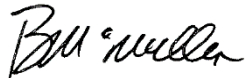




## INFORMATION REPORT

<b>TO:</b>	Chair and Members Audit, Finance and Administration Committee
<b>COMMITTEE DATE:</b>	May 18, 2023
<b>SUBJECT/REPORT NO:</b>	Cemetery Trust Accounts Investment Performance Report – December 31, 2022 (FCS23053) (City Wide)
<b>WARD(S) AFFECTED:</b>	City Wide
<b>PREPARED BY:</b>	Gerald T. Boychuk (905) 546-2424 Ext. 4321 Brandon A. Teglas (905) 546-2424 Ext. 4363
<b>SUBMITTED BY:</b>	Brian McMullen Director, Financial Planning, Administration and Policy Corporate Services Department
<b>SIGNATURE:</b>	

### COUNCIL DIRECTION

Not Applicable.

### INFORMATION

Over the 12-month period ending December 31, 2022, the earnings rates are 3.01% for the Cemetery Care and Maintenance Trust, 3.32% for the Cemetery Monument Care Trust and 3.09% for the Cemetery Pre-Need Assurance Trust. These earning rates include interest income and bond lending revenue but exclude realized and unrealized capital gains / losses.

Over the same period, the overall returns based on market value (which include interest, lending revenue, realized and unrealized capital gains / losses) are -8.35% for the Cemetery Care and Maintenance, -8.77% for the Cemetery Monument Care and -9.33% for the Cemetery Pre-Need Assurance. The overall return for the benchmark (or Policy return) is -11.69%. As a result, the Cemetery Care and Maintenance out-performed the benchmark by 334 basis points, the Cemetery Monument Care out-performed the benchmark by 292 basis points and the Cemetery Pre-Need Assurance out-performed the benchmark by 236 basis points.

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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.

**SUBJECT: Cemetery Trust Accounts Investment Performance Report –  
December 31, 2022 (FCS23053) (City Wide) – Page 2 of 3**

As of December 31, 2022, the total portfolio market values are \$16,101,842 (with \$1,018,870 of net unrealized capital losses) for the Cemetery Care and Maintenance Trust, \$1,324,943 (with \$46,409 of net unrealized capital losses) for the Cemetery Monument Care Trust and \$3,336,127 (with \$213,794 of net unrealized capital losses) 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 12/31/2022	12 Months ended 12/31/2021	12 Months ended 12/31/2020
<b>Earnings Rate (Excluding Unrealized Capital Gains or Loss)</b>			
Cemetery Care and Maintenance	3.01%	2.93%	2.98%
Cemetery Monument Care	3.32%	3.17%	3.17%
Cemetery Pre-Need Assurance	3.09%	2.98%	3.01%
<b>Total Return</b>			
Cemetery Care and Maintenance	-8.35%	-1.54%	8.25%
Cemetery Monument Care	-8.77%	-2.26%	9.55%
Cemetery Pre-Need Assurance	-9.33%	-1.98%	9.03%
Policy Target (FTSE TMX Canada Universe Bond)	-11.69%	-2.54%	8.68%
<b>Bond Lending Revenue</b>			
Cemetery Care and Maintenance	\$ 5,461.51	\$ 4,006.38	\$ 3,397.26
Cemetery Monument Care	\$ 695.56	\$ 207.97	\$ 209.69
Cemetery Pre-Need Assurance	\$ 1,451.78	\$ 1,070.98	\$ 712.69
<b>Income Earned*</b>			
Cemetery Care and Maintenance	\$ 436,867	\$ 405,786	\$ 394,102
Cemetery Monument Care	\$ 45,403	\$ 41,374	\$ 39,365
Cemetery Pre-Need Assurance	\$ 107,782	\$ 99,860	\$ 98,499
<b>Ending Portfolio Market Value</b>			
Cemetery Care and Maintenance	\$ 16,101,842	\$ 16,280,578	\$ 13,552,078
Cemetery Monument Care	\$ 1,324,943	\$ 1,501,744	\$ 1,303,879
Cemetery Pre-Need Assurance	\$ 3,366,127	\$ 3,829,992	\$ 3,441,730

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

The year 2022 started with stable short-term interest rates which remained stable through 2021. The Canadian Bank Rate remained at 0.25% and the United States Bank Rate holding at 0.0% to March 2, 2022. The previous year, 2021, 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 the Bank of Canada stayed at a rate of 0.25%. By year end 2022, both Canada and the United States showed growth and inflation well beyond 7.0% and interest rates started to rise strongly.

In 2022, a new problem arose. COVID-19 was considered as being under control but the invasion of Ukraine by Russia with trade relations, travel and inter-actions amongst countries increased costs and decreased availability of goods, services, materials and labour. 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 growth reaching double digits in some countries; reaching a high of about +7% in Canada.

The Bank of Canada realized that problems with slowing trade, income and economic growth accompanied by significantly increasing market rates and GDP growth reflects increased inflation as well. They responded March 2 by raising the Bank Rate by 0.25% to 0.50% and continued increasing market rates six times into 2023. This action left the bank rate of 4.25% at year end 2022 accompanied by Quantitative Tightening. Market rates rose to a level closer to normal with unprecedented rapid price changes. This affected all bond and short-term securities, depreciating their values in the short term and impacted all the Cemetery accounts at year end.

The Canada Universe Index benchmark rate for all three Cemetery accounts in 2022 was -11.69%. All funds bettered their benchmarks. The Cemetery Care returned -8.35%, 335 bps bettering the bench mark while the Cemetery Monument returned -8.77%, 292 bps better than the benchmark. The Cemetery Pre-Need returned -9.33%, 236 bps better than the benchmark. As can be seen in the table above the earning rate is positive ranging from 3.01% to 3.32% based on cash income / amortized cost.

Going forward, rates are expected to move up or down depending upon the level of inflation in the GDP movement going forward. The frequency and level that will be required to reach equilibrium rates is expected to move 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 10-year terms depending upon conditions and outlook. Cash holdings as well are likely to be kept at a fairly high level.

GB/BT/dt