
- (c) by Standard and Poor's as "AAA". O. Reg. 265/02, s. 2 (2); O. Reg. 399/02, s. 3 (2); O. Reg. 655/05, s. 3 (5); O. Reg. 43/18, s. 4 (3).

(4) A municipality shall not invest in a security under paragraph 7 of section 2 that matures one year or less from the date of issue unless the security is rated,

- (a) by Dominion Bond Rating Service Limited as "R-1(high)";
- (a.1) by Fitch Ratings as "F1+";
- (b) by Moody's Investors Services Inc. as "Prime-1"; or
- (c) by Standard and Poor's as "A-1+". O. Reg. 265/02, s. 2 (2); O. Reg. 399/02, s. 3 (3); O. Reg. 655/05, s. 3 (6); O. Reg. 43/18, s. 4 (4).

(4.1) A municipality shall not invest in a security under paragraph 7.1 or 7.2 of section 2 unless the security is rated,

- (a) by Dominion Bond Rating Service Limited as "A(low)" or higher;
- (b) by Fitch Ratings as "A-" or higher;
- (c) by Moody's Investors Services Inc. as "A3" or higher; or
- (d) by Standard and Poor's as "A-" or higher. O. Reg. 43/18, s. 4 (5).

(4.2) REVOKED: O. Reg. 43/18, s. 4 (5).

(5) A municipality shall not invest in a security under paragraph 8 of section 2 unless the promissory note or commercial paper is rated,

- (a) by Dominion Bond Rating Service Limited as "R-1(mid)" or higher;
- (a.1) by Fitch Ratings as "F1+";
- (b) by Moody's Investors Services Inc. as "Prime-1"; or
- (c) by Standard and Poor's as "A-1+". O. Reg. 265/02, s. 2 (2); O. Reg. 399/02, s. 3 (4); O. Reg. 655/05, s. 3 (8).



## Appendix "A" to Report FCS24004

Page 34 of 57

(6) If an investment made under subparagraph 1 iii, v.1, v.2, vi.1, vi.2 or vi.3 of section 2 or paragraph 3.1, 4, 4.1, 6.1, 7, 7.1, 7.2 or 8 of section 2 falls below the standard required by this section, the municipality shall create a plan, including expected timelines, for selling the investment and shall sell the investment in accordance with the plan. O. Reg. 43/18, s. 4 (6).

(6.1) Subsection (6) does not apply with respect to an investment made by a municipality under paragraph 7 of section 2 on a day before the day this subsection comes into force. O. Reg. 292/09, s. 2 (3).

(6.1.1) If a municipality's total investments in securities under subparagraph 3 iii and paragraph 4.2 of section 2 have, in the opinion of the treasurer, a value in excess of the limit mentioned in subsection (2.0.1) of this section and one of the following circumstances applies, the municipality shall create a plan, including expected timelines, for selling investments made under paragraph 4.2 of section 2 in excess of that limit and shall sell the investments in accordance with the plan:

1. The financial indicators mentioned in subsection (2.0.2) are not met.
2. The credit union or central fails to provide audited financial statements or a certification as mentioned in subsection (2.0.1). O. Reg. 43/18, s. 4 (7); O. Reg. 106/22, s. 2 (8).

(6.1.2) For the purposes of determining the value of investments under subsection (6.1.1), the value of all investments under subparagraph 3 iii of section 2 shall be counted as part of the total first, followed by the value of all investments made under paragraph 4.2 of section 2. O. Reg. 43/18, s. 4 (7).

(6.1.3) If one of the circumstances in paragraph 1 or 2 of subsection (6.1.1) applies, the municipality shall create a plan, including expected timelines, for selling investments made under paragraph 4.3 of section 2 and shall sell the investments in accordance with the plan. O. Reg. 43/18, s. 4 (7).

(7) A municipality shall not invest in a security under paragraph 9 of section 2 unless, at the time the investment is made and as long as it continues, the investment ranks, at a minimum, concurrently and equally in respect of payment of principal and interest with all unsecured debt of the corporation. O. Reg. 265/02, s. 2 (2).

(8) A municipality shall not invest in a security under paragraph 9 of section 2 unless, at the time the investment is made, the total amount of the municipality's investment in debt of any corporation incorporated under section 142 of the *Electricity Act, 1998* that would result after the proposed investment is made does not exceed the total amount of investment in debt, including any interest accrued on such debt, of the municipality in such a corporation that existed on the day before the day the proposed investment is to be made. O. Reg. 265/02, s. 2 (2).

(9) Any investment made under paragraph 9 of section 2, including any refinancing, renewal or replacement thereof, may not be held for longer than a total of 10 years from the date such investment is made. O. Reg. 265/02, s. 2 (2).

(10) Subsections (7), (8) and (9) do not prevent a municipality from holding or disposing of a security described in paragraph 9 of section 2 issued by a corporation incorporated under section 142 of the *Electricity Act, 1998*, if the municipality acquired the security through a transfer by-law or otherwise under that Act. O. Reg. 655/05, s. 3 (9).



## Appendix “A” to Report FCS24004

Page 35 of 57

(11) If a municipality acquires a security under paragraph 10 of section 2 that is not otherwise prescribed under this Part, the municipality shall create a plan, including expected timelines, for selling the investment and shall sell the investment in accordance with the plan. O. Reg. 43/18, s. 4 (8).

(12) REVOKED: O. Reg. 292/09, s. 2 (4).

### Investment limit

4. (1) A municipality shall not invest more than 25 per cent of the total amount in all sinking and retirement funds in respect of debentures of the municipality, as estimated by its treasurer on the date of the investment, in short-term debt issued or guaranteed by the municipality. O. Reg. 438/97, s. 4 (1).

(2) In this section,

“short-term debt” means any debt, the terms of which provide that the principal and interest of the debt shall be fully repaid no later than 364 days after the debt is incurred. O. Reg. 438/97, s. 4 (2).

### Conditions

4.1 (1) A municipality shall not invest in a security under paragraph 7 of section 2 or in a promissory note or commercial paper under paragraph 8 of section 2 unless, on the date that the investment is made,

(a) the municipality itself is rated, or all of the municipality’s long-term debt obligations are rated,

(i) by Dominion Bond Rating Service Limited as “AA(low)” or higher,

(i.1) by Fitch Ratings as “AA-” or higher,

(ii) by Moody’s Investors Services Inc. as “Aa3” or higher, or

(iii) by Standard and Poor’s as “AA-” or higher; or

(b) the municipality has entered into an agreement with the Local Authority Services and the CHUMS Financing Corporation to act together as the municipality’s agent for the investment in that security, promissory note or commercial paper. O. Reg. 265/02, s. 3; O. Reg. 399/02, s. 4; O. Reg. 655/05, s. 4 (1, 2); O. Reg. 43/18, s. 5 (1).

(1.1) A municipality shall not invest in a security under paragraph 7.1 or 8.1 of section 2 unless, on the date the investment is made, the municipality has entered into an agreement with the Local Authority Services and the CHUMS Financing Corporation to act together as the municipality’s agent for the investment in the security. O. Reg. 655/05, s. 4 (3); O. Reg. 43/18, s. 5 (2).

(1.2) Subsection (1.1) does not apply to investments in securities by the City of Ottawa if all of the following requirements are satisfied:

1. Only the proceeds of the sale by the City of its securities in a corporation incorporated under section 142 of the *Electricity Act, 1998* are used to make the investments.

**Appendix “A” to Report FCS24004**

Page 36 of 57

2. The investments are made in a professionally-managed fund.
3. The terms of the investments provide that,
  - i. where the investment is in debt instruments, the principal must be repaid no earlier than seven years after the date on which the City makes the investment, and
  - ii. where the investment is in shares, an amount equal to the principal amount of the investment cannot be withdrawn from the fund for at least seven years after the date on which the City makes the investment.
4. The City establishes and uses a separate reserve fund for the investments.
5. Subject to paragraph 6, the money in the reserve fund, including any returns on the investments or proceeds from their disposition, are used to pay capital costs of the City and for no other purpose.
6. The City may borrow money from the reserve fund but must repay it plus interest. O. Reg. 655/05, s. 4 (3).

(2) The investment made under clause (1) (b) or described in subsection (1.1), as the case may be, must be made in the One Investment Program of the Local Authority Services and the CHUMS Financing Corporation with,

- (a) another municipality;
- (b) a public hospital;
- (c) a university in Ontario that is authorized to engage in an activity described in section 3 of the *Post-secondary Education Choice and Excellence Act, 2000*;
- (d) a college established under the *Ontario Colleges of Applied Arts and Technology Act, 2002*;
- (d.1) a foundation established by a college mentioned in clause (d) whose purposes include receiving and maintaining a fund or funds for the benefit of the college;
- (e) a school board;
- (f) any agent of an institution listed in clauses (a) to (e);
- (g) Local Authority Services;
- (h) CHUMS Financing Corporation;
- (i) Association of Municipalities of Ontario; or
- (j) Municipal Finance Officers’ Association of Ontario. O. Reg. 265/02, s. 3; O. Reg. 655/05, s. 4 (4); O. Reg. 607/06, s. 3; O. Reg. 292/09, s. 3; O. Reg. 52/11, s. 1; O. Reg. 74/16, s. 1, 3; O. Reg. 43/18, s. 5 (3-5).

**School purposes**

5. A municipality shall not invest in a security issued or guaranteed by a school board or similar entity unless,

**Appendix “A” to Report FCS24004**

Page 37 of 57

(a) the money raised by issuing the security is to be used for school purposes;  
and

(b) REVOKED: O. Reg. 248/01, s. 1.

O. Reg. 438/97, s. 5; O. Reg. 248/01, s. 1.

**Canadian dollars**

6. (1) Subject to subsection (3), a municipality shall not invest in a security that is expressed or payable in any currency other than Canadian dollars. O. Reg. 43/18, s. 6 (1).

(2) Subsection (1) does not prevent a municipality from continuing an investment, made before this Regulation comes into force, that is expressed and payable in the currency of the United States of America or the United Kingdom. O. Reg. 438/97, s. 6 (2).

(3) Subsection (1) does not apply in respect of securities listed in paragraphs 3, 3.1 and 4.2 of section 2, which may also be expressed or payable in the currency of the United States of America. O. Reg. 43/18, s. 6 (2).

**Statement of policies and goals**

7. (1) Before a municipality invests in a security prescribed under this Part, the council of the municipality shall, if it has not already done so, adopt a statement of the municipality’s investment policies and goals. O. Reg. 438/97, s. 7; O. Reg. 43/18, s. 7.

(2) In preparing the statement of the municipality’s investment policies and goals under subsection (1), the council of the municipality shall consider,

- (a) the municipality’s risk tolerance and the preservation of its capital;
- (b) the municipality’s need for a diversified portfolio of investments; and
- (c) obtaining legal advice and financial advice with respect to the proposed investments. O. Reg. 265/02, s. 4.

(3) REVOKED: O. Reg. 655/05, s. 5.

(4) In preparing the statement of the municipality’s investment policies and goals under subsection (1) for investments made under paragraph 9 of section 2, the council of the municipality shall consider its plans for the investment and how the proposed investment would affect the interest of municipal taxpayers. O. Reg. 265/02, s. 4.

**Investment report**

8. (1) If a municipality has an investment in a security prescribed under this Part, the council of the municipality shall require the treasurer of the municipality to prepare and provide to the council, each year or more frequently as specified by the council, an investment report. O. Reg. 438/97, s. 8 (1); O. Reg. 43/18, s. 7.

(2) The investment report referred to in subsection (1) shall contain,

- (a) a statement about the performance of the portfolio of investments of the municipality during the period covered by the report;

**Appendix “A” to Report FCS24004**

Page 38 of 57

(b) a description of the estimated proportion of the total investments of a municipality that are invested in its own long-term and short-term securities to the total investment of the municipality and a description of the change, if any, in that estimated proportion since the previous year’s report;

(c) a statement by the treasurer as to whether or not, in his or her opinion, all investments are consistent with the investment policies and goals adopted by the municipality;

(d) a record of the date of each transaction in or disposal of its own securities, including a statement of the purchase and sale price of each security; and

(e) such other information that the council may require or that, in the opinion of the treasurer, should be included. O. Reg. 438/97, s. 8 (2); O. Reg. 655/05, s. 6.

(2.1) The investment report referred to in subsection (1) shall contain a statement by the treasurer as to whether any of the following investments fall below the standard required for that investment during the period covered by the report:

1. An investment described in subparagraph 1 iii, v.1, v.2, vi.1, vi.2 or vi.3 of section 2.
2. An investment described in paragraph 3.1, 4, 4.1, 6.1, 7, 7.1, 7.2 or 8 of section 2.
3. An investment described in subsection 9 (1). O. Reg. 292/09, s. 4; O. Reg. 43/18, s. 8 (1).

(2.2) The investment report referred to in subsection (1) shall contain a statement by the treasurer as to whether any investments under paragraphs 4.2 and 4.3 of section 2 are affected by the circumstances set out in paragraphs 1 and 2 of subsection 3 (6.1.1) during the period covered by the report. O. Reg. 43/18, s. 8 (2).

(3) Upon disposition of any investment made under paragraph 9 of section 2, the council of the municipality shall require the treasurer of the municipality to prepare and provide to the council a report detailing the proposed use of funds realized in the disposition. O. Reg. 265/02, s. 5.

**Inconsistencies, treasurer’s duty**

**8.1** If an investment made by the municipality is, in the treasurer’s opinion, not consistent with the investment policies and goals adopted by the municipality, the treasurer shall report the inconsistency to the council of the municipality within 30 days after becoming aware of it. O. Reg. 655/05, s. 7.

**Investments pre March 6, 1997**

**9.** (1) Despite this Part, an investment by a municipality in bonds, debentures or other indebtedness of a corporation made before March 6, 1997 may be continued if the bond, debenture or other indebtedness is rated,

(a) REVOKED: O. Reg. 265/02, s. 6.

(b) by Dominion Bond Rating Service Limited as “AA(low)” or higher;

## Appendix "A" to Report FCS24004

Page 39 of 57

- (b.1) by Fitch Ratings as "AA-" or higher;
- (c) by Moody's Investors Services Inc. as "Aa3" or higher; or
- (d) by Standard and Poor's as "AA-" or higher. O. Reg. 438/97, s. 9 (1); O. Reg. 265/02, s. 6; O. Reg. 399/02, s. 5; O. Reg. 655/05, s. 8; O. Reg. 43/18, s. 7.

(1.1) REVOKED: O. Reg. 43/18, s. 9 (1).

(2) If the rating of an investment continued under subsection (1) falls below the standard required by that subsection, the municipality shall create a plan, including expected timelines, for selling the investment and shall sell the investment in accordance with the plan. O. Reg. 43/18, s. 9 (2).

## FORWARD RATE AGREEMENTS

**Forward rate agreements**

**10.** (1) A municipality that enters into an agreement to make an investment on a future date in a security prescribed by section 2 may enter one or more forward rate agreements with a bank listed in Schedule I, II or III to the *Bank Act* (Canada) in order to minimize the cost or risk associated with the investment because of fluctuations in interest rates. O. Reg. 655/05, s. 9.

(2) A forward rate agreement shall provide for the following matters:

1. Specifying a forward amount, which is the principal amount of the investment or that portion of the principal amount to which the agreement relates.
2. Specifying a settlement day, which is a specified future date.
3. Specifying a forward rate of interest, which is a notional rate of interest applicable on the settlement day.
4. Specifying a reference rate of interest, which is the market rate of interest payable on a specified future date on an acceptance issued by a bank listed in Schedule I, II or III to the *Bank Act* (Canada).
5. Requiring a settlement payment to be payable on the settlement day if the forward rate and the reference rate of interest are different. O. Reg. 655/05, s. 9.

(3) A municipality shall not enter a forward rate agreement if the forward amount described in paragraph 1 of subsection (2) for the investment whose cost or risk the agreement is intended to minimize, when added to all forward amounts under other forward rate agreements, if any, relating to the same investment, would exceed the total amount of the principal of the investment. O. Reg. 655/05, s. 9.

(4) A municipality shall not enter a forward rate agreement unless the settlement day under the agreement is within 12 months of the day on which the agreement is executed. O. Reg. 655/05, s. 9.

(5) A municipality shall not enter a forward rate agreement if the settlement payment described in paragraph 5 of subsection (2) exceeds the difference between the amount of interest that would be payable on the forward amount calculated at the forward

**Appendix “A” to Report FCS24004**

Page 40 of 57

rate of interest for the period for which the investment was made and the amount that would be payable calculated at the reference rate of interest. O. Reg. 655/05, s. 9.

(6) A municipality shall not enter a forward rate agreement except with a bank listed in Schedule I, II or III to the *Bank Act* (Canada) and only if the bank’s long-term debt obligations on the day the agreement is entered are rated,

- (a) by Dominion Bond Rating Service Limited as “A(high)” or higher;
- (b) by Fitch Ratings as “A+” or higher;
- (c) by Moody’s Investors Service Inc. as “A1” or higher; or
- (d) by Standard and Poor’s as “A+” or higher. O. Reg. 655/05, s. 9.

**Statement of policies and goals**

**11.** (1) Before a municipality passes a by-law authorizing a forward rate agreement, the council of the municipality shall adopt a statement of policies and goals relating to the use of forward rate agreements. O. Reg. 655/05, s. 9.

(2) The council of the municipality shall consider the following matters when preparing the statement of policies and goals:

- 1. The types of investments for which forward rate agreements are appropriate.
- 2. The fixed costs and estimated costs to the municipality resulting from the use of such agreements.
- 3. A detailed estimate of the expected results of using such agreements.
- 4. The financial and other risks to the municipality that would exist with, and without, the use of such agreements.
- 5. Risk control measures relating to such agreements, such as,
  - i. credit exposure limits based on credit ratings and on the degree of regulatory oversight and the regulatory capital of the other party to the agreement,
  - ii. standard agreements, and
  - iii. ongoing monitoring with respect to the agreements. O. Reg. 655/05, s. 9.

**Report to council**

**12.** (1) If a municipality has any subsisting forward rate agreements in a fiscal year, the treasurer of the municipality shall prepare and present to the municipal council once in that fiscal year, or more frequently if the council so desires, a detailed report on all of those agreements. O. Reg. 655/05, s. 9.

(2) The report must contain the following information and documents:

- 1. A statement about the status of the forward rate agreements during the period of the report, including a comparison of the expected and actual results of using the agreements.

**Appendix “A” to Report FCS24004**

Page 41 of 57

2. A statement by the treasurer indicating whether, in his or her opinion, all of the forward rate agreements entered during the period of the report are consistent with the municipality’s statement of policies and goals relating to the use of forward rate agreements.
3. Such other information as the council may require.
4. Such other information as the treasurer considers appropriate to include in the report. O. Reg. 655/05, s. 9.

## PART II PRUDENT INVESTMENT

### Definitions

**13.** In this Part,

“Investment Board” means a municipal service board that is established under section 196 of the Act by a municipality for the purposes of this Part and includes, for the purposes of paragraph 3 of section 15, subsection 17 (3) and sections 21 and 23, the Toronto Investment Board; (“commission des placements”)

“Joint Investment Board” means a municipal service board that is established under section 202 of the Act by two or more municipalities for the purposes of this Part; (“commission mixte des placements”)

“Toronto Investment Board” means the board of the City of Toronto described in subsection 46 (2) of Ontario Regulation 610/06 (Financial Activities) made under the *City of Toronto Act, 2006*. (“Commission des placements de Toronto”) O. Reg. 43/18, s. 10.

### Application

**14.** This Part applies in respect of investments by a municipality under section 418.1 of the Act. O. Reg. 43/18, s. 10.

### Requirements under s. 418.1 (3) of the Act

**15.** A municipality must satisfy one of the following requirements on the day referred to in subsection 418.1 (3) of the Act in order to pass a by-law for the purposes of that subsection:

1. The municipality must have, in the opinion of its treasurer, at least,
  - i. \$100,000,000 in money and investments that it does not require immediately, or
  - ii. \$50,000,000 in net financial assets, as indicated in Schedule 70 of the most recent Financial Information Return supplied to the Ministry of Municipal Affairs by the municipality under the Act and posted on the Ministry’s website on the day the municipality passes the by-law under subsection 418.1 (2) of the Act.
2. The municipality must have entered into an agreement to establish and invest through a Joint Investment Board with one or more other municipalities, and all of the municipalities must have, in the opinion of each of their



**Appendix “A” to Report FCS24004**

Page 42 of 57

treasurers, a combined total of at least \$100,000,000 in money and investments that the municipalities do not require immediately.

3. The municipality must have entered into an agreement with the following parties to invest through an Investment Board or a Joint Investment Board that was established by another municipality or municipalities before the day the municipality passes the by-law:

- i. The Investment Board or Joint Investment Board, as the case may be.
- ii. Any other municipalities investing through the Investment Board or Joint Investment Board on the day the municipality passes the by-law. O. Reg. 43/18, s. 10.

**Limitation, school board securities**

**16.** A municipality shall not invest money in a security issued or guaranteed by a school board or similar entity in Canada unless the money raised by issuing the security is to be used for school purposes. O. Reg. 43/18, s. 10.

**Investments only through Investment Board or Joint Investment Board**

**17.** (1) A municipality that satisfies the requirement set out in paragraph 1 of section 15 may invest money only by having an Investment Board that meets the following criteria do so on its behalf:

1. The Investment Board has been established by the municipality.
2. The Investment Board has been given the control and management of the municipality’s investments by the municipality delegating to the Investment Board,
  - i. the municipality’s powers to make the investments, and
  - ii. the municipality’s duties under section 418.1 of the Act. O. Reg. 43/18, s. 10.

(2) A municipality that satisfies the requirement set out in paragraph 2 of section 15 may invest money only by having a Joint Investment Board that satisfies the following criteria do so on its behalf:

1. The Joint Investment Board is the subject of an agreement referred to in paragraph 2 of section 15.
2. The Joint Investment Board has been given the control and management of the municipality’s investments, together with that of all the other municipalities that are party to the agreement referred to under paragraph 2 of section 15, by each municipality delegating to the Joint Investment Board,
  - i. the municipality’s powers to make the investments, and
  - ii. the municipality’s duties under section 418.1 of the Act. O. Reg. 43/18, s. 10.



**Appendix “A” to Report FCS24004**

Page 43 of 57

(3) A municipality that satisfies the requirement under paragraph 3 of section 15 may invest money only by having an Investment Board or Joint Investment Board, as the case may be, that satisfies the following criteria do so on its behalf:

1. The Investment Board or Joint Investment Board is the subject of an agreement referred to in paragraph 3 of section 15.
2. The Investment Board or Joint Investment Board has been given the control and management of the municipality’s investments by the municipality delegating to the Investment Board or Joint Investment Board,
  - i. the municipality’s powers to make the investments, and
  - ii. the municipality’s duties under section 418.1 of the Act. O. Reg. 43/18, s. 10.

(4) The following persons may not be appointed as members of the Investment Board or Joint Investment Board:

1. An officer or employee of any municipality for which it invests.
2. A member of council of any municipality for which it invests. O. Reg. 43/18, s. 10.

(5) Subsection (4) does not apply to any treasurer of a municipality for which the board invests provided that treasurers do not make up more than one quarter of the members. O. Reg. 43/18, s. 10; CTR 12 AU 22 - 1.

**Investment policy**

**18.** (1) The council of a municipality shall adopt and maintain an investment policy in relation to investing under this Part. O. Reg. 43/18, s. 10.

(2) The investment policy shall include requirements with respect to the following:

1. The municipality’s objectives for return on investment and risk tolerance.
2. The municipality’s need for liquidity including, for greater certainty, the municipality’s anticipated needs for funds for planned projects and the municipality’s needs to have funds available for unanticipated contingencies. O. Reg. 43/18, s. 10.

(3) The investment policy may include other requirements with respect to investment matters that council considers to be in the interests of the municipality. O. Reg. 43/18, s. 10.

(4) At least annually, the council shall review the investment policy and update it, as necessary, as a result of the review. O. Reg. 43/18, s. 10.

**Investment plan**

**19.** (1) An Investment Board or Joint Investment Board shall adopt and maintain an investment plan in respect of all municipalities that have delegated to it,

- (a) the municipality’s powers to make investments; and

**Appendix “A” to Report FCS24004**

Page 44 of 57

(b) the municipality’s duties under section 418.1 of the Act. O. Reg. 43/18, s. 10.

(2) The investment plan shall deal with how the Investment Board or Joint Investment Board will invest each municipality’s money and set out the Board’s projections of the proportions of each municipality’s portfolio of investments to be invested at the end of the year in each type of security selected by the Investment Board or Joint Investment Board and may include other requirements. O. Reg. 43/18, s. 10.

(3) At least annually, following each council’s review of the investment policy under subsection 18 (4), the Investment Board or Joint Investment Board shall review the investment plan and update it, as necessary, as a result of the reviews. O. Reg. 43/18, s. 10.

**Investment report**

**20.** (1) An Investment Board or Joint Investment Board shall prepare and provide to the council of each municipality referred to in subsection 19 (1), each year or more frequently as specified by the council, an investment report. O. Reg. 43/18, s. 10.

(2) The investment report shall contain,

(a) a statement about the performance of the municipality’s portfolio of investments during the period covered by the report;

(b) a statement by the treasurer of the municipality as to whether or not, in the opinion of the treasurer, all investments are consistent with the municipality’s investment policy under section 18 and the investment plan for the municipality under section 19; and

(c) such other information that the council may require or that, in the opinion of the treasurer, should be included. O. Reg. 43/18, s. 10.

**Inconsistencies, treasurer’s duty**

**21.** If an investment made by an Investment Board or a Joint Investment Board is, in the opinion of the municipality’s treasurer, not consistent with the municipality’s investment policy under section 18 and the investment plan for the municipality under section 19 of this Regulation or section 48.1 of Ontario Regulation 610/06 (Financial Activities) made under the *City of Toronto Act, 2006*, as the case may be, the treasurer shall report the inconsistency to the council within 30 days after becoming aware of it. O. Reg. 43/18, s. 10.

**Agents of the Investment Board**

**22.** (1) Subject to subsections (2) and (3), an Investment Board or Joint Investment Board may authorize an agent to exercise any of the board’s functions to the same extent that a prudent investor, acting in accordance with ordinary investment practice, would authorize an agent to exercise any investment function. O. Reg. 43/18, s. 10.

**Appendix “A” to Report FCS24004**

Page 45 of 57

(2) An Investment Board or Joint Investment Board may not authorize an agent under subsection (1) unless a written agreement between the board and the agent is in effect and the agreement includes,

(a) a requirement that the agent comply with the requirements included in the investment policy or policies under section 18 and with the investment plan under section 19; and

(b) a requirement that the agent report to the board at regular stated intervals. O. Reg. 43/18, s. 10.

(3) An Investment Board or Joint Investment Board shall exercise prudence in selecting an agent, in establishing the terms of the agent’s authority and in monitoring the agent’s performance to ensure compliance with those terms. O. Reg. 43/18, s. 10.

(4) For the purpose of subsection (3), prudence in monitoring an agent’s performance includes,

(a) reviewing the agent’s reports;

(b) regularly reviewing the agreement between the Investment Board or Joint Investment Board and the agent and how it is being put into effect, including assessing whether the requirement described in clause (2) (a) is being complied with;

(c) considering whether directions should be provided to the agent or whether the agent’s appointment should be revoked; and

(d) providing directions to the agent or revoking the appointment if the Investment Board or Joint Investment Board considers it appropriate to do so. O. Reg. 43/18, s. 10.

(5) This section does not prevent the investment, by the Investment Board or Joint Investment Board, in mutual funds, pooled funds or segregated funds under variable insurance contracts, and the manager of such a fund is not an agent for the purpose of this section. O. Reg. 43/18, s. 10.

**Withdrawal from investment arrangement**

**23.** A municipality may withdraw from investing through an Investment Board or Joint Investment Board that the municipality has not established if all of the following conditions are met:

1. All the municipalities investing through the board agree to the withdrawal.
2. The municipality has done one of the following:
  - i. Entered into an agreement with another municipality that has established an Investment Board, that Investment Board and any other municipalities investing through that Investment Board, to invest through that Investment Board.
  - ii. Entered into an agreement with the municipalities that have established a Joint Investment Board, that Joint Investment Board and any other municipalities investing through that Joint Investment Board, to invest through that Joint Investment Board.

**Appendix “A” to Report FCS24004**

Page 46 of 57

- iii. Established an Investment Board on its own or established a Joint Investment Board with one or more other municipalities.
3. The municipality has given the Investment Board or Joint Investment Board through which it will be investing the control and management of the municipality’s investments by delegating to the board,
- i. the municipality’s powers to make the investments, and
  - ii. the municipality’s duties under section 418.1 of the Act. O. Reg. 43/18, s. 10.

**Application of Part, withdrawal or dissolution**

**24.** (1) This section applies if a municipality establishes an Investment Board or a Joint Investment Board,

- (a) in order to meet the condition set out in subparagraph 2 iii of section 23 with respect to withdrawing from investing; or
- (b) in order to meet a condition set out in Ontario Regulation 42/18 (Dissolution of and Prescribed Changes to Investment Board or Joint Investment Board) made under the Act. O. Reg. 43/18, s. 10.

(2) The municipality must satisfy the requirement set out in paragraph 1 or 2 of section 15 at the time of establishing the board and the reference in subparagraph 1 ii of section 15 to “the day the municipality passes the by-law under subsection 418.1 (2) of the Act” is deemed for the purposes of this section to be a reference to “the day the Investment Board is established”. O. Reg. 43/18, s. 10.

(3) Subsections 17 (1) and (2) apply to the municipality. O. Reg. 43/18, s. 10.

(4) Sections 16 and 18 to 22 apply with respect to the investment of money by the Investment Board or Joint Investment Board. O. Reg. 43/18, s. 10.

**Transitional matters, what may be done in advance**

**25.** For greater certainty, before a municipality passes a by-law under subsection 418.1 (2) of the Act and before the effective date of the by-law,

- (a) the municipality may establish an Investment Board or Joint Investment Board and appoint the members;
- (b) the municipality may enter into an agreement described in paragraph 2 or 3 of section 15;
- (c) the municipality may adopt an investment policy under section 18;
- (d) an Investment Board or Joint Investment Board may adopt an investment plan under section 19; and
- (e) an Investment Board or Joint Investment Board may authorize an agent under section 22. O. Reg. 43/18, s. 10.

**Appendix “A” to Report FCS24004**

Page 47 of 57

**Transitional matters, s. 418.1 of the Act**

**26.** (1) No municipality shall pass a by-law under subsection 418.1 (2) of the Act until January 1, 2019. O. Reg. 43/18, s. 10.

(2) Despite the passing of a by-law by a municipality under subsection 418.1 (2) of the Act,

(a) section 8 of this Regulation continues to apply to the municipality for the purposes of reporting in respect of any period up to and including the effective date of the by-law; and

(b) section 20 of this Regulation applies to an Investment Board or Joint Investment Board for the purposes of reporting in respect of any period following the effective date of the by-law. O. Reg. 43/18, s. 10.

(3) Despite the passing of a by-law by a municipality under subsection 418.1 (2) of the Act,

(a) section 8.1 of this Regulation continues to apply with respect to investments made on or before the effective date of the by-law; and

(b) section 21 of this Regulation applies with respect to investments made following the effective date of the by-law. O. Reg. 43/18, s. 10.

(4) Despite the passing of a by-law by a municipality under subsection 418.1 (2) of the Act, reports shall be made by the treasurer under subsection 12 (1) of this Regulation until reports have been made covering the periods up to and including the period ending on the effective date of the by-law. O. Reg. 43/18, s. 10.

**Appendix C - Trustee Act (Investment Provisions)**

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R.S.O. 1990, c. T.23

Amended by: 1992, c. 32, s. 27; 1993, c. 27, Sched.; 1994, c. 27, s. 43 (2); 1998, c. 18, Sched. B, s. 16; 2000, c. 26, Sched. A, s. 15; 2001, c. 9, Sched. B, s. 13; 2002, c. 24, Sched. B, s. 47; 2005, c. 5, s. 71; 2006, c. 19, Sched. B, s. 23.

**Definitions**

**1.** In this Act,

“assign” means the execution and performance by a person of every necessary or suitable deed or act for assigning, surrendering, or otherwise transferring land of which such person is possessed, either for the whole estate of the person so possessed or for any less estate, and “assignment” has a corresponding meaning; (“céder”, “cession”)

“contingent right” as applied to land includes a contingent and executory interest, and a possibility coupled with an interest, whether the object of the gift or limitation of such interest or possibility is or is not ascertained, and also a right of entry whether immediate or future, vested or contingent; (“droit éventuel”)

**Appendix “A” to Report FCS24004**

Page 48 of 57

“convey” applied to a person means the execution and delivery by such person of every necessary or suitable assurance for conveying or disposing to another land whereof such person is seized, or wherein the person is entitled to a contingent right, either for the whole estate or for any less estate, together with the performance of all formalities required by law to the validity of such conveyance, and “conveyance” has a corresponding meaning; (“transporter”, “transport

“devisee” includes the heir of a devisee, and the devisee of an heir, and any person who may claim right by devolution of title of a similar description; (“légataire immobilier”)

“instrument” includes a deed, a will and a written document and an Act of the Legislature, but not a judgment or order of a court; (“acte”)

“land” includes messuages, and all other hereditaments, whether corporeal or incorporeal, chattels and other personal property transmissible to heirs, money to be laid out in the purchase of land, and any share of the same hereditaments and properties, or any of them, and any estate of inheritance, or estate for any life or lives, or other estate transmissible to heirs, and any possibility, right or title of entry or action, and any other interest capable of being inherited, whether the same estates, possibilities, rights, titles and interests, or any of them, are in possession, reversion, remainder or contingency; (“bien-fonds”)

“mortgage” is applicable to every estate, interest or property, in land or personal estate, that is merely a security for money, and “mortgagee” has a corresponding meaning and includes every person deriving title under the original mortgagee; (“hypothèque”, “créancier hypothécaire”)

“personal estate” includes leasehold estates and other chattels real, and also money, shares of government and other funds, securities for money (not being real estate), debts, choses in action, rights, credits, goods, and all other property, except real estate, which by law devolves upon the executor or administrator, and any share or interest therein; (“biens meubles”)

“personal representative” means an executor, an administrator, and an administrator with the will annexed; (“représentant successoral”)

“possessed” is applicable to any vested estate less than a life estate, legal or equitable, in possession or in expectancy, in any land; (“possession”)

“securities” includes stocks, funds and shares; (“valeurs mobilières”)

“seized” is applicable to any vested interest for life, or of a greater description, and extends to estates, legal and equitable, in possession, or in futurity, in any land; (“saisi”)

“stock” includes fully paid-up shares, and any fund, annuity, or security transferable in books kept by any incorporated bank, company or society, or by instrument of transfer, either alone or accompanied by other formalities, and any share or interest therein; (“action”)

**Appendix “A” to Report FCS24004**

Page 49 of 57

“transfer”, in relation to stock, includes the performance and execution of every deed, power of attorney, act or thing, on the part of the transferor to effect and complete the title in the transferee; (“transfert”)

“trust” does not mean the duties incident to an estate conveyed by way of mortgage but, with this exception, includes implied and constructive trusts and cases where the trustee has some beneficial estate or interest in the subject of the trust, and extends to and includes the duties incident to the office of personal representative of a deceased person, and “trustee” has a corresponding meaning and includes a trustee however appointed and several joint trustees; (“fiducie”, “fiduciaire”)

“will” includes,

- (a) a testament,
- (b) a codicil,
- (c) an appointment by will or by writing in the nature of a will in exercise of a power, and
- (d) any other testamentary disposition. (“testament”) R.S.O. 1990, c. T.23, s. 1; 2006, c. 19, Sched. B, s. 23.

**INVESTMENTS****Investments authorized by other Acts or regulations**

**26.** If a provision of another Act or the regulations under another Act authorizes money or other property to be invested in property in which a trustee is authorized to invest and the provision came into force before section 16 of Schedule B of the *Red Tape Reduction Act, 1998*, the provision shall be deemed to authorize investment in the property in which a trustee could invest immediately before the coming into force of section 16 of Schedule B of the *Red Tape Reduction Act, 1998*. 1998, c. 18, Sched. B, s. 16 (1).

**Investment standards**

**27. (1)** In investing trust property, a trustee must exercise the care, skill, diligence and judgment that a prudent investor would exercise in making investments. 1998, c. 18, Sched. B, s.16 (1).

**Authorized investments**

**(2)** A trustee may invest trust property in any form of property in which a prudent investor might invest. 1998, c. 18, Sched. B, s. 16 (1).

**Mutual, pooled and segregated funds**

**(3)** Any rule of law that prohibits a trustee from delegating powers or duties does not prevent the trustee from investing in mutual funds, pooled funds or segregated funds under variable insurance contracts, and sections 27.1 and 27.2 do not apply to the purchase of such funds. 2001, c. 9, Sched. B, s. 13 (2).

**Common trust funds**

**(4)** If trust property is held by co-trustees and one of the co-trustees is a trust corporation as defined in the *Loan and Trust Corporations Act*, any rule of law that prohibits a trustee from delegating powers or duties does not prevent the co-trustees from investing in a common trust fund, as defined in that Act, that is maintained by the trust corporation



**Appendix “A” to Report FCS24004**

Page 50 of 57

and sections 27.1 and 27.2 do not apply. 1998, c. 18, Sched. B, s. 16 (1); 2001, c. 9, Sched. B, s. 13 (3).

**Criteria**

(5) A trustee must consider the following criteria in planning the investment of trust property, in addition to any others that are relevant to the circumstances:

1. General economic conditions.
2. The possible effect of inflation or deflation.
3. The expected tax consequences of investment decisions or strategies.
4. The role that each investment or course of action plays within the overall trust portfolio.
5. The expected total return from income and the appreciation of capital.
6. Needs for liquidity, regularity of income and preservation or appreciation of capital.
7. An asset's special relationship or special value, if any, to the purposes of the trust or to one or more of the beneficiaries. 1998, c. 18, Sched. B, s. 16 (1).

**Diversification**

(6) A trustee must diversify the investment of trust property to an extent that is appropriate to,

- (a) the requirements of the trust; and
- (b) general economic and investment market conditions. 1998, c. 18, Sched. B, s. 16 (1).

**Investment advice**

(7) A trustee may obtain advice in relation to the investment of trust property. 1998, c. 18, Sched. B, s. 16 (1).

**Reliance on advice**

(8) It is not a breach of trust for a trustee to rely on advice obtained under subsection (7) if a prudent investor would rely on the advice under comparable circumstances. 1998, c. 18, Sched. B, s. 16 (1).

**Terms of trust**

(9) This section and section 27.1 do not authorize or require a trustee to act in a manner that is inconsistent with the terms of the trust. 2001, c. 9, Sched. B, s. 13 (4).

**Same**

(10) For the purposes of subsection (9), the constating documents of a corporation that is deemed to be a trustee under subsection 1 (2) of the *Charities Accounting Act* form part of the terms of the trust. 2001, c. 9, Sched. B, s. 13 (4).

**Trustee may delegate functions to agent**

27.1 (1) Subject to subsections (2) to (5), a trustee may authorize an agent to exercise any of the trustee's functions relating to investment of trust property to the same extent that a prudent investor, acting in accordance with ordinary investment practice, would authorize an agent to exercise any investment function. 2001, c. 9, Sched. B, s. 13 (5).



**Appendix “A” to Report FCS24004**

Page 51 of 57

**Investment plan or strategy**

(2) A trustee may not authorize an agent to exercise functions on the trustee’s behalf unless the trustee has prepared a written plan or strategy that,

(a) complies with section 28; and

(b) is intended to ensure that the functions will be exercised in the best interests of the beneficiaries of the trust. 2001, c. 9, Sched. B, s. 13 (5).

**Agreement**

(3) A trustee may not authorize an agent to exercise functions on the trustee’s behalf unless a written agreement between the trustee and the agent is in effect and includes,

(a) a requirement that the agent comply with the plan or strategy in place from time to time; and

(b) a requirement that the agent report to the trustee at regular stated intervals. 2001, c. 9, Sched. B, s. 13 (5).

**Trustee’s duty**

(4) A trustee is required to exercise prudence in selecting an agent, in establishing the terms of the agent’s authority and in monitoring the agent’s performance to ensure compliance with those terms. 2001, c. 9, Sched. B, s. 13 (5).

**Same**

(5) For the purpose of subsection (4),

(a) prudence in selecting an agent includes compliance with any regulation made under section 30; and

(b) prudence in monitoring an agent’s performance includes,  
(i) reviewing the agent’s reports.

(ii) regularly reviewing the agreement between the trustee and the agent and how it is being put into effect, including considering whether the plan or strategy of investment should be revised or replaced, replacing the plan or strategy if the trustee considers it appropriate to do so, and assessing whether the plan or strategy is being complied with,

(iii) considering whether directions should be provided to the agent or whether the agent’s appointment should be revoked, and

(iv) providing directions to the agent or revoking the appointment if the trustee considers it appropriate to do so. 2001, c. 9, Sched. B, s. 13 (5).

**Duty of agent**

27.2 (1) An agent who is authorized to exercise a trustee’s functions relating to investment of trust property has a duty to do so,

(a) with the standard of care expected of a person carrying on the business of investing the money of others;

(b) in accordance with the agreement between the trustee and the agent; and

(c) in accordance with the plan or strategy of investment. 2001, c. 9, Sched. B, s. 13 (5).

**No further delegation**

**Appendix “A” to Report FCS24004**

Page 52 of 57

(2) An agent who is authorized to exercise a trustee’s functions relating to investment of trust property shall not delegate that authority to another person. 2001, c. 9, Sched. B, s. 13 (5).

**Proceeding against agent**

(3) If an agent is authorized to exercise a trustee’s functions relating to investment of trust property and the trust suffers a loss because of the agent’s breach of the duty owed under subsection (1) or (2), a proceeding against the agent may be commenced by,

(a) the trustee; or

(b) a beneficiary, if the trustee does not commence a proceeding within a reasonable time after acquiring knowledge of the breach. 2001, c. 9, Sched. B, s. 13 (5).

**Protection from liability**

28. A trustee is not liable for a loss to the trust arising from the investment of trust property if the conduct of the trustee that led to the loss conformed to a plan or strategy for the investment of the trust property, comprising reasonable assessments of risk and return, that a prudent investor could adopt under comparable circumstances. 1998, c. 18, Sched. B, s. 16 (1).

**Assessment of damages**

29. If a trustee is liable for a loss to the trust arising from the investment of trust property, a court assessing the damages payable by the trustee may take into account the overall performance of the investments. 1998, c. 18, Sched. B, s. 16 (1).

**Regulations, agents**

30. The Attorney General may make regulations governing or restricting the classes of persons or the qualifications of persons who are eligible to be agents under section 27.1 and establishing conditions for eligibility. 2001, c. 9, Sched. B, s. 13 (6).

**Application, ss. 27-30**

31. Sections 27 to 30 apply to a trust whether it is created before or after the date section 13 of Schedule B to the *Government Efficiency Act, 2001* comes into force. 2001, c. 9, Sched. B, s. 13 (6).

32. Repealed: 1998, c. 18, Sched. B, s. 16 (1).

33. Repealed: 1998, c. 18, Sched. B, s. 16 (1).

34. Repealed: 1998, c. 18, Sched. B, s. 16 (1).

**Appendix “A” to Report FCS24004**  
**Page 53 of 57**

## Appendix D - CFA Institute Code of Ethics and Standards of Professional Conduct

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### Preamble

The CFA Institute Code of Ethics and Standards of Professional Conduct are fundamental to the values of CFA Institute and essential to achieving its mission to lead the investment profession globally by promoting the highest standards of ethics, education, and professional excellence for the ultimate benefit of society. High ethical standards are critical to maintaining the public’s trust in financial markets and in the investment profession. Since their creation in the 1960s, the Code and Standards have promoted the integrity of CFA Institute members and served as a model for measuring the ethics of investment professionals globally, regardless of job function, cultural differences, or local laws and regulations. All CFA Institute members (including holders of the Chartered Financial Analyst [CFA] designation) and CFA candidates have the personal responsibility to embrace and uphold the provisions of the Code and Standards and are encouraged to notify their employer of this responsibility. Violations may result in disciplinary sanctions by CFA Institute. Sanctions can include revocation of membership, revocation of candidacy in the CFA Program, and revocation of the right to use the CFA designation.

### The Code of Ethics

Members of CFA Institute (including CFA charterholders) and candidates for the CFA designation (“Members and Candidates”) must:

- Act with integrity, competence, diligence, and respect and in an ethical manner with the public, clients, prospective clients, employers, employees, colleagues in the investment profession, and other participants in the global capital markets.
- Place the integrity of the investment profession and the interests of clients above their own personal interests.
- Use reasonable care and exercise independent professional judgment when conducting investment analysis, making investment recommendations, taking investment actions, and engaging in other professional activities.
- Practice and encourage others to practice in a professional and ethical manner that will reflect credit on themselves and the profession.
- Promote the integrity and viability of the global capital markets for the ultimate benefit of society.
- Maintain and improve their professional competence and strive to maintain and improve the competence of other investment professionals.

## Standards of Professional Conduct

### I. PROFESSIONALISM

**A. Knowledge of the Law:** Members and Candidates must understand and comply with all applicable laws, rules, and regulations (including the CFA Institute Code of Ethics and Standards of Professional Conduct) of any government, regulatory organization, licensing agency, or professional association governing their professional activities. In the event of conflict, Members and Candidates must comply with the more strict law, rule, or regulation. Members and Candidates must not knowingly participate or assist in and must dissociate from any violation of such laws, rules, or regulations.

**B. Independence and Objectivity:** Members and Candidates must use reasonable care and judgment to achieve and maintain independence and objectivity in their professional activities. Members and Candidates must not offer, solicit, or accept any gift, benefit, compensation, or consideration that reasonably could be expected to compromise their own or another’s independence and objectivity.

**C. Misrepresentation:** Members and Candidates must not knowingly make any misrepresentations relating to investment analysis, recommendations, actions, or other professional activities.

**D. Misconduct:** Members and Candidates must not engage in any professional conduct involving dishonesty, fraud, or deceit or commit any act that reflects adversely on their professional reputation, integrity, or competence.

### II. INTEGRITY OF CAPITAL MARKETS

**A. Material Nonpublic Information:** Members and Candidates who possess material nonpublic information that could affect the value of an investment must not act or cause others to act on the information.

**B. Market Manipulation:** Members and Candidates must not engage in practices that distort prices or artificially inflate trading volume with the intent to mislead market participants.

### III. DUTIES TO CLIENTS

**A. Loyalty, Prudence, and Care:** Members and Candidates have a duty of loyalty to their clients and must act with reasonable care and exercise prudent judgment. Members and Candidates must act for the benefit of their clients and place their clients’ interests before their employer’s or their own interests.

**B. Fair Dealing:** Members and Candidates must deal fairly and objectively with all clients when providing investment analysis, making investment recommendations, taking investment action, or engaging in other professional activities.

**Appendix “A” to Report FCS24004**

Page 56 of 57

**C. Suitability**

1. When Members and Candidates are in an advisory relationship with a client, they must:
  - a) Make a reasonable inquiry into a client’s or prospective client’s investment experience, risk and return objectives, and financial constraints prior to making any investment recommendation or taking investment action and must reassess and update this information regularly.
  - b) Determine that an investment is suitable to the client’s financial situation and consistent with the client’s written objectives, mandates, and constraints before making an investment recommendation or taking investment action.
  - c) Judge the suitability of investments in the context of the client’s total portfolio.
2. When Members and Candidates are responsible for managing a portfolio to a specific mandate, strategy, or style, they must make only investment recommendations or take only investment actions that are consistent with the stated objectives and constraints of the portfolio.

**D. Performance Presentation:** When communicating investment performance information, Members and Candidates must make reasonable efforts to ensure that it is fair, accurate, and complete.

**E. Preservation of Confidentiality:** Members and Candidates must keep information about current, former, and prospective clients confidential unless:

1. The information concerns illegal activities on the part of the client or prospective client,
2. Disclosure is required by law, or
3. The client or prospective client permits disclosure of the information.

**IV. DUTIES TO EMPLOYERS**

**A. Loyalty:** In matters related to their employment, Members and Candidates must act for the benefit of their employer and not deprive their employer of the advantage of their skills and abilities, divulge confidential information, or otherwise cause harm to their employer.

**B. Additional Compensation Arrangements:** Members and Candidates must not accept gifts, benefits, compensation, or consideration that competes with or might reasonably be expected to create a conflict of interest with their employer’s interest unless they obtain written consent from all parties involved.

**C. Responsibilities of Supervisors:** Members and Candidates must make reasonable efforts to ensure that anyone subject to their supervision or authority complies with applicable laws, rules, regulations, and the Code and Standards.

**V. INVESTMENT ANALYSIS, RECOMMENDATIONS, AND ACTIONS****A. Diligence and Reasonable Basis:**

Members and Candidates must:

1. Exercise diligence, independence, and thoroughness in analyzing investments, making investment recommendations, and taking investment actions.
2. Have a reasonable and adequate basis, supported by appropriate research and investigation, for any investment analysis, recommendation, or action.

**Appendix “A” to Report FCS24004**

Page 57 of 57

**B. Communication with Clients and Prospective Clients**

Members and Candidates must:

1. Disclose to clients and prospective clients the basic format and general principles of the investment processes they use to analyze investments, select securities, and construct portfolios and must promptly disclose any changes that might materially affect those processes.
2. Disclose to clients and prospective clients significant limitations and risks associated with the investment process.
3. Use reasonable judgment in identifying which factors are important to their investment analyses, recommendations, or actions and include those factors in communications with clients and prospective clients.
4. Distinguish between fact and opinion in the presentation of investment analysis and recommendations.

**C. Record Retention:** Members and Candidates must develop and maintain appropriate records to support their investment analyses, recommendations, actions, and other investment-related communications with clients and prospective clients.

**VI. CONFLICTS OF INTEREST**

**A. Disclosure of Conflicts:** Members and Candidates must make full and fair disclosure of all matters that could reasonably be expected to impair their independence and objectivity or interfere with respective duties to their clients, prospective clients, and employer. Members and Candidates must ensure that such disclosures are prominent, are delivered in plain language, and communicate the relevant information effectively.

**B. Priority of Transactions:** Investment transactions for clients and employers must have priority over investment transactions in which a Member or Candidate is the beneficial owner.

**C. Referral Fees:** Members and Candidates must disclose to their employer, clients, and prospective clients, as appropriate, any compensation, consideration, or benefit received from or paid to others for the recommendation of products or services.

**VII. RESPONSIBILITIES AS A CFA INSTITUTE MEMBER OR CFA CANDIDATE**

**A. Conduct as Participants in CFA Institute Programs:** Members and Candidates must not engage in any conduct that compromises the reputation or integrity of CFA Institute or the CFA designation or the integrity, validity, or security of CFA Institute programs.

**B. Reference to CFA Institute, the CFA Designation, and the CFA Program:** When referring to CFA Institute, CFA Institute membership, the CFA designation, or candidacy in the CFA Program, Members and Candidates must not misrepresent or exaggerate the meaning or implications of membership in CFA Institute, holding the CFA designation, or candidacy in the CFA Program.