



Hamilton

INFORMATION REPORT

TO:	Chair and Members Audit, Finance and Administration Committee
COMMITTEE DATE:	May 19, 2022
SUBJECT/REPORT NO:	Cemetery Trust Accounts Investment Performance Report – December 31, 2021 (FCS22034) (City Wide)
WARD(S) AFFECTED:	City Wide
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SIGNATURE:	

COUNCIL DIRECTION

Not Applicable.

INFORMATION

Over the 12-month period ending December 31, 2021, the earning rates are 2.93% for the Cemetery Care and Maintenance Trust, 3.17% for the Cemetery Monument Care Trust and 2.98% for the Cemetery Pre-Need Assurance Trust. These earning rates include interest and lending revenue but exclude realized and unrealized capital gains / losses.

Over the same period, the overall returns based on market value which include interest, bond lending revenue, realized and unrealized capital gains / losses are -1.54% for the Cemetery Care and Maintenance, -2.26% for the Cemetery Monument Care and -1.98% for the Cemetery Pre-Need Assurance. The overall return for the benchmark (or Policy return) is -2.54%. As a result, the Cemetery Care and Maintenance out-performed the benchmark by 100 basis points, the Cemetery Monument Care out-performed the benchmark by 28 basis points and the Cemetery Pre-Need Assurance out-performed the benchmark by 56 basis points.

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

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

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

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As of December 31, 2021, the total portfolio market values are \$16,280,578 (with \$818,292 of net unrealized capital gains) for the Cemetery Care and Maintenance Trust, \$1,501,744 (with \$129,732 of net unrealized capital gains) for the Cemetery Monument Care Trust and \$3,829,992 (with \$248,778 of net unrealized capital gains) for the Cemetery Pre-Need Assurance Trust.

Table 1 shows the investment return indicators.

Table 1 - Investment Return Indicators
(for information purposes only)

	12 Months ended 12/31/2021	12 Months ended 12/31/2020	12 Months ended 12/31/2019
Earnings Rate (Excluding Unrealized Capital Gains or Loss)			
Cemetery Care and Maintenance	2.93%	2.98%	3.12%
Cemetery Monument Care	3.17%	3.17%	3.39%
Cemetery Pre-Need Assurance	2.98%	3.01%	3.23%
Total Return			
Cemetery Care and Maintenance	-1.54%	8.25%	5.93%
Cemetery Monument Care	-2.26%	9.55%	7.10%
Cemetery Pre-Need Assurance	-1.98%	9.03%	6.44%
Policy Target (FTSE TMX Canada Universe Bond)	-2.54%	8.68%	6.87%
Bond Lending Revenue			
Cemetery Care and Maintenance	\$ 4,006.38	\$ 3,397.26	\$ 3,045.37
Cemetery Monument Care	\$ 207.97	\$ 209.69	\$ 338.76
Cemetery Pre-Need Assurance	\$ 1,070.98	\$ 712.69	\$ 743.49
Income Earned*			
Cemetery Care and Maintenance	\$ 405,786	\$ 394,102	\$ 382,712
Cemetery Monument Care	\$ 41,374	\$ 39,365	\$ 38,259
Cemetery Pre-Need Assurance	\$ 99,860	\$ 98,499	\$ 98,135
Ending Portfolio Market Value			
Cemetery Care and Maintenance	\$ 16,280,578	\$ 13,552,078	\$ 13,224,970
Cemetery Monument Care	\$ 1,501,744	\$ 1,303,879	\$ 1,228,412
Cemetery Pre-Need Assurance	\$ 3,829,992	\$ 3,441,730	\$ 3,252,248

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

The year started with stable short-term interest rates, with all accounts holding longer-term higher coupon bonds. The previous year, 2020, had ended with strengthening growth and inflation which was deemed to be transitory due to international and domestic relief from COVID-19 and the massive financial stimulus of historically low administered rates as the Bank of Canada stayed at a rate of 0.25% and the Federal Bank in the United States being held at 0.0% other economies were at negative rates. By year end 2021, both Canada and the United States showed growth and inflation well beyond 5.0% and interest rates have since started to rise. The stimulating actions of both countries had advanced both economies to exceed levels of prior inflationary growth and had caught up to and eclipsed the expected targets of 2 to 3% growth.

The Bank of Canada realized that problems with slowing trade, income and economic growth accompanied by significantly increasing market rates of GDP growth reflected increased inflation. This should be transitory and to be prudent by not increasing the official Bank Rate. The response led to slow increasing market rates in all terms and an overall loss in value for all terms through Short to Long fixed income by having a lower than market coupon.

Notwithstanding the markets slow increasing of rates throughout all bond maturities, there were no official Bank Rate changes. There were no official interest rate increases in 2021. The Cemetery Care returned -1.54%, 100bps bettering the bench mark while the Cemetery Monument returned -2.26%, 28bps better than the benchmark. The Cemetery Pre-Need returned -1.98%, 56bps bettering the Canada Universe Index of -2.54%. All funds bettered their benchmarks. As can be seen in Table 1, the earning rate is positive ranging from 2.93% to 3.17% based on cash income / amortized cost.

Going forward, rates are expected to move up progressively to a more normal level. These past historically low levels are forecast to increase aggressively. The frequency and level that will be required to reach equilibrium rates is expected to be moved, as needed, to reduce inflationary aspects and regain a lower less inflationary growing economy. With COVID-19 and variants acting as a block to recovering lost growth, the strategy will be to slowly add five to ten-year terms depending upon conditions and outlook.

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