



# INFORMATION REPORT

<b>TO:</b>	Chair and Members Audit, Finance and Administration Committee
<b>COMMITTEE DATE:</b>	May 2, 2019
<b>SUBJECT/REPORT NO:</b>	Cemetery Trust Accounts Investment Performance Report – December 31, 2018 (FCS19029) (City Wide)
<b>WARD(S) AFFECTED:</b>	City Wide
<b>PREPARED BY:</b>	Gerald T. Boychuk (905) 546-2424 Ext. 4321 Brandon A. Teglas (905) 546-2424 Ext. 4363
<b>SUBMITTED BY:</b>	Cindy Mercanti Director, Customer Service and POA Acting Director, Financial Planning and Policy Corporate Services Department
<b>SIGNATURE:</b>	

**Council Direction:**

Not Applicable.

**Information:**

Over the 12-month period ending December 31, 2018, the earnings rates are 1.87% for the Cemetery Care and Maintenance Trust, 1.49% for the Cemetery Monument Care Trust and 1.59% for the Cemetery Pre-Need Assurance Trust. The earnings rate includes interest and lending revenue but excludes realized and unrealized capital gains / losses.

Over the same period, the overall returns based on market value (which include interest, lending revenue and realized and unrealized capital gains / losses) are 1.88% for the Cemetery Care and Maintenance, 1.49% for the Cemetery Monument Care and 1.59% for the Cemetery Pre-Need Assurance. The overall return for the benchmark (or Policy return) is 1.41%. As a result, the Cemetery Care and Maintenance out-performed the benchmark by 47 basis points, while the Cemetery Monument Care and Cemetery Pre-Need Assurance out-performed the benchmark by 8 basis points and 18 basis points, respectively.

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As of December 31, 2018, the total portfolio market values are \$10,833,356 (with \$494,152 of net unrealized capital gains) for the Cemetery Care and Maintenance Trust, \$957,241 (with \$89,894 of net unrealized capital gains) for the Cemetery Monument Care Trust and \$2,542,373 (with \$150,495 of net unrealized capital gains) for the Cemetery Pre-Need Assurance Trust.

The following Table shows the investment return indicators.

<b>Investment Return Indicators</b> (for information purposes only)			
	12 Months ended 12/31/2018	12 Months ended 12/31/2017	12 Months ended 12/31/2016
<b>Earnings Rate (Excluding Unrealized Capital Gains or Loss)</b>			
Cemetery Care and Maintenance	1.87%	3.18%	3.11%
Cemetery Monument Care	1.49%	3.52%	3.42%
Cemetery Pre-Need Assurance	1.59%	3.36%	3.30%
<b>Total Return</b>			
Cemetery Care and Maintenance	1.88%	2.30%	1.86%
Cemetery Monument Care	1.49%	3.29%	2.20%
Cemetery Pre-Need Assurance	1.59%	3.01%	1.94%
Policy Target (FTSE TMX Canada Universe Bond)	1.41%	2.52%	1.66%
<b>Bond Lending Revenue</b>			
Cemetery Care and Maintenance	\$ 3 032.65	\$ 3,217.66	\$ 801.90
Cemetery Monument Care	\$ 320.26	\$ 198.43	\$ 26.12
Cemetery Pre-Need Assurance	\$ 691.28	\$ 405.83	\$ 38.99
<b>Income Earned*</b>			
Cemetery Care and Maintenance	\$ 372,106	\$ 360,609	\$ 354,012
Cemetery Monument Care	\$ 37,591	\$ 39,488	\$ 39,113
Cemetery Pre-Need Assurance	\$ 93,537	\$ 96,691	\$ 93,330
<b>Ending Portfolio Market Value</b>			
Cemetery Care and Maintenance	\$ 10,833,356	\$ 11,143,376	\$ 11,678,834
Cemetery Monument Care	\$ 957,241	\$ 1,122,473	\$ 1,174,613
Cemetery Pre-Need Assurance	\$ 2,542,373	\$ 2,869,118	\$ 2,976,545

\*Does not include interest earned in the bank account on balances.

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The Cemetery Care and Maintenance, Cemetery Monument Care and Cemetery Pre-Need Assurance Trust portfolios out-performed relative to the Policy because they held some long-term bonds which out-performed relative to shorter term bonds over the one-year period ending December 31, 2018 due to their higher coupon rate. Short-term interest rates rose three times in 2018, which created a flat interest curve by year-end. This created a significant depreciation in short-term bond values while longer terms tended to be stable or appreciated slightly in value, creating a reduction in year-end portfolio market values and a flat yield curve.

The current strategy is to expect appreciation in longer term rates going forward with stabilization in the 10-year area. The United States has paused in increasing their interest rates with the pause in economic growth and with concerns of a recession due to the very poor growth shown in late 2018 and early 2019.

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