



Hamilton

INFORMATION REPORT

TO:	Chair and Members HMRF/HWRF Pension Administration Sub-committee
COMMITTEE DATE:	December 3, 2015
SUBJECT/REPORT NO:	Master Trust Pension Investment Performance Report June 30, 2015 (FCS15075) (City Wide)
WARD(S) AFFECTED:	City Wide
PREPARED BY:	Gerald T. Boychuk 905-546-4321
SUBMITTED BY:	Mike Zegarac General Manager Finance & Corporate Services Department
SIGNATURE:	

Council Direction:

Not Applicable.

Information:

Attached as Appendix "A" to Report FCS15075 are the first nine pages of Aon Hewitt's investment performance report for the Hamilton Retirement Fund (HMRF), the Hamilton-Wentworth Retirement Fund (HWRF) and the Hamilton Street Railway (HSR), as at June 30, 2015. Together, the three pension funds make up the Master Trust, which is referred to as the "Plan" in this report.

The Plan's return for the one-year period ended June 30, 2015 of **6.3%** underperformed its benchmark of **8.3%** by **2.0%**. The market value of the assets of the Plan totalled **\$333.6** million compared to June 30, 2014 of **\$334.2** million a decrease of **\$0.6** million.

The funded ratio increased to **70.0%** which would have to increase to **75%** at which point bond holdings would be increased and equity holdings reduced. The new target weights will be **56.0%** equity and **44%** bonds at **75%** funded ratio.

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

Table 1

	12 Months ended 06/30/2015	12 Months ended 06/30/2014	12 Months ended 06/30/2013	12 Months ended 06/30/2012	12 Months ended 06/30/2011
Plan Return	6.3%	19.8%	9.6%	2.3%	12.1%
Benchmark	8.3%	19.1%	6.5%	1.4%	13.2%
Value Added	-2.0%	0.7%	3.1%	0.9%	-1.1%
Market Value	333.6	334.2	299.5	294.7	309.9
Funded Status	70.0	74.3	71.4	62.9	68.5

The Plan's performance may be compared to the return earned in the broader pension market in Canada. Attached as Appendix "B" to Report FCS15075, RBC reports its universe of pension funds, which totals C\$650 billion, had a median return of **-1.6%** in the quarter ended June 30, 2015. The Plan's return of **-2.6%** underperformed the median by **1.0%**.

Asset Mix:

Table 3 below shows the percentage of Plan assets in each asset class as at June 30, 2015 compared to December 31, 2014.

Table 3

<u>Asset Class</u>	<u>Percentage of Plan Assets in Each Asset Class</u>			
	<u>June 30/15</u>	<u>Dec. 31/14</u>	<u>Change</u>	<u>Benchmark</u>
Canadian Equity	28.9%	29.2%	-0.3%	30.0%
<u>Global Equity</u>	<u>30.6%</u>	<u>30.0%</u>	<u>+0.6%</u>	30.0%
Total Equity	59.5%	59.2%	+0.3%	
Cash	0.5%	1.5%	-1.0%	
TDAM Long Bonds	20.4%	20.6%	-0.2%	20.0%
<u>TD Real Return Bonds</u>	<u>19.6%</u>	<u>18.7%</u>	<u>0.9%</u>	20.0%
Total Fixed Income	40.5%	40.8%	-0.3%	

Managers' Performance:

Managers' investment performance relative to their benchmark is summarized in Table 4, shown below. One-year rates of return are all as at June 30, 2015.

Table 4 Managers' Performance

One-Year Period Ended June 30, 2015	Manager Return	Benchmark Return	Value Added (Manager Return – Benchmark Return)
Canadian Equity:			
Guardian	0.7%	-1.2%	1.9%
Letko	1.4%	-1.2%	2.6%
Global Equity:			
Brandes	15.3%	18.9%	-3.6%
Aberdeen	7.6%	18.9%	-11.3%
GMO	12.5%	18.9%	-6.4%
Fixed Income:			
TDAM Long Bonds	9.0%	10.1%	-1.1%
TDAM Real Return Bonds	5.8%	5.6%	-0.2%

Investment Transfer

Three options remain which may occur given the recent provincial election and the emphasis on pension issues for the Province of Ontario. They are "Pension Pooling", migration to "OMERS", and possibly migration to private sector management. At this time there is no real news or movement on this issue. However, all three remain significant possibilities. The OMERS option if acted on as presented appears to be the best option with a takeover of investments and administration enabling use of the current investment policy. The "Pension Pooling" option would be a second choice by default as it may be mandated by the Province; however, some exceptions have been made to legislated entry such as the Hospital plan. As well, a movement to private external management of investments may be possible.