

**Financial Statements of the Hamilton-  
Wentworth Retirement Fund Pension Plan**  
December 31, 2020

## Financial Statements

### December 31, 2020

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## **INDEPENDENT AUDITORS' REPORT**

To the Pension Committee of the Corporation of the City of Hamilton for the Hamilton-Wentworth Retirement Fund Pension Plan.

### ***Opinion***

We have audited the accompanying fund financial statements of the Hamilton-Wentworth Retirement Fund Pension Plan (the Plan), which comprise:

- the statement of net assets available for benefits as at end of December 31, 2020
- the statement of changes in net assets available for benefits for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies (Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements, present fairly, in all material respects, the financial position of the Plan as at end of December 31, 2020, and its results of operations and its cash flows for the year then ended in accordance with the financial reporting provisions of Section 76 of Regulation 909 of the Pension Benefits Act (Ontario).

### ***Basis for Opinion***

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "Auditors' Responsibilities for the Audit of the Financial Statements" section of our auditors' report.

We are independent of the Plan in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### ***Emphasis of Matter – Financial Reporting Framework***

We draw attention to Note 2 in the financial statements, which describes the applicable financial reporting framework and the purpose of the financial statements.

As a result, the financial statements may not be suitable for another purpose.

Our opinion is not modified in respect of this matter.

### ***Responsibilities of Management and Those Charged with Governance for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the financial reporting provisions of Section 76 of Regulation 909 of the Pension Benefits Act (Ontario), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Plan's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Plan or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Plan's financial reporting process.

### ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Plan's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Plan to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

A handwritten signature in black ink that reads "KPMG LLP". The signature is written in a cursive, slightly slanted style. Below the signature is a single horizontal line that starts under the 'K' and ends under the 'P'.

Chartered Professional Accountants, Licensed Public Accountants

Hamilton, Canada

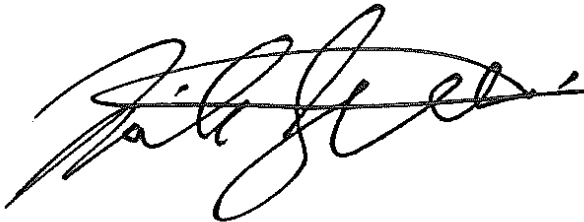
June 22, 2021

## Statement of Net Assets Available For Benefits

DECEMBER 31, 2020, with comparative information for 2019

	2020	2019
	\$	\$
<b>ASSETS</b>		
Investments		
Investment in Master Trust (note 4a)	53,567,272	54,732,979
Cash in Plan (note 4a)	99,526	73,752
Accrued investment income	51,634	50,641
	53,718,432	54,857,372
<b>LIABILITIES</b>		
Accrued liabilities	28,787	36,497
	53,689,645	54,820,875
<b>NET ASSETS AVAILABLE FOR BENEFITS</b>	<b>53,689,645</b>	<b>54,820,875</b>

On behalf of the Pension Plan Administrator



The accompanying notes are an integral part of these financial statements.

## Statement of Changes In Net Assets Available For Benefits

Year Ended DECEMBER 31, 2020, with comparative information for 2019

	2020	2019
	\$	\$
<b>INCREASE IN NET ASSETS</b>		
Investment income (note 5)	4,359,950	4,526,505
Net realized gain (loss) on investments	(145,146)	647,884
Change in fair value of investments	99,534	2,036,719
	4,314,338	7,211,108
<b>CONTRIBUTIONS</b>		
Sponsor		
Special payment for unfunded liabilities (note 7)	368,944	1,429,644
<b>DECREASE IN NET ASSETS</b>		
Pension benefits	5,615,377	5,860,844
Administrative expenses and professional fees (note 6)	199,135	206,826
	5,814,512	6,067,670
<b>NET INCREASE (DECREASE) FOR THE YEAR</b>	(1,131,230)	2,573,082
<b>NET ASSETS AVAILABLE FOR BENEFITS AT THE BEGINNING OF THE YEAR</b>	54,820,875	52,247,793
<b>NET ASSETS AVAILABLE FOR BENEFITS AT THE END OF THE YEAR</b>	53,689,645	54,820,875

The accompanying notes are an integral part of these financial statements.

## Notes to Financial Statements

DECEMBER 31, 2020

### 1. Description of the Plan

The Hamilton-Wentworth Retirement Fund ("HWRF") Pension Plan (the "Pension Plan") is a contributory defined benefit pension plan. The Pension Plan is registered under the Pension Benefits Act, 1987 (Ontario) (the "Act"), Registration Number 1073352. In accordance with a provision of the Ontario Municipal Employees Retirement System (OMERS) all new employees of the Corporation of the City of Hamilton are included under OMERS rather than the Pension Plan. As a consequence, the membership of the Pension Plan has become closed to new entrants and will decrease as existing members terminate. The Pension Plan's head office is located at 71 Main Street West, Hamilton, Ontario.

These fund financial statements have been approved and authorized for issue by the Treasurer of the City, as plan sponsor of the Hamilton-Wentworth Retirement Fund Pension Plan on June 22, 2021.

The majority of the net assets of the Pension Plan are combined in a pooled fund under a Master Trust agreement administered by RBC Investor Services Trust.

RBC Investor Services Trust (the "Trustee") is the custodial trustee of the Pension Plan. Investment decisions are made by independent investment managers using guidelines established by the City of Hamilton's Pension Committee for the Pension Plan while AON Hewitt is the Pension Plan's actuary for the defined benefit plan.

The Master Trust is divided into units of equal value, without priority or preference. The Master Trust issues units to the individual pension plans representing their proportionate ownership of the total assets in the Master Trust. Each plan is credited with units each time contributions are made while disbursements from the individual plans result in reductions of their unit holdings. Investment income in the Master Trust does not result in additional units for the individual plans but serves to increase the value of the units.

### 2. Basis of preparation

#### a) Basis of presentation

As permitted by the Financial Services Regulatory Authority of Ontario ("FSRA") these fund financial statements are prepared in accordance with Canadian accounting standards for pension plans excluding pension obligations and any resulting surplus or deficit.

In selecting accounting policies that do not relate to the Plan's investment portfolio or pension obligations and in accordance with Canadian accounting standards for pension plans, the Plan has chosen to comply on a consistent basis with International Financial Reporting Standards ("IFRS") in Part 1 of the Chartered Professional Accountants ("CPA Canada") Handbook.

These fund financial statements have been prepared to assist the Administrator of the Pension Plan to comply with the requirements of the Financial Services Regulatory Authority of Ontario ("FSRA") under section 76 of Regulation 909 of the Pension Benefits Act (Ontario). As a result, the fund financial statements may not be suitable for another purpose.

These fund financial statements of the Pension Plan do not purport to show the adequacy of the Pension Plan's assets to meet its pension obligation. Such an assessment requires additional information, such as the Pension Plan's actuarial reports and information about the City's financial health.



## Notes to Financial Statements

DECEMBER 31, 2020

### 2. Basis of preparation (continued)

b) Basis of measurement

The financial statements have been prepared on the historical cost basis, except for financial instruments which are measured at fair value through the statement of changes in net assets available for benefits.

c) Functional and presentation currency

These fund financial statements are presented in Canadian dollars, which is the Pension Plan's Functional currency.

### 3. Significant accounting policies

a) Financial assets and financial liabilities

(i) Non-derivative financial assets

Financial assets are recognized initially on the trade date, which is the date that the Pension Plan becomes a party to the contractual provisions of the instrument. Transaction costs are not included in the fair value of investments either on initial recognition or on subsequent re-measurement. Transaction costs are included in the statement of changes in net assets available for benefits as part of administrative expenses and professional fees incurred for the period.

The Pension Plan measures all of its investments at fair value through the statement of changes in net assets available for benefits. All other non-derivative financial assets including accrued investment income, are measured at amortized cost.

The Pension Plan derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Pension Plan neither transfers nor retains substantially all the risks and rewards of ownership and does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset and consideration received is recognized in the statement of changes in net assets available for benefits, as a net realized gain on investments.

(ii) Non-derivative financial liabilities

All financial liabilities are recognized initially on the trade date at which the Pension Plan becomes a party to the contractual provisions of the instrument. The Pension Plan derecognizes a financial liability when its contractual obligations are discharged, cancelled or expired.

Financial assets and liabilities are offset, and the net amount presented in the statement of net assets available for benefits when, and only when, the Pension Plan has a legal right to offset the amounts and it intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. The Pension Plan considers its accrued liabilities to be a non-derivative financial liability.

## Notes to Financial Statements

DECEMBER 31, 2020

### 3. Significant accounting policies (continued)

a) Financial assets and financial liabilities (continued)

(iii) Derivative financial instruments

Derivative financial instruments are recognized initially at fair value and attributable transaction costs are recognized in the statement of changes in net assets available for benefits as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and all changes are recognized immediately in the statement of changes in net assets available for benefits.

b) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between knowledgeable, willing parties in an arm's length transaction at the measurement date.

As allowed under IFRS 13, in determining fair value, the Pension Plan has adopted the guidance in IFRS 13, Fair Value measurement, ("IFRS13") in Part I of the CPA Canada Handbook.

If an asset or a liability measured at fair value has a bid and an ask price, the price within the bid-ask spread that is the most representative of fair value in the circumstances shall be used to measure fair value. The Pension Plan uses closing market price as a practical expedient for fair value measurement.

When available, the Pension Plan measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis.

If a market for a financial instrument is not active, then the Pension Plan establishes fair value using a valuation technique. Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, discounted cash flow analyses and option pricing models.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price, i.e. the fair value of the consideration given or received, unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets. When transaction price provides the best evidence of fair value at initial recognition, the financial instrument is initially measured at the transaction price and any difference between this price and the value initially obtained from a valuation model is subsequently recognized in profit or loss on an appropriate basis over the life of the instrument but not later than when the valuation is supported wholly by observable market data or the transaction is closed out.

## Notes to Financial Statements

DECEMBER 31, 2020

### 3. Significant accounting policies (continued)

b) Fair value measurement (continued)

All changes in fair value, other than interest and dividend income and expense, are recognized in the statement of changes in net assets available for benefits as part of the change in value of investments.

Investments are stated at fair value. Fair value of investments including those held within the Master Trust is determined as follows:

- (i) Short-term notes, treasury bills and deposits maturing within a year are stated at cost, which together with accrued interest income approximates fair value given the short-term nature of these investments.
- (ii) Bonds and equities are valued at closing bid prices. Where quoted prices are not available, estimated fair values are calculated using comparable securities.
- (iii) Pooled funds are valued at the unit value supplied by the pooled fund administrator and which represents the Pension Plan's proportionate share of the underlying net assets at fair value determined using closing bid prices.

c) Net investment income

Income from investments is recognized on an accrual basis and includes dividend and interest income.

d) Realized and unrealized gain (loss) on investments

Realized gains or losses on sales of investments is the difference between the proceeds received and the average cost of the investments sold.

Change in fair value of investments represents the change in the difference between the fair value and cost of investments at the beginning and end of the year.

e) Income taxes

The Pension Plan is a registered pension plan, as defined by the Income Tax Act (Canada) and, accordingly, is not subject to income taxes.

f) Foreign currency

Transactions in foreign currencies are translated into Canadian dollars at the exchange rate at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated into Canadian dollars at the exchange rate at that date.

Foreign currency differences arising on retranslation are recognized in the statement of changes in net assets available for benefits.

## Notes to Financial Statements

DECEMBER 31, 2020

### 3. Significant accounting policies (continued)

g) Use of estimates and judgments

The preparation of the fund financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities at the date of the statement of net assets available for benefits and the reported amounts of changes in net assets available for benefits during the year. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future years affected.

### 4. Investments

a) Plan and Master Trust investments

The following table provides details of the underlying investments held by the Master Trust:

Master Trust	2020			2019		
	Cost \$	Market Value \$	Unrealized Gain (Loss) \$	Cost \$	Market Value \$	Unrealized Gain (Loss) \$
Cash	153,960	153,960	-	211,572	211,572	-
Short term notes and treasury bills	3,295,721	3,295,721	-	4,020,876	4,020,876	-
Canadian bonds and debentures	56,163,514	64,529,135	8,365,621	73,782,289	75,951,148	2,168,859
Canadian pooled bond fund	88,279,275	79,221,110	(9,058,165)	82,381,215	85,131,885	2,750,670
Canadian corporate shares	76,448,759	94,425,136	17,976,377	74,476,103	92,750,854	18,274,751
Other Equity Investments - Warrants	-	-	-	-	13	13
Canadian pooled equity fund	44,432,642	22,403,565	(22,029,077)	40,109,562	15,465,372	(24,644,190)
Foreign corporate shares	4,352,002	3,872,626	(479,376)	4,244,967	4,827,542	582,575
Foreign pooled equity fund	54,364,546	75,738,253	21,373,707	43,020,289	58,781,222	15,760,933
	327,490,419	343,639,506	16,149,087	322,246,873	337,140,484	14,893,611

## Notes to Financial Statements

DECEMBER 31, 2020

### 4. Investments (continued)

a) Plan and Master Trust investments (continued)

The following table provides details of the Pension Plan's proportionate interest of 15.6% (2019 - 16.2%) of underlying investments held within the Master Trust:

Master Trust HWRF Shares	2020			2019		
	Cost	Market	Unrealized	Cost	Market	Unrealized
	\$	Value	Gain (Loss)	\$	Value	Gain (Loss)
Cash	24,002	24,000	(2)	34,350	34,348	(2)
Short term notes and treasury bills	513,783	513,744	(39)	652,817	652,768	(49)
Canadian bonds and debentures	8,755,557	10,058,942	1,303,385	11,979,072	12,330,268	351,196
Canadian pooled bond fund	13,762,212	12,349,159	(1,413,053)	13,375,168	13,820,712	445,544
Canadian corporate shares	11,917,905	14,719,195	2,801,290	12,091,718	15,057,612	2,965,894
Other Equity Investments - Warrants	-	-	-	-	2	2
Canadian pooled equity fund	6,926,782	3,492,316	(3,434,466)	6,512,069	2,510,722	(4,001,347)
Foreign corporate shares	678,451	603,673	(74,778)	689,200	783,726	94,526
Foreign pooled equity fund	8,475,108	11,806,243	3,331,135	6,984,646	9,542,821	2,558,175
	51,053,800	53,567,272	2,513,472	52,319,040	54,732,979	2,413,939

The Pension Plan also directly holds cash of \$99,526 (2019 - \$73,752).

b) Fair value

The following table presents financial assets measured at fair value in the statement of net assets available for benefits in accordance with the fair value hierarchy. This hierarchy groups financial assets into three levels based on the significance of inputs used in measuring the fair value of the financial assets. The fair value hierarchy has the following levels:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and

Level 3: Inputs for assets and liabilities which are not based on observable market data.

## Notes to Financial Statements

DECEMBER 31, 2020

### 4. Investments (continued)

#### b) Fair value (continued)

The level within which the financial asset is classified is determined based on the lowest level of significant input to the fair value measurement. The financial assets measured at fair value in the statement of net assets available for benefits are grouped into the fair value hierarchy as follows:

The Pension Plan's investment in Master Trust is classified as Level 2. The following table presents the classification of the investments held within the Master Trust and those held directly by the Pension Plan at December 31, 2020, using the fair value hierarchy:

	2020			2020 Market Value		
	Cost	Market Value	Unrealized Gain (Loss)	Level 1	Level 2	Level 3
	\$	\$	\$	\$	\$	\$
Cash	123,528	123,526	(2)	123,526	-	-
Short term notes and treasury bills	513,783	513,744	(39)	-	513,744	-
Canadian bonds and debentures	8,755,557	10,058,942	1,303,385	-	10,058,942	-
Canadian pooled bond fund	13,762,212	12,349,159	(1,413,053)	-	12,349,159	-
Canadian corporate shares	11,917,905	14,719,195	2,801,290	14,719,195	-	-
Canadian pooled equity fund	6,926,782	3,492,316	(3,434,466)	-	3,492,316	-
Foreign corporate shares	678,451	603,673	(74,778)	603,673	-	-
Foreign pooled equity fund	8,475,108	11,806,243	3,331,135	-	11,806,243	-
	51,153,326	53,666,798	2,513,472	15,446,394	38,220,404	-
	2019			2019 Market Value		
	Cost	Market Value	Unrealized Gain (Loss)	Level 1	Level 2	Level 3
	\$	\$	\$	\$	\$	\$
Cash	108,102	108,100	(2)	108,100	-	-
Short term notes and treasury bills	652,817	652,768	(49)	-	652,768	-
Canadian bonds and debentures	11,979,072	12,330,268	351,196	-	12,330,268	-
Canadian pooled bond fund	13,375,168	13,820,712	445,544	-	13,820,712	-
Canadian corporate shares	12,091,718	15,057,612	2,965,894	15,057,612	-	-
Other Equity Investments - Warrants	-	2	2	2	-	-
Canadian pooled equity fund	6,512,069	2,510,722	(4,001,347)	-	2,510,722	-
Foreign corporate shares	689,200	783,726	94,526	783,726	-	-
Foreign pooled equity fund	6,984,646	9,542,821	2,558,175	-	9,542,821	-
	52,392,792	54,806,731	2,413,939	15,949,440	38,857,291	-

## Notes to Financial Statements

DECEMBER 31, 2020

### 4. Investments (continued)

#### b) Fair value (continued)

The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the prior year reporting period. There were no changes in the classification of these financial instruments during the current year.

#### c) Investments – Financial instrument risk

The Pension Plan's investment activities expose it to a variety of financial risks including credit risk, market price risk, currency risk, interest rate risk and liquidity risk.

##### Credit risk

Credit risk is the risk of loss arising from the failure of a counterparty to fully honour its financial obligations with the Pension Plan, including its inability or unwillingness to pay borrowed principal, interest or rent when they come due. Credit risk can also lead to losses when issuers and debtors are downgraded by credit rating agencies, usually leading to a fall in the market value of the debtors' obligations.

Fixed income investments include cash, short-term notes and treasury bills, Canadian bonds and debentures and Canadian pooled bond funds. As at December 31, 2020, the Pension Plan's fixed income investments exposure to credit risk is as follows:

Type	Credit Rating	2020 % of Total Fund	2020 Amount \$	2019 % of Total Fund	2019 Amount \$
Corporate	AAA/AA	0.3%	70,342	0.4%	96,652
	A	13.1%	3,021,015	10.3%	2,783,586
	BBB	7.2%	1,649,958	6.4%	1,724,553
Provincial	n/a	24.8%	5,726,457	26.3%	7,083,232
Federal	n/a	50.6%	11,651,815	53.7%	14,441,890
Cash	n/a	4.0%	925,783	2.9%	781,935
		100.0%	23,045,370	100.0%	26,911,848

The fixed income investments mature as follows: \$1,982,068 within 1 year and \$21,063,302 in greater than 10 years.

##### Market price risk

Market price risk is the risk that the fair value of a financial instrument will fluctuate as a result of changes in the market prices caused by factors specific to the individual financial instruments, its issuer, or factors affecting similar financial instruments traded in the public capital markets. As at December 31, 2020, the Pension Plan's equity exposure of \$30,621,428 (2019 - \$27,894,883) represented 57.1% (2019 – 50.9%) of the Pension Plan's investments. As at December 31, 2020, if the prices of securities had increased or decreased by ten percent, the effect on the assets, with all other variables held constant, would be \$3,062,143 (2019 - \$2,789,488).

## Notes to Financial Statements

DECEMBER 31, 2020

### 4. Investments (continued)

#### c) Investments – financial instrument risk (continued)

##### Currency Risk

Investments denominated in currencies other than the Canadian dollar expose the Pension Plan to fluctuations in foreign exchange rates. Fluctuations in the relative value of the Canadian dollar against these foreign currencies can result in a positive or a negative effect on the fair value of the investments.

As at December 31, 2020, the Pension Plan's exposure to foreign currency, in Canadian dollars, is as follows:

Type	2020 % of Total Fund	2020 Amount \$	2019 % of Total Fund	2019 Amount \$
United States dollar	10.6%	5,683,254	8.3%	4,495,272
Euro	4.0%	2,131,590	3.3%	1,804,319
Pound sterling	2.3%	1,218,605	2.1%	1,123,158
Japanese yen	2.8%	1,494,593	2.1%	1,152,504
Swiss franc	0.9%	507,596	0.9%	486,400
South Korean Won	0.2%	129,869	0.2%	124,057
New Taiwan dollar	1.5%	779,212	0.8%	438,970
Renminbi	2.2%	1,180,624	0.9%	1,030,625
Hong Kong dollar	0.7%	359,813	0.4%	215,631
Russian ruble	1.0%	543,087	0.8%	458,055
Thai baht	0.0%	23,613	0.0%	9,543
Swedish kronor	0.3%	174,785	0.4%	209,451
Brazilian real	0.1%	59,031	0.1%	9,543
Indian rupee	0.3%	141,675	0.1%	76,343
South African rand	0.2%	94,450	0.1%	76,343
Australian dollar	0.6%	314,933	0.5%	264,087
Other foreign currencies	1.6%	904,066	0.3%	617,283
	29.3%	15,740,796	21.3%	12,591,584



## Notes to Financial Statements

DECEMBER 31, 2020

### 4. Investments (continued)

d) Investments – financial instrument risk (continued)

Currency Risk (continued)

As at December 31, 2020, if the Canadian dollar had strengthened/weakened by five percent in relation to other currencies, with all other variables held constant, the effect on the assets would be as follows:

Type	2020 Change in Currency	2020 Amount \$	2019 Change in Currency	2019 Amount \$
United States dollar	+/- 5%	284,163	+/- 5%	224,764
Euro		106,579		90,216
Pound sterling		60,930		56,158
Japanese yen		74,730		57,625
Swiss franc		25,380		24,320
South Korean Won		6,493		6,203
New Taiwan dollar		38,961		21,948
Renminbi		59,031		51,531
Hong Kong dollar		17,991		10,782
Russian ruble		27,154		22,903
Thai baht		1,181		477
Swedish kronor		8,739		10,473
Brazilian real		2,952		477
Indian rupee		7,084		3,817
South African rand		4,722		3,817
Australian dollar		15,747		13,204
Other foreign currencies		45,203		30,861
		787,040		629,576

#### Interest rate risk

Interest rate risk refers to the effect on the market value of the Pension Plan's assets and liabilities due to fluctuations in interest rates. As at December 31, 2020, the Pension Plan's fixed income investments with exposure to interest rate risk is \$22,119,587 (2019 - \$26,129,913). As at December 31, 2020, if the nominal interest rate had increased or decreased by one percent, the effect on the assets, with all other variables held constant, would be \$3,521,438 (2019 – \$4,081,492).

#### Liquidity risk

Liquidity risk is the exposure of the Pension Plan to the risk of not being able to meet its financial obligations as they become due. The Pension Plan maintains an investment policy which contains asset mix guidelines which help ensure the Pension Plan is able to liquidate investments to meet its pension benefit or other obligations.

## Notes to Financial Statements

DECEMBER 31, 2020

### 4. Investments (continued)

d) Statutory disclosure

The following information is provided in respect of individual investments, including those held within the Master Trust, with a cost or fair value in excess of 1% of the cost or fair value of the Pension Plan's investments as required to meet disclosure requirements under the Pension Benefits Act (Ontario):

	Rate or Units	Maturity	Fair Value 2020 \$
Canadian bonds and debentures			
Government of Canada Unsecured Inflation Linked	1.25%	12/1/2047	2,354,764
Canada Real Return Bond	4.00%	12/1/2031	1,969,845
Canada Real Return Bond	4.25%	12/1/2021	1,400,154
Government of Canada Real Return Bond	1.50%	12/1/2044	2,129,449
Government of Canada Series	2.00%	12/1/2041	1,962,038
Canadian pooled bond fund			
TD Emerald Active CDN Long Bond Pooled Fund	1,413,961		12,349,159
Canadian corporate shares			
Suncor Energy Inc. - New Common	20,987		448,043
Magna International Inc.	6,505		586,092
Bank of Montreal	5,593		541,220
Royal Bank of Canada	6,653		695,761
Canadian and foreign pooled equity funds			
Aberdeen Canada Global Equity Fund	874,205		3,426,447
Global Equity Allocation Fund III	324,274		11,806,243

## Notes to Financial Statements

**DECEMBER 31, 2020**

**5. Investment income**

	2020	2019
	\$	\$
Fixed income	878,786	1,200,234
Equities	3,420,381	3,300,960
Cash	60,783	25,311
	4,359,950	4,526,505

**6. Administrative expenses and professional fees**

	2020	2019
	\$	\$
Actuarial fees	47,531	16,524
Trustee and legal fees	7,689	14,327
Administrative expenses	60,976	60,976
Investment management fees	82,939	114,999
	199,135	206,826

Audit fees are paid by the City of Hamilton on behalf of the Pension Plan.

**7. Related party transactions**

During the year, the City of Hamilton charged administrative expenses to the Pension Plan in the amount of \$60,976 (2019 - \$60,976).

The City of Hamilton also made actuarial deficiency payments in the amount of \$368,944 (2019 - \$1,429,644) in connection with the Pension Plan's unfunded liability as at the last actuarial valuation date of December 31, 2019 based on membership data as at December 31, 2019.

The next actuarial valuation date is to occur no later than December 31, 2022.

## Notes to Financial Statements

DECEMBER 31, 2020

### 8. Capital risk management

The main objective of the Pension Plan is to sustain a certain level of net assets in order to meet the pension obligations of the Hamilton-Wentworth Retirement Fund Pension Plan, which are not presented or discussed in these specified-purpose financial statements. The Pension Plan fulfils its primary objective by adhering to specific investment policies outlined in the Statement of Investment Policies and Procedures (the "SIP&P"), which is reviewed annually by the City. The inception date of the Master Trust and SIP&P is November 1, 1999. The SIP&P was last amended and approved on January 12, 2021. The amendment contains an update on information on liabilities and members of the Pension Plan, as well as minor changes made to enhance clarity.

The Pension Plan manages net assets by engaging knowledgeable investment managers who are charged with the responsibility of investing existing funds and new funds (current year employer contributions) in accordance with the approved SIP&P. Increases in net assets available for benefits are direct results of investment income generated by investments held by the Plan and contributions into the Plan by eligible employees and by the City. The main use of net assets available for benefits is for the benefit payments to eligible Plan members. Although there are no regulatory requirements relating to the level of assets, the funding to be maintained by the Plan is determined through triennial actuarial valuations. There were no contributions that were past due at December 31, 2020. The Pension Plan is required to file fund financial statements with FSRA.

In accordance with the SIP&P, the Plan's asset allocation is dependent upon the determined funded ratio of the plan as at year-end. As at year-end, the Plan was approximately 75% funded on a wind-up basis which results in a mix of return seeking target of 54%. This results in a target asset allocation mix as follows, with an acceptable range of +/- 5% for each of the identified allocations:

Asset category	Classification based on SIP&P	SIP&P allocation target (%)	2020	2019
Canadian Equity	Return seeking	27%	29.7%	30.0%
Global Equity	Return seeking	27%	28.4%	22.0%
Long-term bonds	Liability hedging	23%	23.1%	25.0%
Real Return bonds	Liability hedging	23%	18.8%	23.0%
		100%	100%	100%

As at December 31, 2020, the Plan was in compliance with the asset allocation identified in the SIP&P.

## Notes to Financial Statements

DECEMBER 31, 2020

### 9. COVID-19:

In March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization and continued throughout the fiscal year. Globally, the virus had a significant financial, market and social dislocating impact across the world. This has resulted in governments worldwide, including the Canadian and Ontario governments, enacting emergency measures to combat the spread of the virus.

During the early onset of the pandemic the investment markets became very volatile. Low valuations were experienced. However, Governments and the central banks reacted with significant monetary and fiscal interventions which stabilized the economy. The original asset value recovered. There were no permanent impairments to any assets. Contributions as required through the year were made, expenses and benefits were all paid out.

The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and the financial effect on the pension fund and the sponsor in the future is not known at this time.

## Supplemental Appendix (Unaudited)

This supplemental disclosure is attached as an unaudited appendix to the financial statements for reporting under FSRA disclosures requirements.

The following table presents the annual rate of investment return by asset category as determined by Aon Hewitt.

Asset Categories	Benchmark	Annual rate of investment return (%)	
		As at December 31	
		2020	2019
Long-term Bonds	FTSE Canada Long-term Bond Index	12.3%	13.0%
Real Return Bonds	FTSE Canada Real Return Bond Index	13.2%	8.4%
Canadian Equities	S&P/TSX Composite	-0.5%	16.7%
Global Equities	MSCI World Index (C\$)	8.6%	18.3%