



## AUDIT, FINANCE AND ADMINISTRATION COMMITTEE REPORT 19-001

9:30 a.m.

January 17, 2019  
Council Chambers  
Hamilton City Hall

**Present:** Councillors C. Collins (Chair), M. Wilson (Vice-Chair), B. Johnson, M. Pearson, L. Ferguson, J. Partridge, and B. Clark

**Absent with  
Regrets:** Councillor A. VanderBeek – City Business

### THE AUDIT, FINANCE AND ADMINISTRATION COMMITTEE PRESENTS REPORT 19-001 AND RESPECTFULLY RECOMMENDS:

**1. OMERS Plan Changes Approved by Sponsors Corporation (FCS19004) (City Wide) (Item 7.1)**

That Report FCS19004, respecting OMERS Plan Changes Approved by Sponsors Corporation, be received.

**2. 2019 Interim Levy and Temporary Borrowing By-Laws (FCS19003) (City Wide) (Item 7.2)**

(a) That Appendix “A” attached to the Audit, Finance & Administration Report 19-001, being a “By-law to Authorize the Temporary Borrowing of Monies to Meet Current Expenditures Pending Receipt of Current Revenues for 2019”, be passed; and,

(b) That Appendix “B” attached to the Audit, Finance & Administration Report 19-001 being a “By-law to Authorize an Interim Tax Levy for 2019”, be passed.

**3. Whistleblower, Fraud & Waste Information Update for Q3 & Q4 2018 (AUD19001) (City Wide) (Item 7.3)**

That Report AUD19001, respecting the Whistleblower, Fraud & Waste Information Update for Q3 & Q4 2018, be received.

**4. 2018 City of Hamilton External Audit Plan (FCS19005) (City Wide) (Item 10.1)**

That Appendix “A” attached to Report FCS19005 respecting the 2018 City of Hamilton External Audit Planning prepared by KPMG, be received.

**5. HMRF/HWRF Pension Administration Sub-Committee Report 18-001 (Item 10.2)**

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

- (i) That Councillor M. Pearson be appointed as Chair for the 2018 – 2022 term;
- (ii) That Don Skarratt (HMRF Member) be appointed as Co-Vice Chair for the 2018 – 2022 term; and,
- (iii) That Jim Garchinski (HWRF Member) be appointed as Co-Vice Chair for the 2018 – 2022 term.

**(b) Hamilton Municipal Retirement Fund (HMRF) December 31, 2017 Valuation (FCS18092) (City Wide) (Item 9.1)**

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

**(c) Master Trust Pension Investment Performance Report as at December 31, 2017 (FCS17088(a)) (City Wide) (Item 10.1)**

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

**(d) Master Trust Pension Investment Performance Report as at June 30, 2018 (FCS18091) (City Wide) (Item 10.2)**

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

**(e) 2018 Master Trust Pension Statement of Investment Policies and Procedures (FCS18090) (City Wide) (Item 10.3)**

- (i) That the 2017 Master Trust Statement of Investment Policies and Procedures be deleted and replaced with the 2018 Master Trust Statement of Investment Policies and Procedures, attached as Appendix “C” to the Audit, Finance & Administration Report 19-001; and,
- (ii) That the 2018 Master Trust Statement of Investment Policies and Procedures, attached as Appendix “C” to the Audit, Finance & COUNCIL – January 23, 2019

Administration Report 19-001, be forwarded to the Hamilton Street Railway Pension Advisory Committee for their information.

**(f) HMRF/HWRF/HSR Pension Plan Possible Transfer to OMERS (FCS18093) (City Wide) (Item 10.4)**

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

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

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

- (i) That the Treasurer be authorized and directed to file the amendment to Section 4.01 to the Hamilton Municipal Retirement Fund (HMRF), per Appendix 'D' to the Audit, Finance & Administration Report 19-001 with the applicable government agencies; and,
- (ii) That the City Solicitor be authorized and directed to prepare any necessary amendments to the HMRF or prepare any necessary by-law amendments to facilitate the direction given in sub-section (a).

**6. Commercial Relationship Between the City of Hamilton and Century Group Inc. (FCS18100 / LS18060) (City Wide) (Item 14.2)**

- (d) That recommendations (a), (b) and (c) be released publicly following approval by Council; and,
- (e) That the contents of Report FCS18100 / LS18060, respecting the Commercial Relationship Between the City of Hamilton and Century Group Inc., remain confidential.

**7. Impact of Bill 148 on Service Contracts (LS18009(c) / FCS18001(c)) (City Wide) (Item 14.2)**

That the contents of Report LS18009(c) / FCS18001(c), respecting the Impact of Bill 148 on Service Contracts, remain confidential.

**FOR INFORMATION:**

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

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

**1. DELEGATION REQUESTS - WITHDRAWN**

6.1 Viv Saunders, respecting Ward Specific Funding Initiatives (For today's meeting)

The agenda for the January 17, 2019 Audit, Finance and Administration Committee meeting was approved, as amended.

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

There were no declarations of interest.

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

**(i) December 17, 2018 (Item 4.1)**

The Minutes of the December 17, 2018 meeting of the Audit, Finance and Administration Committee were approved, as presented.

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

**(i) Eric Zvaniga, Century Group Inc., respecting the Commercial Relationship Discussion (Item 14.2 on today's agenda) (For today's meeting) (Item 6.2)**

The delegation request from Eric Zvaniga, Century Group Inc., respecting the Commercial Relationship Discussion, was approved for today's meeting.

**(ii) Vince Dipietro, Angelica Homes, respecting a rental property's water bill (For a future meeting) (Item 6.3)**

The delegation request from Vince Dipietro, Angelica Homes, respecting a rental property's water bill, was approved for a future meeting.

**(e) PUBLIC HEARINGS / DELEGATIONS (Item 8)**

**(i) Eric Zvaniga, Century Group Inc., respecting the Commercial Relationship Discussion (Item 14.2 on today's agenda) (Added Item 8.1)**

Eric Zvaniga, Century Group Inc., addressed the Committee respecting the commercial relationship between the City of Hamilton and Century Group Inc. A copy of the speaking notes have been included in the official record.

The delegation from Eric Zvaniga, Century Group Inc., respecting the commercial relationship between the City of Hamilton and Century Group Inc., was received.

A copy of the speaking notes are available on the City's website or through the Office of the City Clerk.

**(f) PRIVATE & CONFIDENTIAL (Item 14)**

**(i) Closed Session Minutes – December 17, 2018 (Item 14.1)**

- (a) The Closed Session Minutes of the December 17, 2018 Audit, Finance and Administration meeting, were approved as presented; and
- (b) The Closed Session Minutes of the December 17, 2018 Audit, Finance and Administration meeting, remain confidential.

The Committee moved into Closed Session respecting Items 14.2 & 14.3, pursuant to Section 8.1, Sub-sections (e), (f), (i) and (k) of the City's Procedural By-law 18-270, and Section 239(2), Sub-sections (e), (f), (i) and (k) of the Ontario Municipal Act, 2001, as amended, as the subject matter pertains to litigation or potential litigation, including matters before administrative tribunals, affecting the municipality or local board; advice that is subject to solicitor/client privileges, including communications necessary for that purpose; a trade secret or scientific, technical, commercial, financial or labour relations information, supplied in confidence to the municipality or local board, which, if disclosed, could reasonably be expected to prejudice significantly the competitive position or interfere significantly with the contractual or other negotiations of a person, group of persons, or organization; and a position, plan, procedure, criteria or instruction to be applied to any negotiations carried on or to be carried on by or on behalf of the municipality or local board.

**(ii) Commercial Relationship Between the City of Hamilton and Century Group Inc. (FCS18100 / LS18060) (City Wide) (Item 14.2)**

Staff were provided with direction in Closed Session.

For further disposition of this matter, refer to Item 6.

**(iii) Impact of Bill 148 on Service Contracts (LS18009(c) / FCS18001(c)) (City Wide) (Item 14.3)**

Staff were provided with direction in Closed Session.

For further disposition of this matter, refer to Item 7.

**(g) ADJOURNMENT (Item 15)**

There being no further business, the Audit, Finance and Administration Committee, adjourned at 11:50 a.m.

Respectfully submitted,

Councillor Collins, Chair  
Audit, Finance and Administration  
Committee

Angela McRae  
Legislative Coordinator  
Office of the City Clerk

Authority:

Bill No.

## CITY OF HAMILTON

### BY-LAW NO.

#### To Authorize the Temporary Borrowing of Monies to Meet Current Expenditures Pending Receipt of Current Revenues for 2019

**WHEREAS** the Council for the City of Hamilton deems it necessary to pass and enact a by-law to authorize the temporary borrowing of monies by the City to meet current budget expenditures for the year 2019 pending receipt of current revenues;

**AND WHEREAS** section 407(1) of the Municipal Act, 2001, provides as follows:

"At any time during a fiscal year, a municipality may authorize temporary borrowing, until the taxes are collected, and other revenues are received, of the amounts that the municipality considers necessary to meet the expenses of the municipality for the year and of the amounts, whether or not they are expenses for the year, that the municipality requires in the year"

**AND WHEREAS** Section 407(2) of the Municipal Act, 2001, imposes certain limitations on the amounts that may be borrowed at any one time.

**NOW THEREFORE** the Council for the City of Hamilton hereby enacts as follows:

1. (a) The City of Hamilton is hereby authorized to borrow from a Bank or person by way of Promissory Notes or Bankers Acceptances from time to time a sum or sums of monies not exceeding at any one time the amounts specified in subsection (2) of the Municipal Act, 2001 to pay off temporary bank overdrafts for the current expenditures of the City for the year 2019, including amounts for sinking funds, principal and interest falling due within such fiscal year and the sums required by law to provide for the purposes of the City.
- (b) The amount of monies that may be borrowed at any one time for the purposes of subsection (1) of the Municipal Act, 2001, together with the total of any similar borrowings that have not been repaid, shall not, except with the approval of the Ontario Municipal Board, exceed the prescribed percentages of the total of the estimated revenues of the City as set forth in

the estimates adopted for the year, which percentages are set out in section 407 of the *Municipal Act, 2001* as it may be amended from time to time.

2. (a) Until estimates of revenue of the City for the 2019 year are adopted, borrowing shall be limited to the estimated revenues of the City as set forth in estimates adopted for the next preceding year.
- (b) The total estimated revenues of the City, including the amounts levied for Education purposes, adopted for the year 2019 are One Billion, Nine Hundred Million Dollars (\$1,900,000,000).
3. All sums borrowed pursuant to the authority of this By-law, together with any and all similar borrowings in the current year and in previous years that have not been repaid shall, together with interest thereon, be a charge upon the whole of the revenues of the City for the current year and for all preceding years, as and when such revenues are collected or received.
4. The Treasurer shall, and is hereby authorized and directed to, apply in payment of all sums borrowed pursuant to this By-law, together with interest thereon, all of the monies thereafter collected or received for the current and preceding years, either on account or realized in respect of taxes levied for the current year and preceding years or from any other sources which may lawfully be applied for such purpose.
5. That the Mayor and failing such person, the Deputy Mayor of the City Council and failing such person, the City Manager, together with the Treasurer or any one of the Temporary Acting Treasurers be authorized and directed to sign and execute the aforesaid Promissory Notes and Bankers Acceptances, hypothecations, agreements and such other documents, writings and papers which shall give effect to the foregoing.
6. This By-law shall come into force and effect on the 1st day of January 2019 and shall remain in force and effect until December 31, 2019.

PASSED and ENACTED this      day of      , 2019 A.D.

MAYOR

CITY CLERK



Authority:

BILL NO.

## CITY OF HAMILTON

BY-LAW NO.

### To Authorize an Interim Tax Levy for 2019

**WHEREAS** the Council for the City of Hamilton deems it necessary to pass a by-law to levy on the whole of the assessment for each property class in the local municipality rateable for a local municipality purpose, a sum not to exceed that which would be produced by applying the prescribed percentage (or 50 percent if no percentage is otherwise prescribed) of the total amounts billed to each property for all purposes in the previous year on the properties that, in the current year, are in the property class as provided for in Section 317 of the Municipal Act, 2001;

**AND WHEREAS** Section 317 of the Municipal Act, 2001, also authorizes a Municipal Council, by by-law, to adjust the interim taxes on a property if the Council is of the opinion that the Interim Levy on a property is too high or too low in relation to its estimate of the total taxes which will be levied on the property in 2019;

**NOW THEREFORE** the Council for the City of Hamilton hereby enacts as follows:

1. The interim tax levies shall be levied and collected upon the whole of the rateable property categories in columns 1 and 2, shown below:

Column 1

Column 2

Class	Class Code
Residential	RT
Farmlands Awaiting Development	C1/R1/M1
Multi-Residential	MT
New Multi-Residential	NT
Residual Commercial	CT/DT
New Residual Commercial	XT/YT
Residual Commercial Vacant Unit	CU/DU
New Residual Commercial Vacant Unit	XU/YU
Shopping Centre	ST
New Shopping Centre	ZT
Shopping Centre Vacant Unit	SU
New Shopping Centre Vacant Unit	ZU
Parking and Vacant Commercial Land	GT/CX
Residual Industrial	IT
New Residual Industrial	JT

Residual Industrial Vacant Unit/Land	IU/IX
New Residual Industrial Vacant Unit	JU/JX
New Construction Large Industrial	KT
New Construction Large Industrial Vacant Unit	KU
Large Industrial	LT
Large Industrial Vacant Unit	LU
Landfills	HT
Pipeline	PT
Farmland	FT
Managed Forest	TT
Rail Right of Way	WT CN
Rail Right of Way	WT CP
Utility Right of Way	UT
Shortline Railway Right-of-Way	BT

2. The interim tax levy shall become due and payable in two installments as allowed under Section 342(1)(a) of the *Municipal Act, 2001*, as follows:

Fifty percent of the interim levy, rounded, shall become due and payable on the 28th day of February 2019 and the balance of the interim levy shall become due and payable on the 30th day of April, 2019 and non-payment of the amounts due on the dates stated, in accordance with this section, shall constitute default.

3. That when payment of any instalment or any part of any instalment of taxes levied by this by-law is in default, penalties and where applicable interest, shall be imposed respectively in accordance with City of Hamilton policies.
4. Section 342(1) (b) of the Municipal Act, 2001 allows for alternative instalment due dates to spread the payment of taxes more evenly over the year. Therefore, the interim tax levy for those on a 12-month pre-authorized automatic withdrawal payment plan shall be paid in 6 equal installments due and payable on or after the first or fifteenth day of each month January to June, inclusive. For those on the 10-month pre-authorized automatic withdrawal payment plan, the interim levy shall be paid in 5 equal installments due and payable on or after the first day of each month February to June, inclusive. The pre-authorized payment plans shall be penalty and interest free for as long as the taxpayer is in good standing with the terms of the plan agreements.
5. The interim tax levy rates shall also apply to any property added to the assessment roll after this by-law is enacted.
6. This by-law shall come into force and effect on the 1st day of January 2019.

PASSED and ENACTED this      day of      , 2019 A.D.

CITY CLERK

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

City of Hamilton Defined Benefit Pension Plans Master Trust

December 2018

**APPROVED** on this                      day of December, 2018

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## Section 1—Overview

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### 1.01 Purpose of Statement

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

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

### 1.02 Background of the Master Trust

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

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

### 1.03 Objective of the Plan

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

### 1.04 Investment and Risk Philosophy

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

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

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

### **1.05 Administration**

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

## Section 2—Asset Mix and Diversification Policy

### 2.01 Master Trust Return Expectations

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

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

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

### 2.02 Expected Volatility

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

### 2.03 Asset Mix

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

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

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

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

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

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

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

- (b) Return-Seeking Assets: These assets generally will consist of all non-fixed income investments, such as equities and alternatives, with a main focus on price appreciation with generally higher expected long-term returns.
- (c) Liability-Hedging Assets: These assets generally will be fixed-income investments, such as bonds, with similar duration characteristics as the pension liabilities (i.e., these assets generally behave like pension liabilities). Since these assets focus mainly on current income, their expected long-term returns will generally be lower than return-seeking assets.
- (d) Sub-Allocations and Rebalancing Ranges: The sub-allocations and rebalancing ranges within the return-seeking portfolio will be reviewed from time to time as the total 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 take ESG factors into account when making investment decisions. As previously noted, the Administrator has delegated the search for investment managers to its Investment Consultant. On the direction of the Administrator, the Investment Consultant is directed to search and select the best investment managers for investing the assets of the Plans considering factors such as business, staff, historical performance and investment process, since the Administrator believes that these factors will contribute to higher investment returns in the long run and manage risk. Investment Managers are not prohibited from considering ESG factors if they believe that it will have a positive impact on the Plans' investment returns.

## Section 3—Permitted and Prohibited Investments

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### 3.01 General Guidelines

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

### 3.02 Permitted Investments

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

- (a) **Canadian and Foreign Equities**
  - (i) Common and convertible preferred stock the shares of which are (a) listed on a prescribed stock exchange in Canada; or (b) listed on a prescribed stock exchange outside Canada;
  - (ii) Debentures convertible into common or convertible preferred stock, provided such instruments are traded on a recognized public exchange or through established investment dealers;
  - (iii) Rights, warrants and special warrants for common or convertible preferred stock the shares of which are (a) listed on a prescribed stock exchange in Canada; or (b) listed on a prescribed stock exchange outside Canada;
  - (iv) Private placement equities, where the security will be eligible for trading on a recognized public exchange within a reasonable and defined time frame;
  - (v) Instalment receipts, American Depositary Receipts, Global Depositary 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 (including options and futures). In the event that a pooled fund invests in derivatives, prior to investing in such pooled fund, appropriate risk management processes and procedures will be in place in order to help mitigate any risks associated with derivatives. Specifically, all derivative investments will

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**

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, provided such interpretation complies with all applicable laws.

## Section 4—Monitoring and Control

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### 4.01 Delegation of Responsibilities

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

**(a) Chief Investments Officer**

The Chief Investments Officer has been delegated the following responsibilities:

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

**(b) Investment Managers**

The Investment Managers have been delegated the following responsibilities:

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

- (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 Canada Long Bond Index	100

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

Benchmark	%
FTSE Canada Real Return Bond Index	100

#### 4.03 Compliance Reporting by Investment Manager

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

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

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

#### 4.04 Standard of Professional Conduct

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

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

## Section 5—Administration

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### 5.01 Conflicts of Interest

#### (a) Responsibilities

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

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

#### (b) Disclosure

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

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

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

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

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

## 5.02 Related Party Transactions

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

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

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

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

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

The following investments are exempt from the related party rules:

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



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

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### Overview

#### 1.01 Purpose of Statement

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

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

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

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

#### 1.02 Background of the Plan

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

#### 1.03 Plan Profile

##### a) Contributions

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. Effective Jan 1, 2008 annual increases will not be less than the increase provided to retirees under the OMERS plan which is currently equal to 100% of the increase in the Consumer Price Index to a maximum of 6.0% per annum.

**c) *Liabilities***

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

As of December 31, 2017 the going-concern liability of the plan was \$73,940,300 compared to the actuarial value of assets of \$77,679,500. On a solvency basis, the liability was \$63,784,500, while the assets (at market) were \$77,579,500.

**1.04 Objective of the Plan**

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

**1.05 Investment and Risk Philosophy**

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

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

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

**1.06 Administration**

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

**1.07 Pooling of Assets**

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

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

**1.08 Master Trust SIPP**

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

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

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### Overview

#### 1.01 Purpose of Statement

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

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

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

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

#### 1.02 Background of the Plan

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

#### 1.03 Plan Profile

##### a) Contributions

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

##### b) Benefits

Members receive a pension equal to 1.5% of average pensionable earnings up to the average Year's Maximum Pensionable Earnings (YMPE) as established under the Canada Pension Plan, plus 2% of the excess, multiplied by years of credited service accrued up to December 2008. The "average pensionable earnings" are defined as the average of best five years' earnings during the member's credited service and OMERS credited service, if any. The "average YMPE" is defined as the average of the YMPE for the last thirty-six 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, 2017, there were 388 active members, 26 deferred members and 599 retirees and beneficiaries. The average age of the active members was approximately 52.8 years with average pensionable earnings of \$66,849.

As of January 1, 2017, the going-concern liability of the plan was \$214,681,000 compared to the actuarial value of assets of \$193,491,000. Approximately 34.2% of the accrued liability was related to active members, approximately 65.3% was related to retirees, and approximately 0.5% was related to deferred members. On a solvency basis, the liability was \$219,410,000 while the assets (at market) were \$193,291,000. 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 status improves.

#### **1.06 Administration**

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

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

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

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



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

#### **1.08 Master Trust SIPP**

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

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

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### Overview

#### 1.01 Purpose of Statement

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

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

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

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

#### 1.02 Background of the Plan

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

#### 1.03 Plan Profile

##### a) Contributions

Under the terms of the Plan text:

For normal retirement age 60 class:

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

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

**b) *Benefits***

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

**c) *Liabilities***

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

As of December 31, 2016, the going-concern liability of the plan was \$55,249,000 compared to the actuarial value of assets of \$59,443,000. On a solvency basis, the liabilities were \$63,005,000 while the assets were \$59,373,000. 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 status improves.

**1.06 Administration**

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

**1.07 Pooling of Assets**

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

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

### **1.08 Master Trust SIPP**

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

## **Appendix 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)**

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

\* If policy not complied with, comment on specifics

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

**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>EQUITIES</b>	CANADIAN		
	U.S.		
	EAFE		
	TOTAL FOREIGN		
<b>CASH</b>	SHORT-TERM & CASH		
<b>CONSTRAINTS</b>			
<b>GENERAL</b>	Investment Policy Section 3.01 – General Guidelines		
<b>EQUITIES</b>	Investment Policy Section 3.02 (a) – Canadian and Foreign Equities		
<b>CASH</b>	Investment Policy Section 3.02 (c) – Cash and Short Term Investments		
<b>DERIVATIVES</b>	Investment Policy Section 3.02 (d) – Derivatives		
<b>OTHER INVESTMENTS</b>	Investment Policy Section 3.02 (e) – Other Investments		
<b>INDEX</b>	Investment Policy Section 3.02 (f) – Index Mandates		
<b>QUALITY REQUIREMENTS</b>	Investment Policy Section 3.03 – Minimum Quality Requirements		
<b>QUANTITY RESTRICTIONS</b>	Investment Policy Section 3.04 – Maximum Quantity Restrictions		
<b>PRIOR PERMISSION</b>	Investment Policy Section 3.05 – Prior Permission Required		
<b>PROHIBITED INVESTMENTS</b>	Investment Policy Section 3.06 – Prohibited Investments		
<b>SECURITIES LENDING</b>	Investment Policy Section 3.07 – Securities Lending		
<b>BORROWING</b>	Investment Policy Section 3.08 – Borrowing		
<b>RESPONSIBILITIES</b>	Investment Policy Section 4.01 (b) – Delegation of Responsibilities – Investment Managers		
<b>STANDARDS OF PROFESSIONAL CONDUCT</b>	Investment Policy Section 4.04 - Standards of Professional Conduct		
<b>CONFLICTS OF INTEREST</b>	Investment Policy Section 5.01 - Conflicts of Interest		
<b>VOTING RIGHTS</b>	Investment Policy Section 5.08 - Voting Rights		

\* If policy not complied with, comment on specifics

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

**RESOLUTION OF THE COUNCIL  
OF  
THE CITY OF HAMILTON**

**Amendment to The Hamilton Municipal Retirement Fund**

**WHEREAS** The City of Hamilton (the "Employer") established The Hamilton Municipal Retirement Fund, as amended from time to time, (the "Plan");

**AND WHEREAS** the Employer now wishes to amend the Plan to comply with the changes which came into force on May 1, 2018 under Ontario Regulation 250/18 of the Pension Benefit Act,

**AND WHEREAS** the Employer has the right to amend the Plan;

**NOW THEREFORE BE IT RESOLVED THAT effective May 1, 2018:**

1. Section 4.01 shall be deleted in its entirety, and is replaced with the following:

**Corporation Contributions** The Corporation shall contribute the amount required in excess of the Member contributions to provide for payment of the benefits of this Plan in accordance with the Plan, the Act and the Income Tax Act, and shall pay into the Fund from time to time as required by the Act, and based on the advice of the Actuary after taking into account the assets of the Fund and all other relevant factors, subject to the maximum contribution limitations of the Income Tax Act:

- (a) the contributions deducted under Article III from the Contributory Earnings of Members together with the amount required to be paid by the Corporation to provide the normal cost of the benefits currently accruing in accordance with the provisions of the Plan, including contributions required in respect of any provision for adverse deviations, as defined in the Act;
- (b) contributions in respect of the amortization of the cost of any Plan amendment that increases going concern liabilities, where required by and as defined in the Act; and
- (c) contributions in respect of the amortization of any unfunded liability and reduced solvency deficiency, as defined in the Act;

all in accordance with, and within the time limits specified in, the Act.

2. The Administrator of the Plan is authorized to execute such other agreements, certificates,

consents, corporate papers and other documents, make such payments and take all other action (including the filing of all required documents with appropriate governmental agencies and ensuring compliance with any reasonable changes or conditions imposed by the Canada Revenue Agency, the Financial Services Commission of Ontario or any other appropriate governmental authorities in connection with the actions authorized or approved in the foregoing resolutions) that the Administrator deems necessary or desirable to carry out the intent and purposes of the foregoing resolution.

The foregoing resolutions are hereby certified as adopted by the authority granted by the Council of the City of Hamilton at a meeting on the \_\_\_ day of \_\_\_\_\_, 2018.

**DATED** the \_\_\_ day of \_\_\_\_\_, 2018.

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