



## **AUDIT, FINANCE & ADMINISTRATION COMMITTEE**

### **REPORT 15-013**

**9:30 a.m.**

**Tuesday, December 8, 2015**

**Council Chambers**

**Hamilton City Hall**

**71 Main Street West**

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**Present:** Councillors M. Pearson (Chair), A. Johnson (Vice-Chair),  
C. Collins, L. Ferguson, B. Johnson, A. VanderBeek and  
R. Pasuta

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### **THE AUDIT, FINANCE & ADMINISTRATION COMMITTEE PRESENTS REPORT 15-013 AND RESPECTFULLY RECOMMENDS:**

- 1. Confirmation of Chair and Appointment of Vice-Chair for 2016**
  - (a) That Councillor A. Johnson be appointed Chair of the Audit, Finance and Administration Committee for 2016; and
  - (b) That Councillor R. Pasuta be appointed Vice-Chair of the Audit, Finance and Administration Committee for 2016.
  
- 2. Tax Appeals Under Sections 357 and 358 of the *Municipal Act, 2001* (FCS15021(g))(City Wide) (Item 5.1)**
  - (a) That Appendix "A" attached to Audit, Finance & Administration Report 15-013 respecting the Tax Appeals processed under Section 357 of the *Municipal Act, 2001*, in the amount of \$290,995, be approved; and
  - (b) That Appendix "B" attached to Audit, Finance & Administration Report 15-013 respecting the Tax Appeals, due to a Gross or Manifest Clerical Error, Pursuant to Section 358 of the *Municipal Act, 2001*, in the amount of \$159,931 be approved.

**3. 2015 Third Quarter Non-Compliance with the Procurement Policy Report (FCS15015(b)) (City Wide) (Item 5.2)**

That Report FCS15015(b), respecting the 2015 Third Quarter Non-Compliance with the Procurement Policy Report, be received.

**4. 2015 Third Quarter Request for Tenders and Proposals Report (FCS15013(b)) (City Wide) (Item 5.3)**

That Report FCS15013(b), respecting the 2015 Third Quarter Request for Tenders and Proposals Report, be received.

**5. 2014 Audited Financial Statements for the City of Hamilton Business Improvement Areas (FCS15084) (City Wide) (Item 5.4)**

That Report FCS15084, respecting the 2014 Audited Financial Statements for the City of Hamilton Business Improvement Areas, be received.

**6. Freedom of Information Quarterly Report (April 1 to September 30, 2015) (CL15002(a)) (City Wide) (Item 5.5)**

That Report CL15002a respecting the Freedom of Information Quarterly Report (April 1 to September 30, 2015), be received.

**7. 2015 Third Quarter Emergency and Non-Competitive Procurements Report (FCS15014(b)) (City Wide) (Item 5.6)**

That Report FCS15014(b) respecting the 2015 Third Quarter Emergency and Non-Competitive Procurements Report, be received.

**8. Master Trust Pension Investment Report – December 31, 2014 (FCS14070(a)) (City Wide) (Added as Item 5.7)**

That Report FCS14070(a) respecting the Master Trust Pension Investment Report – December 31, 2014, be received.

**9. Master Trust Pension Investment Report – June 30, 2015 (FCS15075) (City Wide) (Added as Item 5.8)**

That Report FCS15075 respecting the Master Trust Pension Investment Report – June 30, 2015, be received.

**10. 2015 City of Hamilton External Audit Plan (FCS15085) (City Wide) (Item 8.2)**

That Report FCS15085 respecting the 2015 City of Hamilton External Audit Plan, be received.

**11. Performance Audit Report 2015-07 – Protective Plumbing Program (Value for Money Audit) (AUD15033) (City Wide) (Item 8.3)**

- (a) That the Management Action Plans as detailed in Appendix "C", **as amended**, to Audit, Finance & Administration Report 15-013 be approved; and
- (b) That the General Manager of Public Works and the General Manager of Finance and Corporate Services be directed to instruct the appropriate staff to have the Management Action Plans (attached as Appendix "C", **as amended**, to Audit, Finance & Administration Report 15-013) implemented.

**12. Hamilton Municipal Retirement Fund – December 31, 2014 Valuation (FCS15080) (City Wide) (Added as Item 8.4)**

- (a) That the December 31, 2014 actuarial valuation for the Hamilton Municipal Retirement Fund (HMRF) attached as Appendix "A" to Report FCS15080, be received; and
- (b) That staff be directed to report back to Audit, Finance & Administration on the feasibility of transferring the City of Hamilton's pension plans to OMERS under Section 80.4 of *the Pension Benefit Act, R.S.O 1990*.

**13. 2015 Master Trust Pension Statement of Investment Policies and Procedures (FCS15083) (City Wide) (Added as Item 8.5)**

- (a) That the 2014 Master Trust Statement of Investment Policies and Procedures be deleted and replaced with the 2015 Master Trust Statement of Investment Policies and Procedures (attached as Appendix "D" to Audit, Finance & Administration Report 15-013).
- (b) That the 2015 Master Trust Statement of Investment Policies and Procedures (attached as Appendix "D" to Audit, Finance & Administration Report 15-013) be forwarded to the Hamilton Street Railway Pension Advisory Committee for their information.

**14. Interview Sub-Committee to the Audit, Finance & Administration Committee (Item 9.1)**

(a) That an Interview Sub-committee reporting to the Audit, Finance & Administration Committee be established to review and consider the applications received for the following Citizen Volunteer Committees:

- (i) Advisory Committee for Immigrants & Refugees
- (ii) Committee Against Racism
- (iii) Hamilton Status of Women Committee
- (iv) Hamilton Aboriginal Advisory Committee
- (v) Lesbian, Gay, Bisexual, Transgender & Queer Advisory Committee
- (vi) Hamilton Mundialization Committee

(b) That the following Councillors be appointed to the Interview Sub-Committee to the Audit, Finance & Administration Committee for the balance of the 2014-2018 term of Council:

- (i) A. Johnson
- (ii) C. Collins
- (iii) M. Pearson, alternate member
- (iv) TBD
- (v) TBD

**15. Protective Plumbing Program – Funding Cap and Criteria Changes (Added as Item 9.1)**

(a) That for all Residential Protective Plumbing Program grant applications received by the City on or after December 14, 2015, the grant amount be capped to a maximum of \$1,500;

(b) That any applicant to the Residential Protective Plumbing Program be required to submit one written quote with their grant application; and,

(c) That all required documentation with respect to the Residential Protective Plumbing Program, be adjusted to reflect subsections (a) and (b) above.

**16. Filling a Vacancy on the HMRF-HWRF Pension Administration Sub-Committee (Added as Item 9.2)**

That Councillor Robert Pasuta be appointed to the HMRF-HWRF Pension Administration Sub-Committee for the remainder of the term of Council.

**FOR THE INFORMATION OF COUNCIL:**

**(a) CHANGES TO THE AGENDA (Item 1)**

The Legislative Coordinator advised of the following changes to the agenda:

**CONSENT ITEMS (ITEM 5)**

- 5.7 Master Trust Pension Investment Report – December 31, 2014  
(FCS14070(a)) (City Wide)
- 5.8 Master Trust Pension Investment Performance Report – June 30, 2015  
(FCS15075) (City Wide)

**DISCUSSION ITEMS (ITEM 8)**

The following item was withdrawn due to a report not being available as HMRF-HWRF Pension Administration Committee did not achieve quorum:

- 8.1 HMRF-HWRF Pension Administration Committee Report 15-001, dated  
December 3, 2015

Correction – The following item was included within the Agenda and marked as Item 8.3, but it was not listed on the Agenda Face Page (this error applied to hardcopy versions of the Agenda only and not the on-line version):

- 8.3 Performance Audit Report 2015-07 – Protective Plumbing Program  
(AUD15033) (City Wide)

The following items were added:

- 8.4 Hamilton Municipal Retirement Fund (HMRF) December 31, 2014  
Valuation (FCS15080) (City Wide)
- 8.5 2015 Master Trust Pension Statement of Investment Policies and  
Procedures (FCS15083) (City Wide)

The Agenda for the December 8, 2015 meeting of the Audit, Finance and Administration Committee was approved, as amended.

**(b) DECLARATIONS OF INTEREST (Item 2)**

None.

**(c) APPROVAL OF MINUTES OF PREVIOUS MEETING (Item 3)**

**(i) November 23, 2015 (Item 3.1)**

The Minutes of the November 23, 2015 Audit, Finance and Administration Committee meeting were approved, as presented.

**(d) DISCUSSION ITEMS (Item 8)**

**(i) Performance Audit Report 2015-07 – Protective Plumbing Program (AUD15033) (Item 8.3) (City Wide)**

That Section 8 of Appendix “A” to Report AUD15033, respecting Management Action Plans for Performance Audit Report 2015-07 – Protective Plumbing Program, be amended by deleting the Management Response its entirety, as follows:

- ~~(i) Management Response – Hamilton Water:  
Agreed. Hamilton Water can incorporate this recommendation when reporting back to Council based on direction received by Council.  
Completion date: Q1 2016.~~

**(e) NOTICE OF MOTIONS (Item 10)**

Councillor L. Ferguson introduced the following Notice of Motion:

**(i) Filling a Vacancy on the HMRF-HWRF Pension Administration Sub-Committee**

That Councillor Robert Pasuta be appointed to the HMRF-HWRF Pension Administration Sub-Committee for the remainder of the term of Council.

The Rules of Order were waived to allow for the Introduction of a Motion respecting Filling a Vacancy on the HMRF-HWRF Pension Administration Sub-Committee.

For disposition of this matter refer to Item 16.

**(f) PRIVATE AND CONFIDENTIAL (Item 12)**

**(i) Performance Audit Report 2015-07 – Protective Plumbing Program (AUD15033) (Item 8.3) (City Wide)**

Committee moved into Closed Session, at 10:15 a.m. respecting Report AUD15033 - Performance Audit Report 2015-07 – Protective Plumbing Program, pursuant to Section 8.1, Sub-section (f) of the City's Procedural

By-law 14-300, and Section 239(2), Sub-section (f) of the *Municipal Act*, 2001, as amended, as the subject matter pertains to the receiving of advice that is subject to solicitor-client privilege, including communications necessary for that purpose.

For further disposition of this matter, please refer to Items 11 and 15.

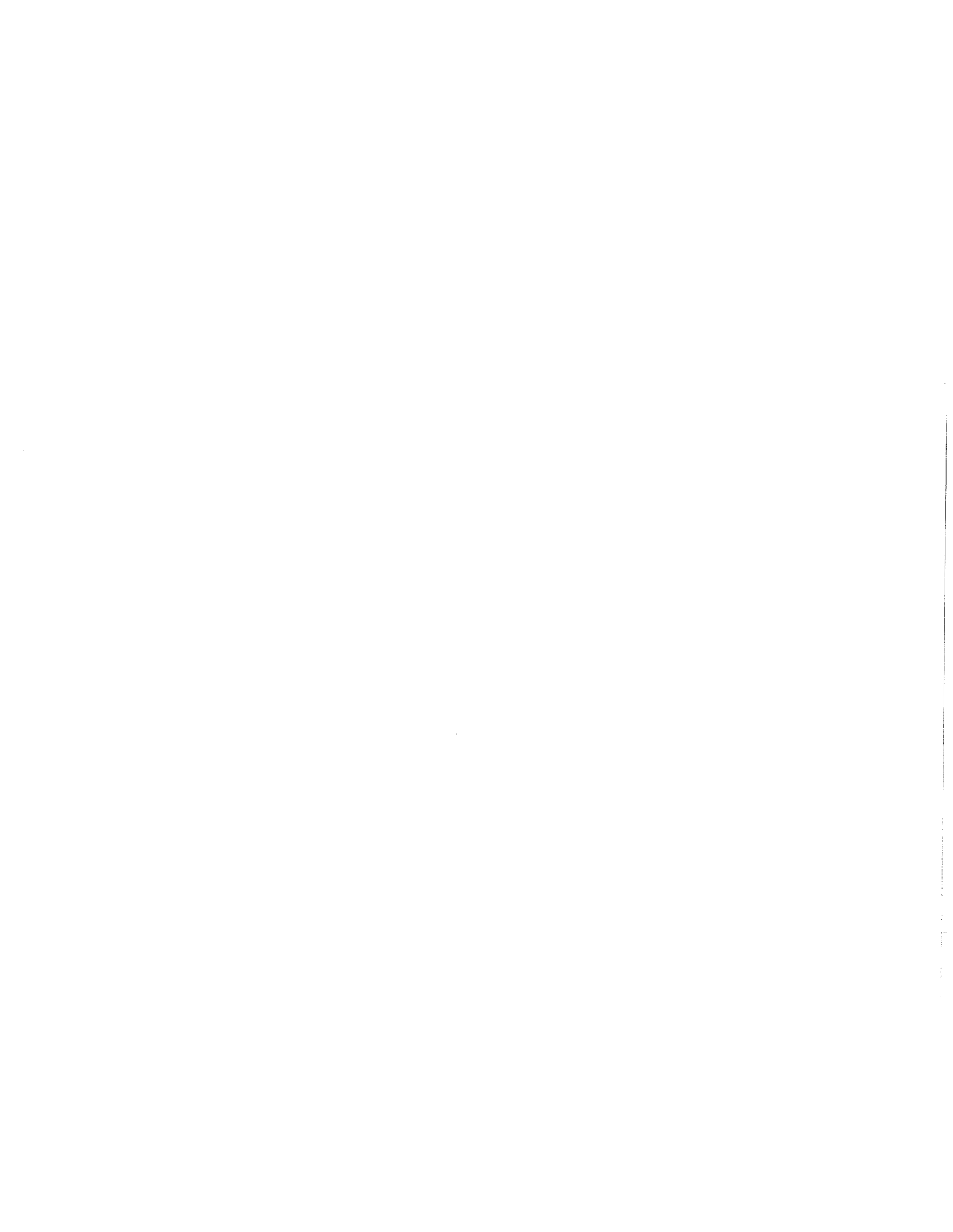
**(g) ADJOURNMENT (Item 13)**

There being no further business, the Audit, Finance and Administration Committee adjourned at 11:05 a.m.

Respectfully submitted,

Councillor M. Pearson, Chair  
Audit, Finance and Administration Committee

Denis Farr  
Legislative Coordinator,  
Office of the City Clerk





City of Hamilton  
 Corporate Services Department  
 Taxation Division  
 Section 357 Tax Appeals of the Municipal Act, 2001

357-13-212	2453 Concession 6 Rd W	Demolition of single family dwelling	2013	-415.33
357-13-224	49 Holmes Ave	Demolition of single family house	2013	-257.11
357-14-011	221 York Blvd	Exempt partial exemption for area used as Mosque and class change on rest	2014	-68,744.80
357-14-019	350 Centennial Pkwy N	Exempt City leasing land for construction site	2014	-7,641.56
357-14-066	796 Nebo Rd	Demolition of all structures increased value of property - no adjustment	2014	0.00
357-14-193	34 Chester Rd	Demolition of single family house	2014	-327.54
357-14-201	200 Whitney Ave	Demolition denied the portables removed were never assessed	2014	0.00
357-14-212	22 Green Mountain Rd	Exemption denied road and other losses are part of development process	2014	0.00
357-14-219	501 Upper Sherman	Major Renovations for future place of worship	2014	-354.91
357-14-237	1315 Rymal Rd E	Demolition changed tax class increasing dollar amount - no adjustment	2014	0.00
357-14-276	0 Macintosh Dr	Exemption of land deeded to the city	2014	-1,397.60
357-14-287	45 Hempstead Dr	Exemption denied does meet criteria under Section 3.1 of Assessment Act	2014	0.00
357-14-294	1328 Barton St E	Demolition of structure and new one already completed no change	2014	0.00
357-14-303	880 Queenston Rd	Demolition of pool, accessory bldg. CVA adjusted no \$ value exempt property	2014	0.00
357-14-309	100-120 Highway 8	Demolition of old Fortino's store	2014	-15,364.48

City of Hamilton  
Corporate Services Department  
Taxation Division  
Section 357 Tax Appeals of the Municipal Act, 2001

357-14-312	61 Hillside Ae	Demolition of house and garage	2014	-201.92
357-14-316	126 Millen Rd	Demolition single family detached house	2014	-136.22
357-14-334	395 Jones Rd	Tax Class Conversion – denied does not meet criteria for class change	2014	0.00
357-15-001	153 Lower Horning Rd	Fire appeal denied reduction through PRAN	2015	0.00
357-15-017	662 Rymal Rd E	Exemption tenants on City owned property vacated	2015	-3,707.39
357-15-022	1133 Highway 8	Demolition of old garage	2015	-159.20
357-15-026A	65 Guise St	Exempt now City operated	2015	-20,102.70
357-15-031	233 Highland Rd W	Gross or Manifest Error processed on PRAN	2015	0.00
357-15-039	659-695 Catharine St N	Exempt land reverted back to City	2014	-1,382.03
357-15-041	1123-1135 Stone Church Rd E	Demolition denied no evidence of demolition not access to rear of property	2015	0.00
357-15-048	215 Parkside Dr	Demolition of portables CVA adjusted no \$ value change on exempt property	2015	0.00
357-15-050	132 Belview Ave	Demolition in 2014 handled through PRAN for 2015	2015	0.00
357-15-051	134 Belview Ave	Demolition of house CVA adjusted now \$ value on exempt property	2015	0.00
357-15-057	548 Fifty Rd	Demolition of single family house	2015	-1,649.16
357-15-069	23 Undercliffie Ave	Fire last year value returned for 2015 reflects reduction	2015	0.00
357-15-075	1354 Upper Sherman Ave	Demolition of single family dwelling	2015	-904.63

City of Hamilton  
Corporate Services Department  
Taxation Division  
Section 357 Tax Appeals of the Municipal Act, 2001

357-15-076	157 Lake Ave N	Demolition of portables CVA adjusted no \$ value change on exempt property	2015	0.00
357-15-076	4437 Highway 6	Demolition of two 1 storey storage buildings	2015	-1,482.22
357-15-079	108 Highland Rd W	Demolition denied portables were never assessed	2015	0.00
357-15-082	62 Templemead Dr	Demolition denied portables were never assessed	2015	0.00
357-15-083	140 Glen Echo Dr	Demolition denied portables were never assessed	2015	0.00
357-15-085	0 Chatham St	Demolition denied value of structures have already been removed from roll	2015	0.00
357-15-096	575 Highway No 6	Demolition of house CVA adjusted no \$ value on exempt property	2015	0.00
357-15-097	561 Highway No 6	Demolition of house CVA adjusted no \$ value on exempt property	2015	0.00
357-15-101	2 Woodsworth Ave	Demolition of house CVA adjusted no \$ value on exempt property	2015	0.00
357-15-108	879 Centre Rd	Demolition of house the garage is still standing	2015	-1,310.49
357-15-111	535 Evans Rd	Demolition of 1 storey single family dwelling	2015	-1,438.42
357-15-113	140 Millen Rd	Demolition of single family dwelling	2015	-802.41
357-15-121	221 York Blvd	Exempt partial exemption for area used as Mosque and class change on rest	2015	-86,486.06
357-15-126	47 Fielding Cres	Major Renovations due to water damage	2015	-845.99
357-15-135	5 Arden Ave	Demolition of structures	2015	-582.64
357-15-136	804 Beach Blvd	Tax Class Conversion lease expired for Steelcare	2015	112,812.46

City of Hamilton  
Corporate Services Department  
Taxation Division  
Section 357 Tax Appeals of the Municipal Act, 2001

357-15-136	804 Beach Blvd	Tax Class Conversion lease expired for Steelcare	2015	-108,581.66
357-15-137	704 Upper James St	Tax Class Conversion now all residential	2015	-1,569.23
357-15-138	519 Jerseyville Rd W	Demolition of house and detached garage	2015	-680.83
357-15-139	0 Tollgate Dr - rear	Exempt landed deeded over to the City	2015	-1,821.04
357-15-141	335 Clarendon Dr	Demolition of structures in August	2015	-513.56
357-15-142	260 Raymond Rd	Tax Class Conversion model home sold now residential	2015	-6,121.89
357-15-143	352 Jerseyville Rd W	Demolition of inground pool	2015	-118.65
357-15-144	811 Smith Rd	Demolition of inground pool in 2004 never reported	2015	-237.01
357-15-146	501 Upper Sherman	Demolition of part of structure during renovation to place of worship	2015	-499.80
357-15-147	15 Winthrop Pl	Demolition denied the pool was never on the roll	2015	0.00
357-15-152	3168 Regional Rd 56	Tax Class Conversion the business closed years ago now all residential	2015	-246.36
357-15-153	0 Frances Ave	Exempt deeded over to the City	2015	-1,847.55
357-15-154	0 Frances Ave	Exempt property deeded over to the City	2015	-2,449.23
357-15-159	50 Norway Ave	Fire damage on the first floor	2015	-430.41
357-15-161	350 Rymal Rd W	Gross or Manifest Error does not meet criteria or gross or manifest error	2015	0.00
357-15-162	0 Middletown Rd	Exempt not confirmation from Ministry of Natural Resources	2015	0.00

City of Hamilton  
Corporate Services Department  
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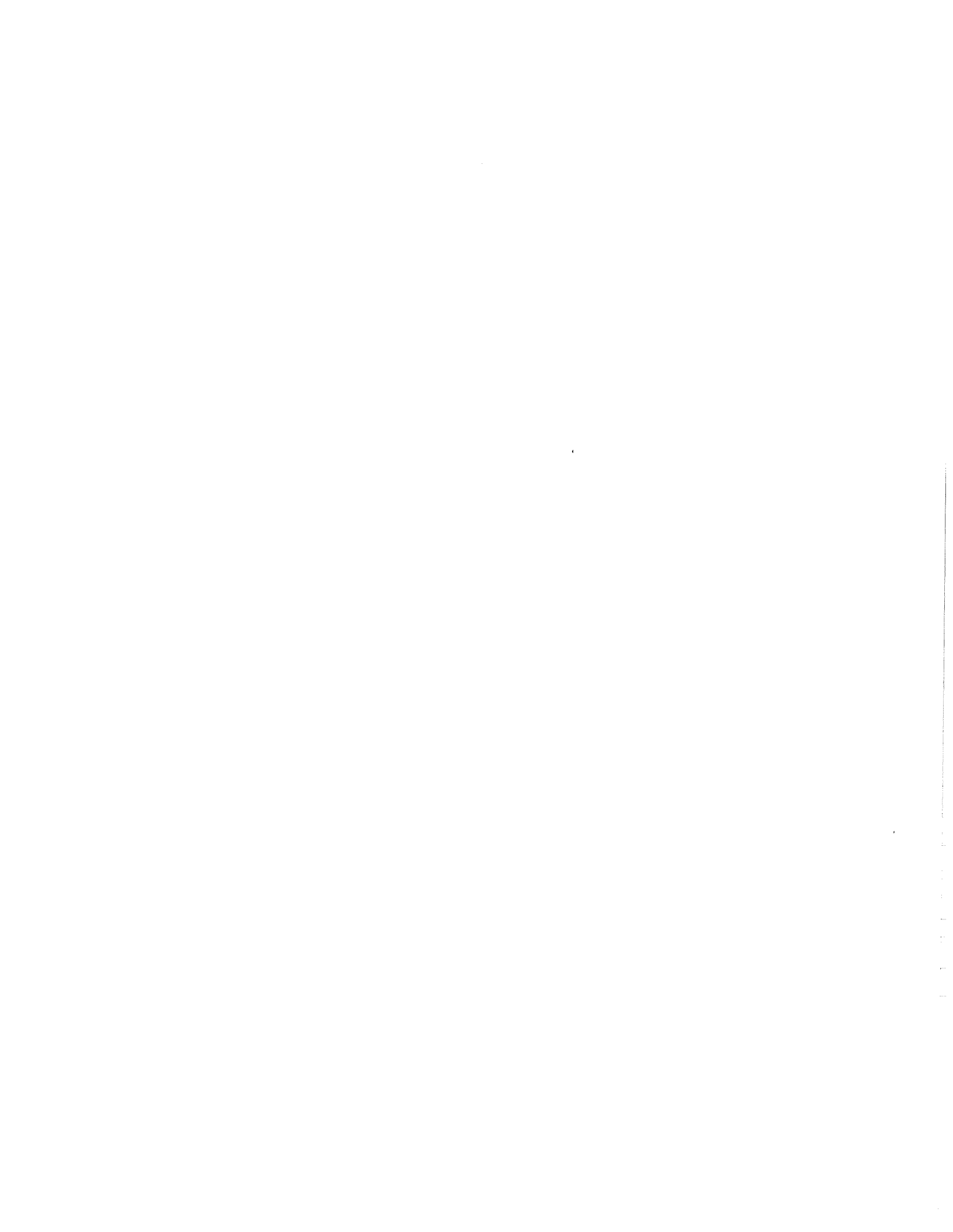
357-15-164	4199 Binbrook Rd	Fire damaged both house and garage	2015	-806.25
357-15-166	946 Valens Rd	Demolition of house and garage	2015	-663.84
357-15-167	1047 Concession 4 West	Demolition of both house and detached garage	2015	-574.17
357-15-168	31 Robins Ave	Demolition denied demotion permit revoked	2015	0.00
357-15-169	86 Mansfield Dr	Demolition of structures	2015	-857.36
357-15-173	25 Howard Blvd	Demolition of single family house	2015	-1,798.25
357-15-174	41 Lakeview Dr	Demolition of old house new house under construction	2015	-585.73
357-15-175	200 Acadia Dr	Demolition denied portables never assessed	2015	0.00
357-15-178	39 Cummings Ct	Demolition 1 storey single family dwelling	2015	-514.39
357-15-182	180 Brookview Dr	Demolition of 2 storey single family dwelling	2015	-161.76
357-15-184	346 Caledon Ave	Demolition of 1 storey single family dwelling	2015	-541.28
357-15-185	68 Carrington Ct	Demolition of single family dwelling	2015	-916.55
357-15-186	95 Glassco Ave N	Demolition of single family dwelling	2015	-692.23
357-15-188	800 Mud St E	Demolition of 1 storey detached garage	2015	-29.92
357-15-189	24 Mountain View Rd	Demolition of 1 storey single family dwelling	2015	-578.23
357-15-190	187 Locke St N	Demolition of 1 ½ storey single family dwelling	2015	-623.45

City of Hamilton  
Corporate Services Department  
Taxation Division  
Section 357 Tax Appeals of the Municipal Act, 2001

357-15-195	237 Margaret Ave	Demolition of single family dwelling	2015	-427.28
357-15-198	172 Yahara Pl	Demolition of 1 ½ storey single family dwelling	2015	-544.43
357-15-199	26 Kennedy Ave	Demolition of 1 ½ storey single family dwelling	2015	-754.21
357-15-201	76 Worsley Rd	Demolition of single family dwelling	2015	-248.21
357-15-202	248 Margaret Ave	Demolition of single family dwelling	2015	-315.22
357-15-203	66 Floresta Ct	Demolition of 1 storey single family dwelling	2015	-285.27
357-15-207	438 Hughson St N	Exempt Superior court decision carried forward from 2014	2015	-51,077.15
			<b>TOTAL</b>	<b>-290,994.75</b>

City of Hamilton  
Corporate Services Department  
Taxation Division  
Section 358 Tax Appeals of the Municipal Act, 2001

358-15-006	0 Cherry Beach	Exempt City owned property	2014	-121.22
358-15-008	0 Cherry Beach	Exempt City owned property	2013	-97.04
358-15-009	0 Cherry Beach	Exempt City owned property	2012	-72.36
358-15-010	0 Cherry Beach	Exempt City owned property	2011	-12.61
358-15-011	0 Cherry Beach	Exempt City owned property	2010	-12.33
358-15-033	561 Highway 6 N	Exempt purchased by MTO for road expansion	2014	-3,299.01
358-15-034	575 Highway 6 N	Exempt purchased by MTO for road expansion	2014	-4,369.28
358-15-041	811 Smith Ave	Gross or Manifest Error inground pool removed in 04 never removed	2014	-225.81
358-15-042	811 Smith Ave	Gross or Manifest Error inground pool removed in 04 never removed	2013	-216.33
358-15-056	438 Hughson St N	Exempt superior court decision	2013	-50,743.92
358-15-055	438 Hughson St N	Exempt superior court decision	2012	-50,627.94
358-15-054	438 Hughson St N	Exempt superior court decision	2011	-50,133.37
			<b>TOTAL</b>	<b>-159,931.22</b>





**CITY OF HAMILTON  
PERFORMANCE AUDIT REPORT 2015-07  
HAMILTON WATER – PROTECTIVE PLUMBING PROGRAM**

**INTRODUCTION**

The City of Hamilton experienced frequent and severe storms from 2004 – 2009 that resulted in overloading of segments of the wastewater collection system, sanitary backups and basement flooding. A total of \$4.85 million in compassionate grants was distributed to flood victims under the Residential Municipal Disaster Relief Assistance Program between July 2005 and August 2009. The heavy rain event which occurred on July 26, 2009 accounted for \$3.1 million or 65% of these compassionate grant payments.

In response to this heavy rain event, the compassionate grant program was adjusted to include the installation of a backwater valve for those properties that have experienced multiple basement flooding events. Homeowners who do not undertake corrective plumbing measures may be ineligible for compassionate grants made available in the future.

In October 2009, the City implemented the Protective Plumbing Program (3P) in an effort to reduce the need for compassionate grants, minimize the potential impact of severe weather events and support property owners affected by sanitary backups.

3P provides grants and loans up to \$2,000 each to residential property owners to undertake plumbing measures to protect their home from sewer backups. After a closed circuit television (CCTV) inspection is performed of the home's internal drainage system, the property owner may choose to install an approved backwater valve, install a new sump pump and pit (in conjunction with a backwater valve) and/or disconnect downspouts under this program. The property owner is reimbursed for required building permits in addition to the grant or loan.

The following chart summarizes the main requirements of the program and responsibilities of City staff, the property owner and the contractor:

Function	Responsibility of:		
	City Staff	Property Owner	Contractor
Provide program information and distribute forms.	✓		
Obtain written quotations from three contractors.		✓	
Complete forms and submit documents to the City.		✓	
Approve the 3P grant and/or loan amount.	✓		
Select a contractor to perform the improvements.		✓	
Obtain required building permits.		✓	✓
Perform CCTV inspection and recommend improvements.			✓
Select which eligible improvements will be performed.		✓	
Perform plumbing improvements.			✓
Perform inspection under the building permit.	✓		
Pay the contractor for work performed.		✓	
Approve and distribute 3P grant and/or loan payments.	✓		
Monitor compliance with program requirements.	✓		
Administer the program and maintain records.	✓		

The 3P program has evolved since it was first implemented in 2009. The following provides an overview of some of the more significant changes approved by Hamilton City Council:

- July 2011 – 3P was expanded to all residential property owners. Previously, only properties that experienced chronic sewer flooding were eligible to participate.
- July 2011 – The City introduced the Sewer Lateral Management Program and removed sewer lateral repairs from the list of eligible 3P improvements.
- January 2012 – The Hamilton building code was revised to make the installation of a backwater valve mandatory for all new residential homes.
- February 2013 – 3P was revised requiring property owners to submit three contractor quotations with their application, and basing the approved grant or loan amount on the lowest quote. Previously, quotes were not required and the property owner submitted the contractor's invoice for reimbursement.
- March 2013 – A Community Improvement Plan was created to expand the program to registered residential rental properties.

From October 1, 2009 to April 16, 2015, the City paid out \$15.2 million in 3P grants which includes improvement, CCTV inspection and permit costs. These grants funded the installation of 7,080 backwater valves and 35 sump pits, the disconnection of downspouts at 126 properties and the repair of three sewer laterals. In addition, the City distributed \$7,780 in 3P loans to five property owners for the same period of time.

Both 3P grant and loan availability continues to be subject to funding as approved by Hamilton City Council and may be discontinued at any time without notice.

On October 31, 2012, the General Issues Committee discussed 3P funding and requested that Audit Services conduct a value-for-money audit of the program. At that time, the recruitment for performance auditors was underway and Audit Services did not have the resources to carry out this request. Subsequently, this audit was included in the 2015-16 Performance Audit Work Plan approved by the Audit, Finance and Administration Committee on March 9, 2015.

### **AUDIT OBJECTIVES AND SCOPE**

The purpose of this audit was to identify potential opportunities to achieve greater value for money and improve process efficiency, and evaluate the achievement of program objectives.

The audit included all completed 3P improvements undertaken through the grant program from January 1, 2014 to April 30, 2015. As required, Audit Services used more current or historical information to carry out specific audit procedures. In addition, some analyses focused on backwater valve installation only as this is the most popular 3P improvement.

### **METHODOLOGY**

The work performed by Audit Services included:

- A. **Documenting 3P grant and loan processes** based on employee interviews and observations. Process descriptions include main activities such as assessing documentation; approving 3P grant and/or loan amounts; and preparing payments for disbursement.
- B. **Analyzing documentation for a sample of 3P grants to determine whether grants are assessed and paid according to stated program requirements.**

*(Note – Audit Services analyzed 3P grants approved for payment from September 1, 2014 to April 30, 2015. No 3P loans were approved during this time period.)*

- C. **Analyzing property level improvements to determine whether any properties received duplicate or multiple 3P grants** since the inception of the program.
- D. **Analyzing a sample of quotations where work was performed by select contractors to investigate whether one contractor provides quotes from different companies.**

*(Note – Audit Services received an anonymous letter from a 3P grant recipient indicating that one contractor provided quotes from three different companies. To verify whether this practice was occurring, Audit Services analyzed quotes submitted for properties where work was completed by the contractor named in the letter, as well as three additional contractors previously identified by Hamilton Water as exhibiting similar behaviour.)*

- E. **Analyzing 3P grant payments, backwater valve costs and CCTV inspection costs to determine whether the three quote requirement is generating competition and deriving greater value** for budgeted 3P funds.
- F. **Reviewing other municipalities' and regional governments' funding structures** of protective plumbing programs to compare and identify opportunities to generate additional value for money from budgeted 3P funds.
- G. **Calculating how long it took staff to process documentation for a sample of paid 3P grants and comparing to expected timelines** to determine how efficiently the City processes applications and payments.
- H. **Identifying opportunities to utilize resources (e.g. people, processes, systems) more efficiently** so that 3P grants and loans are approved and paid in accordance with program requirements in a timely manner at the lowest possible cost.
- I. **Calculating uptake of the program** amongst property owners with previous flood experience and those that installed a backwater valve as a proactive measure.
- J. **Calculating the number of properties that experienced at least one sewer lateral backup after a backwater valve was installed** as part of 3P to determine whether backwater valves have prevented future flooding.
- K. **Analyzing a sample of properties with a history of flooding and receipt of multiple compassionate grants to determine whether 3P has reduced the number of repeat recipients of the City's compassionate grant program.**

*(Note – Property owners who have experienced multiple basement flooding events and refuse to undertake protective plumbing measures may be ineligible for future compassionate grants. In order to assess whether this direction was considered by management, Audit Services focused on properties impacted by heavy rain events and received more than two compassionate grant distributions that occurred after July 26, 2009.)*

*(Note – Risk Management oversees the compassionate grant program which is administered by the City's external adjuster. Neither Risk Management nor the external adjuster were able to provide Audit Services with a complete list of compassionate grants paid out from the July 26, 2009 heavy rain event to present. In comparison to compassionate grant payments contained in report PW11056c provided to the General Issues Committee on February 6, 2013, payment information for approximately \$1.6 million of compassionate grants was not readily available and was excluded from the data provided to Audit Services. The analysis performed by Audit Services was based upon the incomplete compassionate grant data received from Risk Management.)*

- L. **Assessing whether program objectives are being achieved.**

## **FINDINGS**

### **Compliance with Program Requirements**

Overall, Hamilton Water is doing an excellent job verifying program requirements before 3P grants are approved and distributed to property owners. Audit Services was unable to identify significant violations that would indicate that 3P grants should not have been paid to property owners or that more than one grant was issued to a single property.

Audit Services identified the following opportunities to improve controls within the 3P process to reduce the potential risk of inappropriately assessing future grant and loan applications.

- Licensed contractors – From a sample of 25 grant files, Audit Services identified four instances where Hamilton Water accepted quotations from contractors that held inappropriate or expired licenses. Hamilton Water's current process of only verifying the licensing status of new and unfamiliar contractors is not adequately detecting contractors with expired licenses.
- Loan application assessment – From discussions with staff, it is unclear whether Hamilton Water verifies eligibility with program requirements or approves the loan application before loan documentation is sent to Finance. Only five loan applications have been processed since 3P commenced in 2009.
- Loan permit verification – From discussions with staff, Finance does not verify that the building permit is closed before issuing a loan payment. Finance requests that the property owner submit an inspection certification to confirm that the contractor's work was approved by a City inspector; however, no such inspection certificate exists.

### **Opportunities to Achieve Greater Value for Money**

Hamilton City Council revised 3P in February 2013 requiring property owners to submit three contractor quotations with their application and basing the approved 3P grant or loan amount on the lowest submitted quote. The intent was to increase the long-term financial sustainability of the program and derive greater value from funds by ensuring that the cost of improvements was established through a competitive process without increasing the City's costs or risk.

The three quote requirement has been unsuccessful in driving down overall costs. On average, the City paid \$2,138 to each 3P participant from September 1, 2014 to April 30, 2015 for improvement, CCTV inspection and permit costs. This average payout is comparable to the maximum \$2,216 and \$2,220 grant reimbursements available during that period of time. The average 3P grant payment has remained at approximately 95% of the average maximum grant reimbursement since the three quote requirement was introduced. Before the three quote requirement came into effect, the average 3P grant payment was approximately 96% of the average maximum grant reimbursement. Therefore, improvement costs have not declined significantly and parallel the maximum funding provided by the City.

Lack of price variability may be attributable to collaboration amongst contractors. Audit Services observed trends which support the allegation that one contractor provided three quotes from three different companies during one visit with the property owner. For example:

- 42 of 50 properties selected for testing obtained quotes from the same combination of three contractors. In all cases, the same contractor consistently quoted the lowest cost.
- Quotes were prepared on copied forms that were pre-signed by the contractor. The representative visiting the property only had to write the property owner's name and address on the form. For some properties, the handwriting on each of the three quotes appeared similar, if not identical, as indicated by letter formation and unusual spelling errors.
- Some businesses in the identified contractor combinations shared similar licensing information (e.g. licenses were held by individuals with the same surname and/or address). This may indicate a closer relationship that would facilitate a single contractor obtaining pre-signed quotes from two other companies.

In contrast to overall costs, the prices of individual services provided by contractors vary significantly. The prices of a CCTV inspection and backwater valve installation ranged from \$100 to \$500 and \$350 to \$2,781, respectively.

The City has no appetite to enter into a competitive process to negotiate an approved vendor list or improvement pricing. Hamilton Water investigated the option of entering into a competitive procurement process to secure the services of a contractor to undertake 3P eligible works. Report PW11056c was provided to the General Issues Committee on February 6, 2013 outlining the results of this analysis. City staff and Council agreed that the potential risks and liabilities associated with undertaking improvements on private property either with municipal staff or contractors contracted by the City outweighed related cost savings.

Reducing the 3P grant and subsidizing a portion of improvement costs may create a financial incentive for property owners to seek out the best price for services and stimulate competition amongst contractors. A subsidy-type approach has been taken by several other municipalities as a way to help control spending in their respective protective plumbing programs. Hamilton funds 100% of improvement costs for all properties throughout the City, regardless of previous flooding history. In contrast, Toronto, Windsor, London, Halton, Sudbury and Vaughan subsidize 50%, 75% or 80% of improvement costs up to stated maximums. For backwater valves, the maximum subsidies provided in these municipalities are less generous than the maximum \$2,000 grant provided by the City of Hamilton. The chart on the following page summarizes the funding structures for other municipalities:

Municipality	Backwater Valve	
	Share	Subsidy
Hamilton	100%	\$2,000*
Toronto	80%	\$1,250
Windsor	80%	\$1,000
London	75%	\$ 825
Halton	50%	\$ 675
Sudbury	50%	\$1,000
Vaughan	50%	\$ 750

\* Represents the maximum subsidy to perform a CCTV inspection and install a backwater valve. Does not contain the \$220 building permit fee.

Additional value for money may be generated if the City changes their funding structure to subsidize a portion of 3P improvement, CCTV inspection, and permit costs. On average, the City's current \$2.5 million annual 3P budget may provide assistance to 1,125 properties. As shown in the chart below, subsidizing 50% to 80% of improvement costs will permit the City to assist an additional 280 to 1,125 properties with the same 3P budget. Alternatively, the City may realize \$0.5 million to \$1.25 million in cost savings if a cap is placed on assisting 1,125 properties in a given year.

Subsidy Rate	Subsidy Amount (maximum per property)	Savings (continue to fund 1,125 properties per year)	Service Enhancement within the Existing \$2.5M Annual Budget (in addition to the existing 1,125 properties)
50%	\$1,110	\$1,250,000	1,125 additional properties
75%	\$1,665	\$ 625,000	375 additional properties
80%	\$1,775	\$ 500,000	280 additional properties

Higher uptake of the program may have a significant financial impact on the City. It would cost \$17.9 million over seven years in 3P grant funding to install backwater valves in the 8,100 properties that previously experienced a sewer backup but have not yet participated in 3P. Alternatively, not taking into account the effect of inflation, it would cost \$260 million over 105 years with the current \$2.5 million annual budget to fund 3P improvements in all eligible households across the City. As a result, it is important to consider the long-term financial sustainability of the program and opportunities to derive greater value from 3P funds.

### Process Efficiencies

A significant portion of the 3P grant process involves City staff analyzing and assessing grant documentation. After submitting an application and quotations, property owners must wait for Hamilton Water to confirm the grant amount before hiring a contractor. After the work is completed and the contractor is paid, property owners must submit additional documentation and wait to receive a reimbursement cheque from the City. As a result, timely processing of paperwork is an important service feature.

Overall, Hamilton Water and Finance are processing paperwork and issuing cheques in a timely manner and within established timelines. Collectively, Hamilton Water and Finance assess submitted documents and process a reimbursement within 24 calendar days, which is better than the four to six week timeline published in the 3P information brochure. Although targets are being achieved, the following opportunities exist for improvement.

- On average, Hamilton Water assesses a 3P application and mails out a grant confirmation to the property owner within six calendar days, which is equivalent to the average attainable target developed with management for the purpose of this analysis. Although Hamilton Water processed 14 of the 25 applications selected in fewer than six days, this target was exceeded for the other 11 properties.
- On average, Hamilton Water spent 15 calendar days processing documentation and approving the grant payment, which is nine days greater than the average attainable target of six days developed with management.
- On average, it took Finance ten days to process payments. This is two days longer than the average attainable target of eight days developed with management for this analysis.

Audit Services was unable to identify the root cause for the majority of these delays due to lack of information. Although time data is collected in both the Hansen and PeopleSoft systems, neither Hamilton Water nor Finance measure or monitor timelines to assess how well City staff are processing 3P grants and payments. Monitoring and investigating deviations from timeline targets may provide management with opportunities for continuous process improvement.

Audit Services identified the following opportunities to improve the efficiency of the 3P process by utilizing the Hansen system to eliminate manual data entry; and clarifying roles to remove duplicate approval checkpoints, reduce the volume of paper copies and streamline the processing of 3P grants.

- Duplicate approval checkpoints – Hamilton Water performs a thorough review of all grant documents for accuracy and to ensure compliance with program requirements before approving and sending the payment request to Finance. Finance performs a similar review before processing the 3P grant payment. Given that the maximum 3P grant payment is \$2,220, one review and approval checkpoint is appropriate. The secondary review performed by Finance is unnecessary.
- Paper copies – Hamilton Water retains a copy of the application form, assessment form, building permit and receipt, contractor invoice and payment request form. Original documents are sent to Finance. As a secondary review by Finance is unnecessary, copies of such documents are no longer required. Eliminating paper copies not only saves paper and printing costs but also frees up time for Hamilton Water staff and reduces the burden on interoffice mail.



- Manual data entry – Finance manually enters the property owner's details and grant amount from the payment request form into an Excel spreadsheet, which is uploaded into the PeopleSoft Finance System for the next cheque run. Information on the payment request form is automatically populated from 3P data captured by Hamilton Water in the Hansen system. The amount of manual data entry performed by Finance may be significantly reduced if a payment report could be produced directly from Hansen. Limiting the amount of manual data entry not only saves time but also reduces the risk of human error in the payment process.

### Program Objectives

Audit Services identified the following objectives associated with 3P:

#### Objective #1:

Provide guidance and financial assistance to property owners seeking to undertake improvements to their homes that will reduce the potential for basement flooding due to sewer surcharge.

This objective has been achieved. Hamilton Water provides property owners with a 3P brochure and process guide containing guidance about the program and plumbing improvements. In addition, Hamilton Water's call centre is available for more personalized assistance. Grants and loans available to property owners provide financial assistance to undertake eligible 3P improvements.

#### Objective #2:

Assist property owners to reduce recurrent basement flooding as well as the number of repeat recipients of compassionate grants under the City's Residential Municipal Disaster Relief Assistance Program.

This objective has not been achieved. Uptake of the program is low amongst properties that have flooded in the past. There are no targets in place related to uptake from properties with previous flooding. Of the 10,785 households that reported experiencing at least one sewer lateral backup, only 2,722 properties (25%) participated in 3P and installed a backwater valve. Lack of awareness may be contributing to low uptake. Several Hamilton Water survey respondents commented they were unaware of 3P and heard about it from neighbours and contractors.

Approximately 260 properties reported experiencing at least one sewer lateral backup after a backwater valve was installed as part of 3P. This represents 3.5% of all properties that installed a backwater valve since the inception of the program. Subsequent flooding may have occurred as a result of improper installation, inadequate maintenance, inappropriately sending waste into the sewer when the valve is engaged or ground water seeping into the property owner's basement where the valve was installed.

Hamilton Water does not investigate these incidents or monitor the percentage of 3P participants that experienced a sewer backup after installing a backwater valve. As a specific root cause of subsequent flooding cannot be determined, Audit Services was unable to assess whether value was achieved from installing a backwater valve.

3P may not be reducing the number of repeat compassionate grant recipients. Nine of the 16 properties selected by Audit Services flooded more than two times and received a subsequent compassionate grant. One property experienced six flooding events before a backwater valve was installed and five properties flooded three or more times and a backwater valve was not installed. In both of these cases, management should have factored previous flooding history into the compassionate grant assessment. An additional three properties received compassionate grants even though a backwater valve was already installed. In these cases, the backwater valve should have prevented the flooding event which led to receiving the compassionate grant. Risk Management has indicated that a property's history of flooding events was not factored into prior compassionate grant assessments due to the volume of applications received.

**Objective #3:**

Allow the property owner to acquire sewer backup coverage (where they previously had not been able to do so) or access cheaper premiums, higher limits and/or lower deductibles for sewer backup coverage.

This objective cannot be measured. Property owners do not provide personal insurance information to Hamilton Water as part of, or follow up to the 3P process.

## **RECOMMENDATIONS**

The implementation of the following seven recommendations may result in opportunities to improve controls over the assessment of future grant and loan applications, improve customer service and make the 3P process more efficient.

**1. That Hamilton Water verifies the licensing status of contractors when quotations and invoices are submitted by the property owner.**

*Management Response – Hamilton Water:*

*Disagreed. The purpose of the three quotes is to determine the grant amount. The homeowner may choose any "qualified and licensed" contractor they desire; however the grant amount will be based on the lowest quote. Hamilton Water verifies the licensing status of the contractors at the time of final submission/payment. Staff believe that the increase in time to verify all three contractors for each quote at the time of quote as well as verifying the final contractor's licensing at the time of payment is inefficient and would add very little value. Contractors could be properly licensed at the time of quote but not at the time of payment which is the actual requirement.*

- 2. That Hamilton Water and Finance review and revise the loan process to better align responsibilities held by each group. Hamilton Water should verify program requirements and approve distribution of the loan, while Finance should disburse the loan and administer annual loan repayments.**

*Management Response – Hamilton Water:*

*Agreed. Hamilton Water staff are able to update our processes and procedures to reflect this change if Finance is in agreement. Completion date: Q1 2016.*

*Management Response – Finance:*

*Agreed. The 3P process documentation will be reviewed in conjunction with Hamilton Water staff to better reflect the roles and responsibilities of Finance staff. Completion date: Q1 2016.*

- 3. That Finance no longer performs a secondary review of 3P grant documentation for compliance with program requirements and accuracy. Finance should only ensure completion and approval of the payment request form in order to process a payment. Hamilton Water should only send Finance a copy of the payment request form.**

*Management Response – Hamilton Water:*

*Agreed. Hamilton Water staff are able to update our processes and procedures to reflect this change if Finance is in agreement. Completion date: Q1 2016.*

*Management Response – Finance:*

*Agreed. The role of Finance should be to review the payment request documentation only for completeness, including verifying the account distribution and signing authority. Completion date: Q1 2016.*

- 4. That Hamilton Water creates a performance measure to monitor how long it takes to process 3P applications against established targets. Management should investigate significant delays and amend internal processes or reallocate internal resources as required.**

*Management Response – Hamilton Water:*

*Agreed (in part). Hamilton Water will develop KPI's to monitor our processing times. The efficiencies in processing will be looked at however; reallocation of resources to this program may or may not be feasible depending on other operational requirements. Completion date: Q2 2016.*

- 5. That Hamilton Water and Finance develop a process to measure how long it takes to process a 3P reimbursement and compare actual results to the four to six week target set by management on a monthly basis. Management should work collaboratively to investigate significant delays and amend internal processes or reallocate internal resources as required.**

*Management Response – Hamilton Water:*

*Agreed. Hamilton Water will develop a KPI for our portion of the process and monitor against our targets. Again the reallocation of resources to this program may or may not be feasible depending on other operational requirements. Completion date: Q2 2016.*

*Management Response – Finance:*

*Agreed: Staff will work to develop an appropriate KPI. Completion date: Q2 2016.*

- 6. That Hamilton Water and Finance investigate the feasibility of generating an approved payment report from the Hansen system that can either be uploaded directly into the PeopleSoft Finance system or used to reduce the volume of manual entry required in the payment process.**

*Management Response – Hamilton Water:*

*Agreed. Hamilton Water will provide the necessary support to pull the appropriate data from Hansen to be used by finance. Overall responsibility for this recommendation should rest with Finance. Completion date: Q2 2016.*

*Management Response – Finance:*

*Agreed. Finance will work with Hamilton Water staff to investigate the feasibility of developing an interface between Hansen and PeopleSoft to reduce the volume of manual entry required in the payment process. Completion date: Q4 2016.*

- 7. That Hamilton Water revises the 3P brochure to include the risks associated with property owners accepting three quotes provided by the same contractor.**

*Management Response – Hamilton Water:*

*Agreed (in part) Hamilton Water agrees that some additional communication related to obtaining three quotes would be beneficial. The exact format of that communication will need to be investigated. This may be in the form of a revision to the brochure as suggested or some other form as deemed appropriate by staff. Completion date: Q2 2016.*

The implementation of the following recommendation may result in an opportunity to achieve greater value for money within the program.

- 8. That Hamilton Water provides Council with 3P funding options that reduce the maximum grant allocation and/or subsidize a portion of improvement costs. These options should include:**

- A subsidy that is comparable with other municipalities in the range of 50% to 80% of improvement, CCTV inspection and permit costs; and**
- Retain the loan portion of the program to assist property owners to afford improvement costs no longer covered by the 3P grant.**

*Management Response – Hamilton Water:*

*Agreed. Hamilton Water can incorporate this recommendation when reporting back to Council based on direction received by Council. Completion date: Q1 2016.*

The implementation of the following four recommendations may provide management with opportunities and tools to better achieve the objectives of 3P.

- 9. That Hamilton Water sends a letter to each property that experienced sewer backup in the past that has not participated in 3P. Management should inform property owners of the availability of the program and outline that future compassionate grants may be disallowed to flood-prone properties that have not yet installed a backwater valve.**

*Management Response – Hamilton Water:*

*Disagreed. Letters have already been sent to those property owners who have experienced flooding during storm events where the compassionate grant program was enacted that explains this. Property owners may experience sewer backups related to any number of reasons unrelated to storms. These could include tree roots and other blockages, or may be due to collapsed sewer laterals. In these cases a backwater valve would not solve their issue and may give them a false sense of security. Should there be future storm events where there is significant flooding and Council enacts the compassionate grant program these properties should receive a similar follow up notification.*

*Management Response – Risk Management:*

*Agreed. RMS will provide Hamilton Water with a listing of all flood claimants (both liability and compassionate) dating back 10 years. RMS can provide the listing at Hamilton Water's convenience. Completion date: Q1 2016.*

- 10. That Hamilton Water measures and monitors the number of properties that experience a sewer backup after a backwater valve is installed. Management should set a threshold that would trigger an investigation or other actions if properties continue to flood after improvements are performed.**

*Management Response – Hamilton Water:*

*Disagreed. Hamilton Water has completed a number of investigations related to properties that have experienced flooding after installing a backwater valve. Staff found that in most cases this is caused by 1 or more of the 3 following issues:*

- 1. The backwater valve functions properly and closes during a sewer lateral backup. The homeowner then uses water during this time, or still has a downspout connected causing water to back up from inside the home;*
- 2. Ground water infiltrates the area where the backwater valve was installed and overflows into the basement; and/or*
- 3. Failure to maintain the backwater valve and it becomes stuck open and does not close all the way. Hamilton Water undertakes as a proactive measure each spring to mail out to anyone listed in our records as having installed a backwater valve under the 3P program instructions on how to maintain their backwater valve. In addition Hamilton Water also provides a phone notification utilizing the Automated Notification System (ERMS) reminding them of the need to maintain their backwater valve and where they can get more information.*

**11. That Hamilton Water and Risk Management develop a Hansen report listing properties that experienced sewer backups that may be used to assess future compassionate grants according to direction provided by City Council.**

*Management Response – Hamilton Water:*

*Agreed. Hamilton Water can provide a report to Risk Management for any properties who have experienced flooding should they decide it is necessary. The primary responsibility for this recommendation should rest with Risk Management to determine if they desire the report and what information is required. Completion date: Q2 2016.*

*Management Response – Risk Management:*

*Agreed. RMS will provide Hamilton Water with a listing of all flood claimants (both liability and compassionate) dating back 10 years to be cross referenced against Hansen by Hamilton Water. Completion date: Q1 2016.*

**12. That Risk Management provides direction to the external claims adjuster to incorporate flooding information provided by Hamilton Water into future compassionate grant assessments and deny compassionate grants to properties with a history of flooding events that have not undertaken 3P improvements.**

*Management Response – Risk Management:*

*Agreed. Appropriate wording will be incorporated into the Eligibility Criteria for the Residential Municipal Disaster Relief Assistance Program for Basement Flooding. Completion date: Q1 2016.*

## **CONCLUSION**

Grants and loans available under the Protective Plumbing Program play an important role in the City's plan and response to severe storm events. Property owners across the City continue to access 3P funding in order to proactively protect their homes from damage that may be caused by sanitary backups and basement flooding. While this program is well received and provides welcome financial assistance to citizens, opportunities exist to improve the financial sustainability and performance of the program. Additional investigations and actions are required by Hamilton Water, Finance and Risk Management before the merits of these opportunities can be achieved and measured.

**Statement of Investment Policies and Procedures**

City of Hamilton Defined Benefit Pension Plans Master Trust

October 2015

**APPROVED** on this                      day of                      , 2015

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## Section 1—Overview

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### 1.01 Purpose of Statement

This Statement of Investment Policies and Procedures (the “Policy”) 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 (Registration number 0253344), and the Hamilton Wentworth Retirement Fund (Registration number 1073352)) commingled their assets in the Master Trust for investment purposes. 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 pension plans participating in the Master Trust have been attached to Appendix A of this policy.

### 1.03 Objective of the Plan

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

### 1.04 Investment and Risk Philosophy

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

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

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

### **1.05 Administration**

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

## Section 2—Asset Mix and Diversification Policy

### 2.01 Master Trust Return Expectations

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

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

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

### 2.02 Expected Volatility

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

### 2.03 Asset Mix

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

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

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.

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

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

<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.

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 directly 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.

## 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.



- (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. 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 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).

(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;

- (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**

Prior to July 1, 2016

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

After June 30, 2016

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.

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

**(iii) Other**

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

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

### **3.05 Prior Permission Required**

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

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

### **3.06 Prohibited Investments**

The Investment Managers shall not:

- (a) Invest in companies for the purpose of managing them;
- (b) Invest in securities that would result in the imposition of a tax on the Fund under the Income Tax Act (Canada) unless they provide a prior written

acknowledgement that such investments will result in a tax and receive prior written permission for such investments from the Administrator or;

- (c) Make any investments not specifically permitted by this Policy.

### **3.07 Securities Lending**

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

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

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

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

### **3.08 Borrowing**

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

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

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

## Section 4—Monitoring and Control

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### 4.01 Delegation of Responsibilities

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

**(a) Chief Investments Officer**

The Chief Investments Officer has been delegated the following responsibilities:

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

**(b) Investment Managers**

The Investment Managers have been delegated the following responsibilities:

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

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

**(c) Custodian/Trustee**

The custodian/trustee will:

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

**(d) Investment Consultant**

The investment consultant has been delegated the following responsibilities:

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



- (v) meet with the Chief Investments Officer as required.
- (e) **Actuary**  
The actuary has been delegated the following responsibilities:
  - (i) perform actuarial valuations of the Plan as required; and,
  - (ii) advise the Chief Investments Officer and the Investment Consultant on any matters relating to Plan design, membership and contributions, and actuarial valuations.

#### 4.02 Performance Measurement

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

- (a) **Active and Index Canadian Equity Managers**  
Investment results of the active and index Canadian Equity Managers are to be tested regularly against a Benchmark Portfolio comprising:

Benchmark	%
S&P/TSX Composite Index	100

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

Benchmark	%
MSCI World Index (C\$)	100

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

Benchmark	%
FTSE TMX 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:

Benchmark	%
FTSE TMX Real Return Bond Index	100

#### 4.03 Compliance Reporting by Investment Manager

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

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

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

#### 4.04 Standard of Professional Conduct

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

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

## Section 5—Administration

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### 5.01 Conflicts of Interest

#### (a) Responsibilities

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

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

#### (b) Disclosure

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

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

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

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

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

## 5.02 Related Party Transactions

### (a) Prior to July 1, 2016

The Chief Investments Officer, on behalf of the Plans or the Master Trust, may not enter into a transaction with a related party unless:

- (i) the transaction is both required for operation and or administration of the Plans and the terms and conditions of the transaction are not less favourable than market terms and conditions;
- (ii) securities of the related party are acquired at a public exchange; or,
- (iii) 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 5.02(a), 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.

### (b) After June 30, 2016

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

- (i) lend the moneys of the Plan 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 Plan if it is under terms and conditions that are not less favourable to the Plan 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 this Section 5.02(b), 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 effective July 1, 2016:

- (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;
- (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.

#### **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:

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

### **5.10 Policy Review**

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

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

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



## **Appendix A – Statement of Investment Policies & Procedures**

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## SIP&P - Hamilton Municipal Retirement Fund

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### Overview

#### 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 Hamilton Municipal Retirement Fund, registration number 0275123 (the “Plan”);

The objective of this Policy 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.

This Policy 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.

#### 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

Under the terms of the Plan text:

For normal retirement age 60 class: 7% of contributory earnings up to YMPE plus 8.5% of contributory earnings in excess of the YMPE.

For normal retirement age 65 class: 6% of contributory earnings up to the YMPE plus 7.5% of contributory earnings in excess of the YMPE.

Effective August 1, 1998, the last member attained “Paid Up” status and employee contributions to the Plan ceased.

##### 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. On an ad hoc basis, annual increases will not be less than the increase provided to retirees under the OMERS plan, up to 100% of the increase in the Consumer Price Index.

**c) Liabilities**

As of the most recent actuarial valuation of the Plan as at December 31, 2014 , there were no active members, 3 deferred members and 219 retirees and beneficiaries.

As of December 31, 2014 , the going-concern liability of the plan was \$77,821,100 compared to the actuarial value of assets of \$82,150,100. On a solvency basis, the liability was \$76,623,200, while the assets (at market) were \$82,050,100.

**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 statuses improve.

**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, the assets of the Plan are combined with the assets of the Hamilton-Wentworth Retirement Fund and the Hamilton Street Railway Company. The combined assets are included in the City of Hamilton Defined Benefit Plans Master Trust.

**1.08 Master Trust SIP&P**

The Master Trust SIP&P is the policy that should be followed while investing the assets, both commingled and uncommingled, of the Hamilton Municipal Retirement Fund.

## SIP&P - Hamilton Street Railway Pension Plan

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### Overview

#### 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 Hamilton Street Railway Company Pension Plan, registration number 0253344 (the “Plan”);

The objective of this Policy 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.

This Policy 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.

#### 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 2008. The “average pensionable earnings” are defined as the average of best five years’ earnings as a contributory member. The average YMPE is the average of the YMPE for the last thirty-six 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 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, 2014 , there were 448 active members, 28 deferred members and 570 retirees and beneficiaries. The average age of the active members was approximately 51.3 years with average pensionable earnings of \$63,296 .

As of January 1, 2014 , the going-concern liability of the plan was \$192,605,100 compared to the actuarial value of assets of \$174,394,000 . Approximately 38.0% of the accrued liability was related to active members, approximately 61.4% was related to retirees, and approximately 0.6% was related to deferred members. On a solvency basis, the liability was \$196,854,100 , while the assets (at market) were \$174,194,000 . Both the going-concern and solvency deficits are being eliminated through a series of special payments.

**1.04 Objective of the Plan**

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

**1.05 Investment and Risk Philosophy**

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

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

In recognition of the risk and return objectives of the Plan and the City, an initial Asset Allocation Policy was developed based on the Plan's current funded status and the characteristics of the Plan and City. It is recognized, however, that the Plan return requirements and risk tolerance will change over time, and the intent is to reallocate the portfolio to lower risk allocations dynamically as the Plan's funded statuses 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, the assets of the Plan are combined with the assets of the Hamilton-Wentworth Retirement Fund and the Hamilton Municipal Retirement Fund. The combined assets are included in the City of Hamilton Defined Benefit Plans Master Trust

**1.08 Master Trust SIP&P**

The Master Trust SIP&P is the policy that should be followed while investing the assets, both commingled and uncommingled, of the Hamilton Street Railway Pension Plan.

# SIP&P - The Hamilton-Wentworth Retirement Fund Pension Plan

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## Overview

### 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 Hamilton-Wentworth Retirement Fund, registration number 1073352 (the "Plan");

The objective of this Policy 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.

This Policy 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.

### 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, 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. On an ad hoc basis,

annual increases will not be less than the increase provided to retirees under the OMERS plan, up to 100% of the increase in the Consumer Price Index.

**c) Liabilities**

As of the most recent actuarial valuation of the Plan as at December 31, 2013 , there were no active members, no deferred members and 207 retirees and beneficiaries.

As of December 31, 2013 , the going-concern liability of the plan was \$63,097,000 compared to the actuarial value of assets of \$60,959,000 . On a solvency basis, the liabilities were \$69,199,000 , while the assets were \$60,889,000 . Both deficits are being eliminated through a series of special payments.

**1.04 Objective of the Plan**

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

**1.05 Investment and Risk Philosophy**

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

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

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

**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, the assets of the Plan are combined with the assets of the Hamilton Street Railway Company and the Hamilton Municipal Retirement Fund. The combined assets are included in the City of Hamilton Defined Benefit Plans Master Trust.

**1.08 Master Trust SIP&P**

The Master Trust SIP&P is the policy that should be followed while investing the assets, both commingled and commingled, of the Hamilton-Wentworth Retirement Fund Pension Plan.

## Appendix B – Compliance Reports

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

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

		GUIDELINES	POLICY COMPLIED WITH  YES/NO *
<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:** \_\_\_\_\_

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

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

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

\* If policy not complied with, comment on specifics

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

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

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

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

\* If policy not complied with, comment on specifics

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

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

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

		<b>GUIDELINES</b>	<b>POLICY COMPLIED WITH YES/NO *</b>
<b>ASSET MIX (at Market Value)</b>		<b>%</b>	
<b>EQUITIES</b>	CANADIAN		
	U.S.		
	EAFE		
	TOTAL FOREIGN		
<b>CASH</b>	SHORT-TERM & CASH		
<b>CONSTRAINTS</b>			
<b>GENERAL</b>	Investment Policy Section 3.01 – General Guidelines		
<b>EQUITIES</b>	Investment Policy Section 3.02 (a) – Canadian and Foreign Equities		
<b>CASH</b>	Investment Policy Section 3.02 (c) – Cash and Short Term Investments		
<b>DERIVATIVES</b>	Investment Policy Section 3.02 (d) – Derivatives		
<b>OTHER INVESTMENTS</b>	Investment Policy Section 3.02 (e) – Other Investments		
<b>INDEX</b>	Investment Policy Section 3.02 (f) – Index Mandates		
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<b>RESPONSIBILITIES</b>	Investment Policy Section 4.01 (b) – Delegation of Responsibilities – Investment Managers		
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<b>VOTING RIGHTS</b>	Investment Policy Section 5.08 - Voting Rights		

\* If policy not complied with, comment on specifics

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