



## **AUDIT, FINANCE AND ADMINISTRATION COMMITTEE REPORT 21-022**

**9:30 a.m.  
December 9, 2021  
Council Chambers  
Hamilton City Hall**

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**Present:** Councillors L. Ferguson (Chair), B. Clark, B. Johnson, M. Pearson, R. Powers, A. VanderBeek, and M. Wilson

**Also Present:** Councillor J. Partridge

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### **THE AUDIT, FINANCE, AND ADMINISTRATION COMMITTEE PRESENTS REPORT 21-022 AND RESPECTFULLY RECOMMENDS:**

#### **1. APPOINTMENT OF COMMITTEE CHAIR AND VICE-CHAIR FOR 2022:**

- (a) That Councillor M. Pearson be appointed as Chair of the Audit, Finance & Administration Committee for 2022.
- (b) That Councillor A. VanderBeek be appointed as Vice-Chair of the Audit, Finance & Administration Committee for 2022.

#### **2. CONSENT ITEMS (Item 7.1)**

That the following Consent Items, be received:

- (a) Standards & Approved Products Committee Report (PW21071) (City Wide) (Item 7.2)
- (b) Fair Wage Policy and Fair Wage Schedule Complaints Annual Report (FCS21101) (City Wide) (Item 7.3)
- (c) 2021 Third Quarter Request for Tenders and Proposals Report (FCS21008(b)) (City Wide) (Item 7.4)
- (d) 2021 Third Quarter Emergency and Non-competitive Procurements Report (FCS21009(b)) (City Wide) (Item 7.5)
- (e) 2021 Third Quarter Non-compliance with the Procurement Policy Report (FCS21010(b)) (City Wide) (Item 7.6)

#### **3. Hamilton Future Fund Audit (AUD21013) (City Wide) (Item 8.2)**

- (a) That Appendices “A” and “B” to Report AUD21013, respecting the Hamilton Future Fund Audit be received;

- (b) That the Management Response, as detailed in Appendix “A” to Audit, Finance & Administration Committee Report 21-022 be approved; and,
- (c) That the General Manager of Corporate Services be directed to formulate comprehensive management action plans and submit these to the Office of the City Auditor by June 2022.

**4. Investing in City Roads and Sidewalks Infrastructure with Canada Community - Building Funds (PW21073) (City Wide) (Item 10.1)**

- (a) That the Canada Community Building Fund investment of \$30 M be allocated to the list of projects in Appendix “B” to Audit, Finance & Administration Committee Report 21-022;
- (b) That three Public Works temporary full time equivalents be hired for up to 24 months at an estimated cost of \$850,000 and funded from Unallocated Capital Levy Reserve 108020 to deliver the Canada Community-Building Fund projects; and,
- (c) That the Procurement Policy 4.9 Consulting and Professional Services requirements be waived to allow for the direct award of Roster Assignments above the \$150,000 threshold for consultancy work pertaining to the Canada Community-Building Fund projects.

**5. 2022 Budget Submissions Volunteer Advisory Committee (HUR21016) (City Wide) (Item 10.2)**

- (a) That the Volunteer Advisory Committee 2022 budget base submissions be approved as follows and referred to the 2022 budget process:
  - (i) Advisory Committee on Immigrant & Refugees in the amount of \$3,500.00, attached as Appendix “A” to Report HUR21016;
  - (ii) Hamilton Mundialization Committee in the amount of \$5,890.00, attached as Appendix “B” to Report HUR21016;
  - (iii) Hamilton Women and Gender Equity Committee in the amount of \$3,500.00, attached as Appendix “C” to Report HUR21016 and \$5,000.00 is requested from the Committee’s 2021 reserve fund to support the 2021 Elect More Women Conference and other related initiatives that arise in 2022 that are not yet planned.

**6. 2022 Temporary Borrowing and Interim Tax By-laws (FCS21112) (City Wide) (Item 10.3)**

- (a) That Appendix “A” attached to Report FCS21112, “By-law to Authorize the Temporary Borrowing of Monies to Meet Current Expenditures Pending Receipt of Current Revenues for 2022”, be passed; and,

- (b) That Appendix “B” attached to Report FCS21112, “By-law to Authorize an Interim Tax Levy for 2022”, be passed.

**7. Use of External Services for Tax Assessment & Appeals (FCS20005(a)) (LS21047) (City Wide) (Item 10.4)**

- (a) That the cost to hire one temporary solicitor and one temporary legal support staff for the City’s active participation in assessment appeals be funded from the Tax Stabilization Reserve (Account number 110046) up to April 30, 2023;
- (b) That the use of external legal counsel, if required, to supplement internal legal resources to actively participate in assessment appeals, be funded from the Tax Stabilization Reserve (Account number 110046) up to April 30, 2023;
- (c) That the cost of Assessment & Appraisal consultants from Roster for Consultancy Services for the Provision of Assessment Based Management, Property Assessment & Taxation Appeals, Appraisal & Expert Witnesses (C2-01-21) continue to be funded from the Tax Stabilization Reserve (Account number 110046) up to April 30, 2023;
- (d) That the licensing cost to obtain an Appeals Management System, to be used by both Taxation and Legal staff to efficiently manage and track all active appeals, be funded from the Tax Stabilization Reserve (Account number 110046) up to April 30, 2023; and,
- (e) That staff report back on actual consulting, legal and software licensing costs incurred up to April 30, 2023, to determine if a sustainable funding source is required for 2023 and future.

**8. Information Regarding Calculation of Audit Fee for Fair Wage Compliant FW26-2017 (FCS21117) (City Wide) (Item 10.5)**

That Network Sewer and Watermain Ltd. be charged \$8,555.96 for the costs associated with FW26-2017 Fair Wage audit.

**9. Grants Sub-Committee Report 21-002 - December 1, 2021 (Item 10.6)**

**(a) 2022 City Enrichment Fund Advance Payments (GRA21004) (City Wide) (Item 6.1)**

- (i) That staff be authorized and directed to provide advance monthly payments to 2022 City Enrichment Fund applicants, as shown in Appendix “C” to Audit, Finance & Administration Committee Report 21-022, based upon 2021 funding levels, prior to final approval of the 2022 City Enrichment Fund budget; and,
- (ii) That any outstanding arrears due to the City of Hamilton, by any of the organizations listed in Appendix “C” to Audit, Finance &

Administration Committee Report 21-022, be paid in full utilizing the approved advance funding, prior to the organization receiving any City Enrichment Fund payments.

**10. HMRF - HWRF Pension Administration Sub-Committee Report 21-001 -  
December 1, 2021 (Added Item 10.7)**

**(a) CONSENT ITEMS (Item 7)**

That the following Consent Items, be received:

- (i) 2020 Hamilton-Wentworth Retirement Fund Financial Statements (FCS21098) (City Wide) (Item 7.1)
- (ii) 2020 Hamilton Municipal Retirement Fund Financial Statements (FCS21099) (City Wide) (Item 7.2)
- (iii) Master Trust Pension Investment Performance Report as at December 31, 2020 (FCS20075(a)) (City Wide) (Item 7.3)
- (iv) Master Trust Pension Investment Performance Report as at June 30, 2021 (FCS21091) (City Wide) (Item 7.4)

**(b) 2021 Master Trust Pension Statement of Investment Policies and Procedures (FCS21095) (City Wide) (Item 10.1)**

- (i) That Appendix "D" attached to Audit, Finance & Administration Committee Report 21-022, respecting the 2021 City of Hamilton Defined Benefit Pension Plans Master Trust Statement of Investment Policies and Procedures be approved and replace the previous 2020 City of Hamilton Defined Benefit Pension Plans Master Trust Statement of Investment Policies and Procedures contained in Report FCS20074 and approved by Council on December 16, 2020; and,
- (ii) That Appendix "D" attached to Audit, Finance & Administration Committee Report 21-022, respecting the 2021 City of Hamilton Defined Benefit Pension Plans Master Trust Statement of Investment Policies and Procedures be forwarded to the Hamilton Street Railway Pension Advisory Committee for their information.

**(c) Outsourced Chief Investment Officer (FCS21116) (City Wide) (Added Item 10.2)**

- (i) That Council, as the Administrator of the City Hamilton Defined Benefit Pension Plans Master Trust, authorizes:
  - (1) the General Manager, Finance and Corporate Services, to negotiate any agreements for contractual or consulting services to develop the selection process to hire an

Outsourced Chief Investment Officer (OCIO) in a form satisfactory to the City Solicitor which may include sole sourcing or single sourcing to the applicable service provider;

- (2) the General Manager, Finance and Corporate Services, to negotiate any agreements for the selection and hiring of an Outsourced Chief Investment Officer (OCIO) in a form satisfactory to the City Solicitor; and,
- (3) the General Manager, Finance and Corporate Services, to make any changes to applicable pension plan agreements, by-laws and policies in a form satisfactory to the City Solicitor; and,

- (ii) That staff of the Corporate Services, Financial Planning and Administration Policy, inform the HMRF/ HWRF Pension Administration Sub-Committee and Hamilton Street Railway Pension Advisory Committee through a Communication Update or Information Report of the successful Outsourced Chief Investment Officer (OCIO) after awarding of the contract.

**11. 2022 Budget Submission – Aboriginal Advisory Committee (HSC21051) (City Wide) (Added Item 10.8)**

That the Aboriginal Advisory Committee 2022 base budget submission attached as Appendix “A” to Report HSC21051 in the amount of \$3,552, be approved and referred to the 2022 budget process for consideration.

**12. 2022 Budget Submission – Committee Against Racism (CM21017) (City Wide) (Added Item 10.9)**

That the Committee Against Racism Advisory Committee 2022 base budget in the amount of \$8,900, be approved and referred to the 2022 budget process for consideration.

**13. Write Off of Penalties, Interest and Related Fees for Property Taxes and Interest Free Loan Agreement on Compassionate Grounds for the YFC/Youth Unlimited Waterdown, 273 Parkside Drive, Waterdown (Roll No. 2518.303.410.28600.0000) (Item 11.1)**

WHEREAS, YFC Southwestern Ontario, also known as Youth for Christ (YFC) Youth Unlimited Waterdown, is a Registered Charity;

WHEREAS, the YFC/Youth Unlimited Waterdown provides programming for youth aged 10 to 19 years of age;

WHEREAS, YFC/Youth Unlimited Waterdown purchased the property located at 273 Parkside Dr, Waterdown in 2012, demolishing the existing residential

structure to make room for the newly built youth centre which was completed in 2014;

WHEREAS, the property taxes at 273 Parkside Drive, Waterdown, once the former residential structure was demolished equated to, on average, approximately \$2,500 per year and continued as such even after the construction of the new facility;

WHEREAS, the Municipal Property Assessment Corporation (MPAC) did not add the value of the new facility to the roll until November 2020, thus triggering the City of Hamilton to issue tax bills for the omitted assessment for taxation years 2018 to 2020, the maximum allowable under the Municipal Act;

WHEREAS, the tax bills for omitted assessment for taxation years 2018 to 2020 totalling approximately \$48K, combined with the 2021 taxes of approximately \$17K per year, has put YFC/Youth Unlimited Waterdown in a difficult financial situation; and,

WHEREAS, YFC/Youth Unlimited Waterdown successfully challenged their assessment increase, resulting in a slight reduction to the assessed value, however still resulting in total outstanding taxes of \$64,884.85 inclusive of penalty, interest and related fees and \$58,467.21 excluding penalty, interest and related fee as on November 22, 2021;

**THEREFORE, BE IT RESOLVED:**

- (a) That the General Manager, Finance and Corporate Services, be authorized to write off penalties, interest and related fees for property taxes for YFC/Youth Unlimited Waterdown due up to the date of the loan execution estimated at \$7,148.48 to operating Dept ID 252009;
- (b) That the General Manager, Finance and Corporate Services, be authorized and directed to enter into an interest free loan agreement with the YFC/Youth Unlimited Waterdown on compassionate grounds not to exceed \$58,467.12 to be repaid within 5 years at \$11,693.14 annually, together with a General Security Agreement, both in a form satisfactory to the City Solicitor and General Manager, Finance and Corporate Services; and,
- (c) That should property taxes levied to YFC/Youth Unlimited for the property located at 273 Parkside Drive, Waterdown (Roll No. 2518.303.410.28600.0000) during the loan period for 2022 to 2026 not remain current, then the loan will be cancelled and the outstanding balance of this loan will be transferred to the property tax roll.

**14. Personnel Matter (FCS21118) (City Wide) (Added Item 14.1)**

- (a) That the direction provided to staff in Closed Session be approved with funding approved from the Corporate Financials Budget; and,

- (b) That Report FCS21118, respecting Personnel Matter, remain confidential.

**FOR INFORMATION:**

**(a) APPOINTMENT OF COMMITTEE CHAIR AND VICE-CHAIR FOR 2022 (Item 1)**

- (a) That Councillor M. Pearson be appointed as Chair of the Audit, Finance & Administration Committee for 2022; and,
- (b) That Councillor B. Clark be appointed as Vice-Chair of the Audit, Finance & Administration Committee for 2022.

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

The Committee Clerk advised of the following change to the agenda:

**8. PRESENTATIONS**

- 8.1 Hamilton Waterfront Trust – 2020 Annual Briefing by Werner Plessl, Executive Director (No Copy)

This Item was WITHDRAWN and will be placed on the January 13, 2022 Audit, Finance and Administration Committee Agenda.

**10. DISCUSSION ITEMS**

- 10.7 HMRF - HWRF Pension Administration Sub-Committee Report 21-001 - December 1, 2021
- 10.8 2022 Budget Submission – Aboriginal Advisory Committee (HSC21051) (City Wide)
- 10.9 2022 Budget Submission – Committee Against Racism (CM21017) (City Wide)

**14. PRIVATE AND CONFIDENTIAL**

- 14.1 Personnel Matter (FCS21118) (City Wide)

The agenda for the December 9, 2021 Audit, Finance and Administration Committee meeting was approved, as amended.

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

There were no declarations of interest.

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

**(i) November 18, 2021 (Item 4.1)**

The Minutes of the November 18, 2021 meeting of the Audit, Finance and Administration Committee were approved, as presented.

**(e) CONSENT ITEMS (Item 7)**

**(i) Committee Against Racism – November 23, 2021 - No Quorum Notes (Item 7.1)**

The Committee Against Racism - No Quorum Notes from November 23, 2021, were received.

**(f) PRESENTATIONS (Item 8)**

**(i) Hamilton Future Fund Audit (AUD21013) (City Wide) (Item 8.2)**

Charles Brown, City Auditor addressed the Committee with a staff presentation respecting Report AUD21013, the Hamilton Future Fund Audit.

The Staff Presentation respecting Report AUD21013, the Hamilton Future Fund Audit, was received.

For further disposition of this matter, please refer to Item 3.

**(g) APPOINTMENT OF COMMITTEE CHAIR AND VICE-CHAIR FOR 2022 (Item 1) (CONTINUED)**

Item (a)(b), considered earlier in the meeting, respecting the Appointment of Committee Vice-Chair for 2022 and which reads as follows, was reconsidered at this time, in order to comply with Section 5.2 (1)(b) of Procedural By-law 21-021, as amended:

**(a) APPOINTMENT OF COMMITTEE CHAIR AND VICE-CHAIR FOR 2022 (Item 1)**

**(b)** That Councillor B. Clark be appointed as Vice-Chair of the Audit, Finance & Administration Committee for 2022.

Item (a)(b), respecting the Appointment of Committee Vice-Chair for 2022 and which reads as follows, was considered at this time:

**(a) APPOINTMENT OF COMMITTEE CHAIR AND VICE-CHAIR FOR 2022 (Item 1)**

**(b)** That Councillor B. Clark be appointed as Vice-Chair of the Audit, Finance & Administration Committee for 2022.

Item (a)(b), respecting the Appointment of Committee for 2022, was **amended** to read as follows:

**(a) APPOINTMENT OF COMMITTEE CHAIR AND VICE-CHAIR FOR 2022 (Item 1)**

- (b) That Councillor **A. VanderBeek** be appointed as Vice-Chair of the Audit, Finance & Administration Committee for 2022.

For disposition of this matter, please refer to Item 1.

**(h) GENERAL INFORMATION / OTHER BUSINESS (Item 13)**

**(i) Amendments to the Outstanding Business List:**

The following amendments to the Audit, Finance & Administration Committee's Outstanding Business List were approved:

- (a) Items Considered Complete and Needing to be Removed:

Investing in City Roads and Sidewalks Infrastructure with Canada Community-Building Funds

Added: July 5, 2021 at GIC - Item 11.1

Completed: December 9, 2021 at AF&A - Item 10.1

OBL Item: 21-I

Kenneth Ukrainec, on behalf of Network Sewer and Watermain Ltd., respecting the Fair Wage Policy and Fair Wage Schedule Complaints Annual Report (FCS20084)

Added: October 22, 2020 at AF&A - Item 7.2

Completed: December 9, 2021 at AF&A - Item 10.5

OBL Item: 20-K

**(i) PRIVATE AND CONFIDENTIAL (Item 14)**

Committee moved into Closed Session, respecting Item 14.1 pursuant to Section 9.1, Sub-section (b) of the City's Procedural By-law 21-021 and Section 239(2), Sub-section (b) of the *Ontario Municipal Act, 2001*, as amended, as the subject matter pertains to personal matters about an identifiable individual, including City or a local board of employees.

**(i) Personnel Matter (FCS21999) (City Wide) (Added Item 14.1)**

For disposition of this matter, please refer to Item 14.

**(j) ADJOURNMENT (Item 15)**

There being no further business, the Audit, Finance and Administration Committee, adjourned at 11:15 a.m.

Respectfully submitted,

Councillor Ferguson, Chair  
Audit, Finance and Administration  
Committee

Angela McRae  
Legislative Coordinator  
Office of the City Clerk



Hamilton

Office of the City Auditor

# Hamilton Future Fund Audit

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# Recommendations and Management Response

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December 9, 2021

**Office of the City Auditor**

**Jane Schope, Senior Auditor**

**Brigitte Minard, Deputy City Auditor**

**Charles Brown, City Auditor**

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## Introduction

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The following ten recommendations will improve oversight and governance of the Hamilton Future Fund.

Please note that Management has provided one, short management response, and will be submitting a comprehensive management action plan to the Office of the City Auditor (OCA) by June 2022. The OCA will review these responses, and once satisfied that they adequately address the audit recommendations, they will be submitted to the Audit, Finance and Administration Committee for approval and for direction to be provided to Management to implement their action plans.

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## Recommendation 1

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That a terms of reference and a reserve strategy for the HFF be developed in order to ensure fund transparency, sufficiency and that the mission and guiding principles are achieved. A reserve strategy for the HFF can outline how the funds will be used in alignment with the City’s strategic plan.

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## Recommendation 2

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That Management (in consultation with the HFF Board of Governors), consider conducting public consultations regarding the development of a fund strategy that includes ensuring future approve projects are in alignment with the City’s strategic plan.

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## Recommendation 3

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That the roles, responsibilities and accountabilities of City staff who support the HFF be formalized, including the assignment of fund administrator duties so that HFF administrative matters are adequately managed on an ongoing basis.

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## Recommendation 4

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That there be a defined meeting schedule for the Board of Governors, including a specified number of meetings per year, to provide adequate and timely oversight to the HFF activities.

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## Recommendation 5

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That the existing Fund B checklist be revised to become an evaluation form that includes scoring of grants in each application category/criteria. Consistent evaluation practices will enhance the objectivity and transparency when evaluating the following:

- The grant application’s alignment with the objectives of the program; and
- Justification of the selection of the grant recipients based on the merit of the proposal.

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## Recommendation 6

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That the Board consider revising the grant application form and scoring checklist/evaluation to include criteria on how the project contributes to equity, diversity and inclusion in Hamilton.

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**Recommendation 7**

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That the processes for contract management of grants be formalized and strengthened, with attention to the following areas:

- Development of a standard format or template for progress and final reporting of grant activities including project expenditures and outcomes;
- Requiring that progress and final reports on expenditures and project outcomes be submitted at regular intervals as part of the grant agreements;
- City staff (Fund Administrator) be required to follow-up on the receipt and completeness of progress and final reports including the use of funds and outcome measures;
- Consideration be given to the payment of funds in installments according to the length and progress of the project;
- Develop guidelines around the right to audit grant recipients if required according to the monitoring of progress reporting and use of funds; and
- Consult with Legal Services, as appropriate.

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**Recommendation 8**

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That the Hamilton Future Fund Administrator develop performance measures and reporting to demonstrate the achievement of program goals and value-for-money for funded projects, both internal and external to the City.

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**Recommendation 9**

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That performance reporting be used to develop future evaluation criteria and HFF investment priorities that are in alignment with the objectives and guiding principles of the HFF.

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**Recommendation 10**

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That management follow the direction of Council and provide regular reporting (i.e. at least annually) on the reserve and projects funded from the HFF.

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**Management  
Response**

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Management is agreeable with all 10 of the OCA’s recommendations.

Management will work towards thorough Management Action Plans intended to strengthen the oversight of the Hamilton Future Fund, including providing rigour and transparency to the management of funds to ensure that program objectives are achieved, therefore reducing financial and reputational risk to City.

Management will provide thorough Management Action Plans to the OCA, so that the OCA can review and report to Committee and Council.

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**Office of the  
City Auditor**

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**Charles Brown, CPA, CA**  
City Auditor

**Brigitte Minard, CPA, CA, CIA, CGAP**  
Deputy City Auditor

**Jane Schope, CPA, CMA**  
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### Capital Project List

WARD	STREET	FROM	TO	CCBF FUNDING REQUIRED (represented in \$1,000)	TARGET DELIVERY YEAR	COMMENTS
1	Morden Street	Locke Street North	Pearl Street North			Road and sidewalk reconstruction, watermain and lead service replacement. Total project value of \$650,000 to be funding with \$500,000 CCBF and \$135,000 Ward 1 Discretionary Account.
1	Strathcona Bike Boulevard Pilot	Breadalbane Street, Main Street West to Jones Street - Resurfacing where required, bike boulevard installation Jones Street, Dundurn Street North to west end - Resurfacing where required, bike boulevard installation		\$500	2023+	Tender in 2023 with consultant support; Consultant #3, Tender #6. Survey and baseplans required.
1	Kirkendale Bike Boulevard Pilot	Pearl Street, Tuckett Street to Pine Street - Resurfacing where required, bike boulevard installation Kent Street, Aberdeen Avenue to Amelia Street - Resurfacing where required, bike boulevard installation	various	\$775	2022	Road resurfacing of Breadalbane St and Jones St, and bike boulevard installation. Tender in 2022 with consultant support; Consultant #4, Tender #7, coordinated with Kirkendall Bike Boulevard.
			various	\$725	2022	Road resurfacing of Pearl St (Tuckett St to Pine St), Kent St (Aberdeen Ave to Amelia St), coordination of sidewalk repairs, and bike boulevard installation. Tender in 2022 with consultant support; Consultant #4, Tender #7, coordinated with Strathcona Bike Boulevard.
			<b>WARD TOTAL</b>	<b>\$2,000</b>		
2	Streets within Corktown Neighbourhood south of Arkledun Avenue - Road resurfacing	Freeman Place, James Mountain Road to Mountwood Avenue - Road resurfacing Rockwood Place, Mountwood Avenue to John Street South- Road resurfacing. Water services Kingsway Drive, John Street South to Arkledun Avenue - Road resurfacing	various			Road resurfacing: water service replacements to be funding through rates, allocating surplus from previously complete Ward 2 projects.
2	Streets within Corktown Neighbourhood south of Arkledun - Road reconstruction	John Street South, south end to Arkledun Avenue - Road reconstruction. Water services James Street South, James Mountain Road to Freeman Place - Road reconstruction, Water services Mountwood Avenue, Freeman Place to St. Joseph's Drive - Road resurfacing. Water services Louisa Av, Mountwood Avenue to John Street South - Road resurfacing. Water services	Various	\$400	2023	Tender in 2023 with consultant support; Consultant #5, Tender #8, coordinated with all Corktown Neighbourhood streets. Survey and baseplans required.
				\$1,600	2023	Road reconstruction: water service replacements to be funding through rates, allocating surplus from previously complete Ward 2 projects. Tender in 2023 with consultant support; Consultant #5, Tender #8, coordinated with all Corktown Neighbourhood streets. Survey and baseplans required.
			<b>WARD TOTAL</b>	<b>\$2,000</b>		
3	Sherman Avenue 2-way conversion	Wilson Street	Burlington Street			Future project, later than 2022 delivery as feasible, and in coordination with other impact projects in the vicinity such as Barton St reconstruction, Birch Ave reconstruction and LRT implementation. Functional design, resurfacing, cycling lanes and 2-way conversion.
3	Barton St Boulevards and Depaving	Various locations		\$1,950	2023+	Tender in 2023 or later with consultant support; Consultant #6, Tender #9. Survey and baseplans required.
				\$50	2022	Boulevard improvements and depaving along Barton St corridor in Ward 3
			<b>WARD TOTAL</b>	<b>\$2,000</b>		
4	Sidewalk deficiencies	Various locations		\$270	2022	Address sidewalk deficiencies though minor maintenance activities at various locations within Ward 4
4	Fairfield Avenue	Barton Street	Britannia Avenue			Watermain and service replacement: road reconstruction. Tender in 2023 with consultant support; Consultant #7, Tender #10.
			<b>WARD TOTAL</b>	<b>\$1,730</b>	2023	Survey and baseplans required.
5	Streets within Battlefield Neighbourhood	Avilon Avenue, Lake Avenue to west end - Road resurfacing Branford Court, Second Street North to north end - Road resurfacing Charles Street, Lake Avenue to west end (north of Randall Avenue) - Road resurfacing Randall Avenue, Lake Avenue to west end - Road resurfacing	various			Road resurfacing similar to previous projects delivered within Ward 5, culvert replacement where required. Detailed cost estimate to be confirmed.
				\$2,130	2023	Tender in 2023 with consultant support; Consultant #8, Tender #11. Survey and baseplans required.
			<b>WARD TOTAL</b>	<b>\$2,000</b>		
6	Carson Drive and Landron Avenue	Carson Drive - Upper Ottawa Street to approximately 30 metres west of Kingsberry Street Landron Avenue - Carson Drive to Upper Kenilworth Avenue	various			Actual required amount for \$130,000 of total \$2,130,000 estimate to be determined pending surplus or other available capital funding in future
				\$1,200	2022	Road resurfacing. Tender in 2022 with staff support; Tender #1, coordinated with Carson Dr and Landron Ave.
6	East 43rd Street	Fennell Avenue	Queensdale Avenue			Road resurfacing. Tender in 2022 with staff support; Tender #1, coordinated with Carson Dr and Landron Ave.
			<b>WARD TOTAL</b>	<b>\$800</b>	2022	
			<b>WARD TOTAL</b>	<b>\$2,000</b>		

WARD	STREET	FROM	TO	CCBF FUNDING REQUIRED (represented in \$1,000)	TARGET DELIVERY YEAR	COMMENTS
7	Upper Wentworth Street	Lincoln Alexander Parkway	Mohawk Road		2023	Funding greater than \$2M CCBF to be funded through previously proposed capital project budget. Road resurfacing. Tender in 2023 with consultant support; Consultant #9, Tender #12. Survey and baseplans required.
7	Upper Wentworth Street	Mohawk Road	Fennell Avenue	\$1,640	2023	Funding greater than \$2M CCBF to be funded through previously proposed capital project budget. Road resurfacing. Tender in 2022 with consultant support; Consultant #1, Tender #2. Mapping and road cores required.
				\$1,250	2022	
			WARD TOTAL	\$2,000		Actual required amount for \$890,000 of total \$2,890,000 estimate to be funded by previously proposed capital funding
8	Roads Minor Maintenance	Preventative Maintenance, primarily on arterials/major roads	various	\$100	2022-2023	Funding for roads minor maintenance to be utilized in the event of surplus funding from Limeridge Rd project
8	Limeridge Road	Garth Street	West 5th Street			Road resurfacing and localized reconstruction, cycling facility installation with possible cycling extension to Upper James Street.
				\$1,900	2023	Tender in 2023 with consultant support; Consultant #10, Tender #13. Survey and baseplans required.
			WARD TOTAL	\$2,000		
9	Gatestone Drive	Shadyglen Drive	Isaac Brock Drive			Road resurfacing. Consideration for installation of enhanced crosswalk/pedestrian crossover.
				\$900	2022	Tender in 2023 with consultant support; Consultant #11, Tender #14, timing pending completion of Mud St resurfacing, and in coordination with Highland Rd resurfacing.
9	Highland Road	Fifth Road East	Eighth Road			Road resurfacing, culvert repair/replacement, ditching where required. Funding pending surplus from Gatestone Dr and Eighth Rd.
				\$1,600	2023	Tender in 2023 with consultant support; Consultant #11, Tender #14, timing pending completion of Mud St resurfacing, and in coordination with Gatestone Dr resurfacing.
			WARD TOTAL	\$2,000		Actual required amount for \$500,000 of total \$2,500,000 estimate to be determined pending surplus or other available capital funding in future
10	Millen Road	Maple Drive	Highway 8	\$1,100	2023	Road resurfacing. Tender in 2023 with consultant support; Consultant #12, Tender #15, delivered in coordination with Maple Ave resurfacing.
10	Maple Avenue	Millen Road	Approximately 30 metres east of Jenny Court	\$700	2023	Road resurfacing. Tender in 2023 with consultant support; Consultant #12, Tender #15, delivered in coordination with Millen resurfacing.
10	Spartan Avenue	Highway 8	Mcintosh Drive	\$400	2023	Road resurfacing. Tender in 2023 with consultant support; Consultant #12, Tender #15, delivered in coordination with Millen resurfacing.
			WARD TOTAL	\$2,000		Actual required amount for \$200,000 of total \$2,200,000 estimate to be determined pending surplus or other available capital funding in future
11	Sidewalks on Homestead Drive and street lighting upgrades	Provident Way	Upper James Street	\$575	2022/23	Sidewalk construction connecting missing links and replacement of existing sidewalks in poor condition, street light upgrades. Delivered in 2022-2023 with staff support.
11	Barlow Road - Rural road surface treatment	Sinclairville Road	end	\$90	2022/23	Replace culverts where required in 2022, pulverize and double surface treatment in 2022-2023. Delivered in 2022-2023 with staff support.
11	Gyatt Road - Rural road pulverize and double surface treatment	Regional Road 56	Fletcher Road	\$260	2022/23	Replace culverts where required in 2022, pulverize and double surface treatment in 2022-2023. Delivered in 2022-2023 with staff support.
11	Leeming Road - Rural road pulverize and double surface treatment	Highway 6	end	\$125	2022/23	Replace culverts where required in 2022, pulverize and double surface treatment in 2022-2023. Delivered in 2022-2023 with staff support.
11	Trimble Road - Rural road pulverize and double surface treatment	Kirk Road	Road bridge	\$125	2022/23	Replace culverts where required in 2022, pulverize and double surface treatment in 2022-2023. Delivered in 2022-2023 with staff support.
11	Trimble Road - Rural road pulverize and double surface treatment	Hall Road	Haldibrook Road	\$145	2022/23	Replace culverts where required in 2022, pulverize and double surface treatment in 2022-2023. Delivered in 2022-2023 with staff support.
11	Woodburn Road - Rural road surface treatment	Bell Road	Hall Road, south intersection	\$75	2022/23	Replace culverts where required in 2022, pulverize and double surface treatment in 2022-2023. Delivered in 2022-2023 with staff support.

WARD	STREET	FROM	TO	CCBF FUNDING REQUIRED (represented in \$1,000)	TARGET DELIVERY YEAR	COMMENTS
11	Glover Road - Rural road bonded wearing course	Twenty Road East	Dickenson Road East	\$135	2022/23	Replace culverts where required in 2022, rural road bonded wearing course pulverize and double surface treatment in 2022-2023.
11	Additional project selection pending surplus from Ward 11 projects			\$470		Delivered in 2022-2023 with staff support. Pending surplus for project selection
WARD TOTAL				\$2,000		
12	Golfdale Place	Golf Links Road	end	\$190	2022	Road resurfacing. Tender in 2022 with consultant support; Consultant #2, Tender #3, coordinated with Terrance Park Drive, Crestview Avenue, Church Street, Academy Street.
12	Terrence Park Drive	40m west of Chatterton Drive	Templar Drive	\$190	2022	Road resurfacing. Tender in 2022 with consultant support; Consultant #2, Tender #3, coordinated with Golfdale Place, Crestview Avenue, Church Street, Academy Street.
12	Crestview Avenue	Brookview Court	to west end at guard rail	\$130	2022	Road resurfacing. Tender in 2022 with consultant support; Consultant #2, Tender #3, coordinated with Golfdale Place, Terrance Park Drive, Church Street, Academy Street.
12	Jerseyville Road	Fiddler's Green Road	Wilson Street	\$800	2021	Road resurfacing complete, delivered in 2021 with staff support under existing contract.
12	Church Street	Wilson Street East	Lodor Street	\$345	2022	Road resurfacing. Tender in 2022 with consultant support; Consultant #2, Tender #3, coordinated with Golfdale Place, Terrance Park Drive, Crestview Avenue, Academy Street.
12	Academy Street	Wilson Street East	Rousseaux Street	\$345	2022	Road resurfacing. Tender in 2022 with consultant support; Consultant #2, Tender #3, coordinated with Golfdale Place, Terrance Park Drive, Crestview Avenue, Church Street.
WARD TOTAL				\$2,000		
13	Carey Street	South end of street	Concession 5 West	\$500	2023+	Funding pending surplus from Sydenham Hill Cycling Facility
13	Sydenham Hill Cycling Facility	Livingstone Drive	100m south of Glendrummond Drive	\$1,700	2022	Cycling facility installation, road resurfacing/repair where required, ditching/culvert/catchbasin repair where required. Tender in 2022 with staff support.
WARD TOTAL				\$2,200		Actual required amount for \$200,000 of total \$2,200,000 estimate to be determined pending surplus or other available capital funding in future
14	Streets within Falkirk East Neighbourhood	Falkirk Drive, Courtland Avenue to Maynard Street - Road resurfacing Harvard Place, west end to Falkirk Drive - Road resurfacing Marcel Place, west end to Courtland Drive - Road resurfacing Maynard Street, west end to McIntosh Avenue - Road resurfacing McIntosh Avenue, south end to Stone Church Road - Road resurfacing Roland Road, Regent Avenue to 100 metres southerly - Road resurfacing	various	\$2,000	2022	Road resurfacing. Tender in 2022 with staff support; Tender #4.
WARD TOTAL				\$2,000		
15	Hamilton Street	Dundas Street	Silver Court	\$300	2022	Road resurfacing. Tender in 2022 with staff support; Tender #5.
15	Howard Boulevard / Thomson Drive	May's Crescent	Main Street / Snake Road	\$1,500	2022	Road resurfacing. Tender in 2022 with staff support; Tender #5.
15	Additional project selection pending surplus from Hamilton Street, Howard Boulevard and Thomson Drive			\$200		Pending surplus for project selection
WARD TOTAL				\$2,000		
TOTAL				\$30,000		

City Enrichment Fund  
Requiring Advance Payments in 2022

Agency	Advance Payment Schedule for 2022	#of Payments (advance)	2021 Approved Annual Budget	2022 Advance Payment Amount (Monthly)	2022 Advance Payment Amount (5 Payments)
Art Gallery of Hamilton	1st of each month	5	\$1,000,000.00	\$83,333.33	\$416,666.67
Theatre Aquarius	1st of each month	5	\$265,302.00	\$22,108.50	\$110,542.50
Hamilton Philhamonic Orchestra	1st of each month	5	\$175,099.00	\$14,591.58	\$72,957.92
Brott Music Festival	1st of each month	5	\$182,800.00	\$15,233.33	\$76,166.67
<b>Total</b>			<b>\$1,623,201.00</b>	<b>\$135,266.75</b>	<b>\$676,333.75</b>

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

City of Hamilton Defined Benefit Pension Plans Master Trust

December 2021

**APPROVED** on this                      day of December, 2021

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# Contents

<b>Section 1—Overview</b>	<b>3</b>
1.01 Purpose of Statement	3
1.02 Background of the Master Trust	3
1.03 Objective of the Plan	3
1.04 Investment and Risk Philosophy	3
1.05 Administration	3
<b>Section 2—Asset Mix and Diversification Policy</b>	<b>4</b>
2.01 Master Trust Return Expectations	4
2.02 Expected Volatility	4
2.03 Asset Mix	4
2.04 Management Structure	8
2.05 Environmental, Social and Governance (ESG) Issues	8
<b>Section 3—Permitted and Prohibited Investments</b>	<b>9</b>
3.01 General Guidelines	9
3.02 Permitted Investments	9
3.03 Minimum Quality Requirements	11
3.04 Maximum Quantity Restrictions	13
3.05 Prior Permission Required	14
3.06 Prohibited Investments	14
3.07 Securities Lending	15
3.08 Borrowing	15
3.09 Conflicts between the Policy and Pooled Fund Investment Policies	15
<b>Section 4—Monitoring and Control</b>	<b>16</b>
4.01 Delegation of Responsibilities	16
4.02 Performance Measurement	18
4.03 Compliance Reporting by Investment Manager	19
4.04 Standard of Professional Conduct	19
<b>Section 5—Administration</b>	<b>20</b>
5.01 Conflicts of Interest	20
5.02 Related Party Transactions	21
5.03 Selecting Investment Managers	22
5.04 Directed Brokerage Commissions	22
5.05 Monitoring of Asset Mix	22
5.06 Monitoring of Investment Managers	23
5.07 Dismissal of an Investment Manager	23
5.08 Voting Rights	23
5.09 Valuation of Investments Not Regularly Traded	23
5.10 Policy Review	24
<b>Appendix A - Statement of Investment Policies &amp; Procedures Hamilton Municipal Retirement Fund</b>	<b>25</b>
<b>Appendix B - Statement of Investment Policies &amp; Procedures Hamilton Street Railway Pension Plan (1994)</b>	<b>27</b>
<b>Appendix C - Statement of Investment Policies &amp; Procedures The Hamilton-Wentworth Retirement Fund</b>	<b>30</b>
<b>Appendix D – Compliance Reports</b>	<b>32</b>

## 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<sup>1</sup> for each investment category listed in subsection 76(12) of the Regulation 909 to the Pension Benefits Act (Ontario) is as follows:

**PfAD Table**

<b>Investment Category under subsection 76(12) of Regulation 909</b>	<b>Target Asset Allocation<sup>1</sup></b>	<b>Accessed through mutual or pooled or segregated funds</b>
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	28.0%	Yes
14. Non-Canadian stocks other than investments referred to in 1 to 12 above	28.0%	Yes
15. Canadian bonds and debentures other than investments referred to in 1 to 12 above	44.0%	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.

<b>Credit Rating Agency</b>	<b>Rating – Bond Market Securities</b>	<b>Rating – Money Market Securities</b>
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

<sup>1</sup> The target asset allocation indicated in the PfAD table is based on the glidepath positioning as of June 30, 2020.

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%

Return -Seeking Allocation			
Funded Ratio <sup>1 2</sup>	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 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*

There are no active members in the Plan.

##### 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, 2006 annual increases will not be less than the increase provided to retirees under the OMERS plan. .

##### c) *Liabilities*

As of the most recent actuarial valuation of the Plan as at December 31, 2019 there were no active members, 3 deferred members and 174 retirees and beneficiaries.

As of December 31, 2019, the going-concern liability of the plan was \$68,912,831, including a Provision for Adverse Deviation (PfAD) of \$3,700,990, compared to the actuarial value of assets of \$71,445,290. On a solvency basis, the liability was \$57,859,942, while the assets (at market) were \$71,295,290 (net of a provision for

plan windup expenses of \$150,000). On a windup basis, the liability was \$72,819,924.

#### **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.

## Appendix B - 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 31, 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 complete 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, 2020, there were 315 active members, 29 deferred members and 610 retirees and beneficiaries. The average age of the active members was approximately 54.3 years with average pensionable earnings of \$70,474.

As of January 1, 2020, the going-concern liability of the plan was \$228,695,400, including a Provision for Adverse Deviation (PfAD) of \$17,103,300, compared to the actuarial value of assets of \$211,167,500. On a solvency basis, the liability was \$216,314,100 while the assets (at market) were \$210,967,500 (net of a provision for plan windup expenses of \$200,000). On a windup basis the liability was \$315,487,000.

The going-concern deficit is being eliminated through a series of special payments. No special payments are required for the solvency deficit since the solvency ratio exceeds .85.

#### **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).

## Appendix C - 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, 2006 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, 2019, there were no active members, no deferred members and 140 retirees and beneficiaries.

As of December 31, 2019, the going-concern liability of the plan was \$52,830,000, including a Provision for Adverse Deviation (PfAD) of \$4,304,000, compared to the actuarial value of assets of \$54,821,000. On a solvency basis, the liabilities were \$50,907,000 while the assets were \$54,751,000 (net of a provision for plan windup expenses of \$70,000). On a windup basis the liability was \$64,241,000.

**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 D – 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>%</b>	
<b>EQUITIES</b>			
	U.S.		
	EAFE		
	TOTAL FOREIGN		
<b>CASH</b>	<b>SHORT-TERM &amp; CASH</b>		
<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		
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**The City of Hamilton Master Trust  
Active Bond Manager**

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

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<b>CASH</b>	SHORT-TERM & CASH	0%	
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<b>GENERAL</b>	Investment Policy Section 3.01 – General Guidelines		
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**The City of Hamilton Master Trust  
Active Equity Manager**

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

		GUIDELINES	POLICY COMPLIED WITH  YES/NO *
<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		
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