

**Financial Statements of the Hamilton  
Municipal Retirement Fund Pension Plan**  
December 31, 2021

## Financial Statements December 31, 2021

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## INDEPENDENT AUDITORS' REPORT

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

### ***Opinion***

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

- the statement of net assets available for benefits as at end of December 31, 2021
- the statement of changes in net assets available for benefits for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies (Hereinafter referred to as the “financial statements”).

In our opinion, the accompanying financial statements, present fairly, in all material respects, the financial position of the Plan as at end of December 31, 2021, and its results of operations and its cash flows for the year then ended in accordance with the financial reporting provisions of Section 76 of Regulation 909 of the Pension Benefits Act (Ontario).

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

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

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

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

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

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

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

Our opinion is not modified in respect of this matter.



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

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

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

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

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

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

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

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

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

We also:

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

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



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- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Plan's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Plan to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

Chartered Professional Accountants, Licensed Public Accountants

Hamilton, Canada  
September 7, 2022

Hamilton Municipal Retirement Fund Pension Plan

**Statement of Net Assets Available for Benefits**

DECEMBER 31, 2021, with comparative information for 2020

	2021	2020
	\$	\$
<b>ASSETS</b>		
Investments		
Investment in Master Trust (note 4a)	73,602,832	70,927,158
Cash in Plan (note 4a)	110,818	67,585
Accrued investment income	79,589	68,367
	<b>73,793,239</b>	<b>71,063,110</b>
<b>LIABILITIES</b>		
Accrued liabilities	71,674	32,658
	<b>73,721,565</b>	<b>71,030,452</b>

On behalf of the Pension Plan Administrator



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

Hamilton Municipal Retirement Fund Pension Plan

**Statement of Changes in Net Assets Available for Benefits**

Year Ended DECEMBER 31, 2021, with comparative information for 2020

	2021 \$	2020 \$
<b>INCREASE IN NET ASSETS</b>		
Investment income (note 5)	2,083,707	5,764,658
Net realized gain (loss) on investments	3,773,761	(220,844)
Change in fair value of investments	2,606,844	179,997
	8,464,312	5,723,811
<b>DECREASE IN NET ASSETS</b>		
Pension benefits	5,490,831	5,900,352
Administrative expenses and professional fees (note 6)	282,368	238,297
	5,773,199	6,138,649
<b>NET INCREASE (DECREASE) FOR THE YEAR</b>	2,691,113	(414,838)
<b>NET ASSETS AVAILABLE FOR BENEFITS AT THE BEGINNING OF THE YEAR</b>	71,030,452	71,445,290
<b>NET ASSETS AVAILABLE FOR BENEFITS AT THE END OF THE YEAR</b>	73,721,565	71,030,452

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

## Notes to Financial Statements

DECEMBER 31, 2021

### 1. Description of the Plan

The Hamilton Municipal Retirement Fund ("HMRF") Pension Plan (the "Pension Plan") is a contributory defined benefit pension plan. The Pension Plan is registered under the Pension Benefits Act, 1987 (Ontario) (the "Act"), Registration Number 0275123. In accordance with a provision of the Ontario Municipal Employees Retirement System (OMERS) from July 1, 1965, all new employees of the City of Hamilton (the "City") are included under OMERS rather than the Pension Plan. As a consequence, the membership of the Pension Plan has become closed to new entrants and will decrease as existing members terminate. The Pension Plan's head office is located at 71 Main Street West, Hamilton, Ontario.

These fund financial statements have been approved and authorized for issue by the Treasurer of the City, as plan sponsor of the Hamilton Municipal Retirement Fund Pension Plan on September 7, 2022.

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

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

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

### 2. Basis of preparation

#### a) Basis of presentation

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

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

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

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



## Notes to Financial Statements

DECEMBER 31, 2021

### 2. Basis of preparation (continued)

b) Basis of measurement

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

c) Functional and presentation currency

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

### 3. Significant accounting policies

a) Financial assets and financial liabilities

(i) Non-derivative financial assets

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

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

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

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

## Notes to Financial Statements

DECEMBER 31, 2021

### 3. Significant accounting policies (continued)

a) Financial assets and financial liabilities (continued)

(ii) Non-derivative financial liabilities

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

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

(iii) Derivative financial instruments

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

b) Fair value measurement

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

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

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

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

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

## Notes to Financial Statements

DECEMBER 31, 2021

### 3. Significant accounting policies (continued)

#### b) Fair value measurement (continued)

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

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

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

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

#### c) Net investment income

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

#### d) Realized and unrealized gain (loss) on investments

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

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

#### e) Income taxes

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

## Notes to Financial Statements

DECEMBER 31, 2021

### 3. Significant accounting policies (continued)

f) Foreign currency

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

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

g) Use of estimates and judgments

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

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

### 4. Investments

a) Plan and Master Trust investments

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

Master Trust	2021			2020		
	Cost \$	Market Value \$	Unrealized Gain (Loss) \$	Cost \$	Market Value \$	Unrealized Gain (Loss) \$
Cash	2,029,625	2,029,625	-	153,960	153,960	-
Short term notes and treasury bills	1,005,087	1,005,087	-	3,295,721	3,295,721	-
Canadian bonds and debentures	113,004,035	125,940,612	12,936,577	56,163,514	64,529,135	8,365,621
Canadian pooled bond fund	88,565,553	74,759,247	(13,806,306)	88,279,275	79,221,110	(9,058,165)
Canadian corporate shares	53,677,060	79,501,367	25,824,307	76,448,759	94,425,136	17,976,377
Other Equity Investments - Warrants	38,061	76,527	38,466	-	-	-
Canadian pooled equity fund	33,233,966	19,499,614	(13,734,352)	44,432,642	22,403,565	(22,029,077)
Foreign corporate shares	2,807,221	3,059,647	252,426	4,352,002	3,872,626	(479,376)
Foreign pooled equity fund	38,713,325	56,442,369	17,729,044	54,364,546	75,738,253	21,373,707
	333,073,933	362,314,095	29,240,162	327,490,419	343,639,506	16,149,087

Hamilton Municipal Retirement Fund Pension Plan

**Notes to Financial Statements**

DECEMBER 31, 2021

**4. Investments (continued)**

a) Plan and Master Trust investments (continued)

The following table provides details of the Pension Plan's proportionate interest of 20.3% (2020 - 20.6%) of underlying investments held within the Master Trust:

Master Trust HMRF Shares	2021			2020		
	Cost \$	Market Value \$	Unrealized Gain (Loss) \$	Cost \$	Market Value \$	Unrealized Gain (Loss) \$
Cash	412,294	412,312	18	31,777	31,778	1
Short term notes and treasury bills	204,171	204,180	9	680,208	680,236	28
Canadian bonds and debentures	22,955,420	25,584,392	2,628,972	11,591,659	13,318,807	1,727,148
Canadian pooled bond fund	17,991,034	15,187,078	(2,803,956)	18,220,072	16,351,229	(1,868,843)
Canadian corporate shares	10,903,854	16,150,422	5,246,568	15,778,356	19,489,338	3,710,982
Other Equity Investments - Warrants	7,732	15,546	7,814	-	-	-
Canadian pooled equity fund	6,751,083	3,961,278	(2,789,805)	9,170,509	4,624,094	(4,546,415)
Foreign corporate shares	570,255	621,556	51,301	898,215	799,309	(98,906)
Foreign pooled equity fund	7,864,150	11,466,068	3,601,918	11,220,367	15,632,367	4,412,000
	67,659,993	73,602,832	5,942,839	67,591,163	70,927,158	3,335,995

The Pension Plan also directly holds cash of \$110,818 (2020 - \$67,585).

b) Fair value

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

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

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

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

## Hamilton Municipal Retirement Fund Pension Plan

## Notes to Financial Statements

DECEMBER 31, 2021

## 4. Investments (continued)

## b) Fair value (continued)

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

The Pension Plan's investment in Master Trust is classified as Level 2. The following table presents the classification of the investments held within the Master Trust and those held directly by the Pension Plan at December 31, 2021, using the fair value hierarchy:

	2021			2021 Market Value		
	Cost \$	Market Value \$	Unrealized Gain (Loss) \$	Level 1 \$	Level 2 \$	Level 3 \$
Cash	523,112	523,130	18	523,130	-	-
Short term notes and treasury bills	204,171	204,180	9	-	204,180	-
Canadian bonds and debentures	22,955,420	25,584,392	2,628,972	-	25,584,392	-
Canadian pooled bond fund	17,991,034	15,187,078	(2,803,956)	-	15,187,078	-
Canadian corporate shares	10,903,854	16,150,422	5,246,568	16,150,422	-	-
Other Equity Investments - Warrants	7,732	15,546	7,814	15,546	-	-
Canadian pooled equity fund	6,751,083	3,961,278	(2,789,805)	-	3,961,278	-
Foreign corporate shares	570,255	621,556	51,301	621,556	-	-
Foreign pooled equity fund	7,864,150	11,466,068	3,601,918	-	11,466,068	-
	6,770,811	73,713,650	5,942,839	17,310,654	56,402,996	-

  

	2020			2020 Market Value		
	Cost \$	Market Value \$	Unrealized Gain (Loss) \$	Level 1 \$	Level 2 \$	Level 3 \$
Cash	99,362	99,363	1	99,363	-	-
Short term notes and treasury bills	680,208	680,236	28	-	680,236	-
Canadian bonds and debentures	11,591,659	13,318,807	1,727,148	-	13,318,807	-
Canadian pooled bond fund	18,220,072	16,351,229	(1,868,843)	-	16,351,229	-
Canadian corporate shares	15,778,356	19,489,338	3,710,982	19,489,338	-	-
Canadian pooled equity fund	9,170,509	4,624,094	(4,546,415)	-	4,624,094	-
Foreign corporate shares	898,215	799,309	(98,906)	799,309	-	-
Foreign pooled equity fund	11,220,367	15,632,367	4,412,000	-	15,632,367	-
	67,658,748	70,994,743	3,335,995	20,388,010	50,606,733	-

## Notes to Financial Statements

DECEMBER 31, 2021

### 4. Investments (continued)

#### b) Fair value (continued)

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

#### c) Investments – Financial instrument risk

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

##### Credit risk

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

Fixed income investments include cash, short-term notes and treasury bills, Canadian bonds and debentures and Canadian pooled bond funds. As at December 31, 2021, the Pension Plan's fixed income investments exposure to credit risk is as follows:

Type	Credit Rating	2021 % of Total Fund	2021 Amount \$	2020 % of Total Fund	2020 Amount \$
Corporate	AAA/AA	0.1%	45,494	0.3%	93,139
	A	6.3%	2,620,288	13.1%	4,000,055
	BBB	2.8%	1,175,187	7.2%	2,184,670
Provincial	n/a	20.7%	8,597,819	24.9%	7,582,267
Federal	n/a	67.3%	27,919,358	50.7%	15,427,892
Cash	n/a	2.8%	1,140,634	3.8%	1,161,612
		100.0%	41,498,780	100.0%	30,449,635

The fixed income investments mature as follows; \$668,569 within 1 year, \$2,039,584 within 1- 10 years and \$38,791,623 in greater than 10 years.

##### Market price risk

Market price risk is the risk that the fair value of a financial instrument will fluctuate as a result of changes in the market prices caused by factors specific to the individual financial instruments, its issuer, or factors affecting similar financial instruments traded in the public capital markets. As at December 31, 2021, the Pension Plan's equity exposure of \$32,214,872 (2020 - \$40,545,108) represented 43.7% (2020 - 57.1%) of the Pension Plan's investments. As at December 31, 2021, if the prices of securities had increased or decreased by ten percent, the effect on the assets, with all other variables held constant, would be \$3,221,487 (2020 - \$4,054,511).

## Notes to Financial Statements

DECEMBER 31, 2021

### 4. Investments (continued)

c) Investments – Financial instrument risk (continued)

Currency risk

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

As at December 31, 2021, the Pension Plan's exposure to foreign currency, in Canadian dollars, is as follows:

Type	2021 % of Total Fund	2021 Amount \$	2020 % of Total Fund	2020 Amount \$
United States dollar	8.1%	5,936,151	10.6%	7,525,062
Euro	3.3%	2,432,321	4.0%	2,822,387
Pound sterling	1.7%	1,275,276	2.3%	1,613,526
Japanese yen	2.2%	1,620,700	2.8%	1,978,955
Swiss franc	0.8%	558,194	0.9%	672,096
South Korean Won	0.5%	401,312	0.2%	171,956
New Taiwan dollar	1.1 %	825,557	1.5%	1,031,736
Renminbi	0.8%	584,769	2.2%	1,563,237
Hong Kong dollar	0.4%	328,993	0.7%	476,420
Russian ruble	0.6%	458,643	1.0%	719,089
Thai baht	0.0%	11,466	0.0%	31,265
Swedish kronor	0.1%	104,513	0.3%	231,429
Brazilian real	0.1%	86,075	0.1%	78,162
Indian rupee	0.3%	194,923	0.3%	187,588
South African rand	0.0%	22,932	0.2%	125,059
Australian dollar	0.3%	206,161	0.6%	416,995
Other foreign currencies	1.6%	822,565	1.6%	1,197,056
	21.9%	15,870,551	29.3%	20,842,018



## Notes to Financial Statements

DECEMBER 31, 2021

### 4. Investments (continued)

c) Investments – Financial instrument risk (continued)

Currency risk (continued)

As at December 31, 2021, if the Canadian dollar had strengthened/weakened by five percent in relation to other currencies, with all other variables held constant, the effect on the assets would be as follows:

Type	2021 Change in Currency	2021 Amount \$	2020 Change in Currency	2020 Amount \$
United States dollar	+/- 5%	296,808	+/- 5%	376,253
Euro		121,616		141,119
Pound sterling		63,764		80,676
Japanese yen		81,035		98,948
Swiss franc		27,910		33,605
South Korean Won		20,066		8,598
New Taiwan dollar		41,278		51,587
Renminbi		29,238		78,162
Hong Kong dollar		16,450		23,821
Russian ruble		22,932		35,954
Thai baht		573		1,563
Swedish kronor		5,226		11,571
Brazilian real		4,304		3,908
Indian rupee		9,746		9,379
South African rand		1,147		6,253
Australian dollar		10,308		20,850
Other foreign currencies		41,126		59,854
		793,527		1,042,101

### Interest rate risk

Interest rate risk refers to the effect on the market value of the Pension Plan's assets and liabilities due to fluctuations in interest rates. As at December 31, 2021, the Pension Fund's fixed income investments with exposure to interest rate risk is \$40,358,146 (2020 - \$29,288,023). As at December 31, 2021, if the nominal interest rate had increased or decreased by one percent, the effect on the assets, with all other variables held constant, would be \$6,461,399 (2020 - \$4,662,653).

## Notes to Financial Statements

DECEMBER 31, 2021

### 4. Investments (continued)

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

##### Liquidity risk

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

#### d) Statutory disclosure

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

	Rate or Units	Maturity	Fair Value 2021 \$
Canadian bonds and debentures			
Government of Canada Unsecured Inflation Linked	1.25%	12/1/2047	3,587,700
Canada Real Return Bond	4.00%	12/1/2031	4,784,642
Canada Real Return Bond	4.25%	12/1/2026	2,036,600
Government of Canada Real Return Bond	1.50%	12/1/2044	3,473,020
Government of Canada Series	2.00%	12/1/2041	4,453,105
Government of Canada Series	3.00%	12/1/2036	3,815,725
Government of Canada Series	0.50%	12/1/2050	3,433,600
Canadian pooled bond fund			
TD Emerald Active CDN Long Bond Pooled Fund	1,854,992		15,187,078
Canadian corporate shares			
Bank of Montreal	5,569		758,478
Royal Bank of Canada	5,920		794,855
Canadian and foreign pooled equity funds			
Aberdeen Canada Global Equity Fund	871,032		3,866,409
Global Equity Allocation Fund III	297,601		11,466,068

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**5. Investment income**

	2021	2020
	\$	\$
Fixed income	655,189	1,161,333
Equities	1,406,289	4,524,000
Cash	22,229	79,325
	<b>2,083,707</b>	<b>5,764,658</b>

**6. Administrative expenses and professional fees**

	2021	2020
	\$	\$
Actuarial fees	30,642	51,209
Trustee and legal fees	12,655	10,094
Administrative expenses	68,082	68,082
Investment management fees	170,989	108,912
	<b>282,368</b>	<b>238,297</b>

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

**7. Related party transactions**

During the year, the City of Hamilton charged administrative expenses to the Pension Plan in the amount of \$68,082 (2020 - \$68,082). The next actuarial valuation should be performed with an effective date not later than December 31, 2022.

**8. Capital risk management**

The main objective of the Pension Plan is to sustain a certain level of net assets in order to meet the pension obligations of the Hamilton Municipal Retirement Fund Pension Plan, which are not presented or discussed in these specified-purpose financial statements. The Pension Plan fulfils its primary objective by adhering to specific investment policies outlined in the Statement of Investment Policies and Procedures (the "SIP&P"), which is reviewed annually by the City. The inception date of the Master Trust and SIP&P is November 1, 1999. The SIP&P was last amended and approved on December 15, 2021. The amendment contains minor changes made to enhance clarity.

The Pension Plan manages net assets by engaging knowledgeable investment managers who are charged with the responsibility of investing existing funds and new funds (current year employer contributions) in accordance with the approved SIP&P. Increases in net assets available for benefits are direct results of investment income generated by investments held by the Plan and contributions into the Plan by eligible employees and by the City. The main use of net assets available for benefits is for the benefit payments to eligible Plan members. Although there are no regulatory requirements relating to the level of assets, the funding to be maintained by the Plan is determined through triennial actuarial valuations. There were no contributions that were past due at December 31, 2021. The Pension Plan is required to file fund financial statements with FSRA.

## Notes to Financial Statements

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### 8. Capital risk management (continued)

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

Asset category	Classification based on SIP&P	SIP&P allocation target (%)	2021	2020
Canadian Equity	Return seeking	20%	23.7%	29.7%
Global Equity	Return seeking	19%	20.8%	28.4%
Long-term bonds	Liability hedging	18%	20.6%	23.1%
Real Return bonds	Liability hedging	43%	34.9%	18.8%
		100%	100%	100%

As at December 31, 2021, the Plan was not in compliance with the asset allocation identified in the SIP&P. This was remedied by management in March 2022.

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**Supplemental Appendix  
(Unaudited)**

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

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

Asset Categories	Benchmark	Annual rate of investment return (%)	
		As at December 31	
		2021	2020
Long-term Bonds	FTSE Canada Long-term Bond Index	-4.2%	12.3%
Real Return Bonds	FTSE Canada Real Return Bond Index	1.9%	13.2%
Canadian Equities	S&P/TSX Composite	29.3%	-0.5%
Global Equities	MSCI World Index (C\$)	15.9%	8.6%