

INFORMATION REPORT

TO:	Chair and Members HMRF / HWRF Pension Administration Sub-Committee
COMMITTEE DATE:	December 1, 2021
SUBJECT/REPORT NO:	Master Trust Pension Investment Performance Report as at June 30, 2021 (FCS21091) (City Wide)
WARD(S) AFFECTED:	City Wide
PREPARED BY:	Gerald T. Boychuk (905) 546-2424 Ext. 4321
SUBMITTED BY:	Brian McMullen Director, Financial Planning, Administration and Policy Corporate Services Department
SIGNATURE:	

Council Direction

Not Applicable.

Information

Attached as Appendix “A” to Report FCS21091 is Aon Hewitt’s investment performance report for the Hamilton Municipal Retirement Fund (HMRF), the Hamilton-Wentworth Retirement Fund (HWRF) and the Hamilton Street Railway (HSR), as of June 30, 2021. Together, the three pension funds make up the Master Trust, which is referred to as the “Plan” in Report FCS21091.

The Plan’s return for the one-year period ended June 30, 2021 of 19.1% outperformed its benchmark of 14.1 by 5.0%. The market value of the assets of the Plan totalled \$355.4 M compared to June 30, 2020 of \$318.8 M, an increase of \$36.6 M.

The funded ratio increased to 82.9%. Currently, a funding ratio of 82.9% enables a range of 48% to 68% for the Liability Matching Component (LMC) and the fund is at 50.8% (Fixed Income). The plans funded status was estimated at -\$73.5 M improved from an estimated -\$118.2 M at June 30, 2020.

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

Table 1
Plan's One-Year (ended June 30) Returns

	12 Months Ended Jun.30/21	12 Months Ended Jun.30/20	12 Months Ended Jun.30/19	12 Months Ended Jun.30/18	12 Months Ended Jun.30/17
Plan Return	19.1%	1.3%	4.1%	7.3%	9.0%
Benchmark	14.1%	7.1%	6.4%	7.7%	7.5%
Value Added	5.0%	-5.8%	-2.3%	-0.4%	1.5%
Market Value (\$ Millions)	\$355.4	\$318.8	\$336.4	\$339.9	\$334.3
Funded Ratio	82.9%	73.0%	76.2%	75.3%	70.3%

The Plan's performance may be compared to the return earned in the broader pension market in Canada. Attached as Appendix "B" to Report FCS21091, RBC Investor & Treasury Service reports its universe of pension funds, which totals C\$650 B and a median return of 4.4% in the quarter ended June 30, 2021. The Plan's quarterly return of 5.3% outperformed the universe's median quarterly return of 4.4% by 0.9%.

Asset Mix

Table 2 shows the percentage of Plan assets in each asset class as of June 30, 2021 compared to June 30, 2020.

Table 2
Percentage of Plan Assets in Each Asset Class

Asset Class	Jun.30/21	Jun.30/20	Change	Benchmark
Canadian Equity	25.2%	27.8%	-2.6%	26.0%
Global Equity	<u>23.9%</u>	<u>27.7%</u>	<u>-3.8%</u>	26.0%
Total Equity	49.1%	55.5%	-6.4%	
Canadian Fixed Income	50.8	44.4%	+6.4%	68.0%
Cash	0.1%	0.1%	0.0%	

Note: Anomalies due to rounding

Managers' Performance

Managers' investment performance relative to their benchmark is summarized in Table 3. One-year rates of return are all as of June 30, 2021.

Table 3
Managers' Performance
One-Year Period Ended Jun. 30/21

	Manager Return	Benchmark Return	Value Added (Manager Return less Benchmark Return)	Percentage Total Assets
Canadian Equity:				
Guardian	36.2%	33.9%	+2.3%	12.8%
Letko	61.0%	33.9%	+ 27.1%	12.4%
Global Equity				
Aberdeen ⁽¹⁾	26.7%	26.6%	+0.1%	6.7%
GMO ⁽²⁾	28.3%	26.6%	+1.7%	17.2%
Fixed Income:				
TDAM Long Bonds ⁽³⁾	-6.4%	-6.9%	+0.5%	20.4%
TDAM Real Return Bonds ⁽³⁾	1.7%	2.1%	-0.4%	30.3%

Notes: ⁽¹⁾ Engaged in April 2010

⁽²⁾ Engaged in July 2010

⁽³⁾ Toronto Dominion Asset Management (TDAM) engaged in March 2012

Pension Investment Transfer - Update

Discussions with OMERS have not presented a solution and an asset / liability study is needed, as well as, a management review. Options may include migration to private sector management or to a not-for-profit public corporation such as Investment Management Corporation (IMCO) or a consulting firm to deliver the needed adjustments. This selection would be handled through a competitive process most likely a Request for Proposal (RFP) to selected and recognized operations known for their work in the de-risking and managing pensions as Outside Chief Investment Officer (OCIO).

OUR Vision: To be the best place to raise a child and age successfully.

OUR Mission: To provide high quality cost conscious public services that contribute to a healthy, safe and prosperous community, in a sustainable manner.

OUR Culture: Collective Ownership, Steadfast Integrity, Courageous Change, Sensational Service, Engaged Empowered Employees.

Toronto was able to transfer most of their plans to OMERS, while Ottawa was left in the same situation as Hamilton, in so far as, not being able to come to an agreement. Ottawa is now looking at hiring an outside firm as the Outsourced Chief Investment Officer (OCIO) to take over their legacy pension plans. They have hired one consulting firm to handle the one plan going forward.

The Plan's Future

Staff has been looking to add a new global manager and have narrowed it to four good candidates. However, given the recent economic problems with COVID-19 and tariffs, supply lines and markets have been restricted due to the uncertainty as to what the future brings.

APPENDICES AND SCHEDULES ATTACHED

Appendix "A" to Report FCS21091 – City of Hamilton Master Trust Period Ending June 30, 2021 – AON Performance Review and Investment Manager Evaluation

Appendix "B" to Report FCS21091 – Canadian DB pension plans post positive first half, reflecting market optimism: RBC Investor & Treasury Services

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