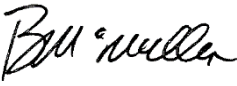




INFORMATION REPORT

TO:	Chair and Members HMRF / HWRF Pension Administration Sub-Committee
COMMITTEE DATE:	November 20, 2023
SUBJECT/REPORT NO:	Master Trust Pension Investment Performance Report as at June 30, 2023 (FCS23094) (City Wide)
WARD(S) AFFECTED:	City Wide
PREPARED BY:	Gerald T. Boychuk (905) 546-4321
SUBMITTED BY:	Brian McMullen Director, Financial Planning, Administration and Policy Corporate Services Department
SIGNATURE:	

COUNCIL DIRECTION

Not Applicable.

INFORMATION

Attached, as Appendix "A" to Report FCS23094, is Aon's investment performance report for the Hamilton Municipal Retirement Fund (HMRF), the Hamilton-Wentworth Retirement Fund (HWRF) and the Hamilton Street Railway (HSR), as of June 30, 2023. Together, the three pension funds make up the Master Trust, which is referred to as the "Plan" in Report FCS23094.

The Plan's return for the one-year period ended June 30, 2023 of 9.5% equalled its benchmark of 9.5%. The market value of the assets of the Plan totalled \$296.7 M compared to \$292 M as of June 30, 2022, an increase of \$4.7 M.

The funded ratio increased to 86.2%. Currently, a funding ratio of 86.2% enables a range of 48% to 68% for the Liability Matching Component (LMC) and the fund is at 53.9% (Fixed Income). The ultimate target contemplates 80% fixed income as interest rates rise and value of assets increases relative to liability present values.

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: Master Trust Pension Investment Performance Report as at
June 30, 2023 (FCS23094) (City Wide) – Page 2 of 4**

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

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

	12 Months Ended Jun.30/23	12 Months Ended Jun.30/22	12 Months Ended Jun.30/21	12 Months Ended Jun.30/20	12 Months Ended Jun.30/19
Plan Return	9.5%	-12.1%	19.1%	0.2%	4.1%
Benchmark	9.5%	-11.8%	14.1%	7.1%	6.4%
Value Added	0.0%	-0.3%	5.0%	-6.9%	-2.3%
Market Value (\$ Millions)	\$296.7	\$292.0	\$355.4	\$318.8	\$336.4
Funded Ratio	86.2%	80.3%	82.9%	73.0%	76.2%

The Plan's performance may be compared to the return earned in the broader pension market in Canada. Attached, as Appendix "B" to Report FCS23094, RBC Investor & Treasury Service reports its universe of pension funds, totalling C\$4.40 Trillion with a median return of 0.8% in the quarter ended June 30, 2023. The Plan's quarterly return of 1.3% outperformed the universe's median quarterly return of 0.8% by 0.5%, with a value added of 0.5%.

Asset Mix

Table 2 shows the percentage of Plan assets in each asset class as of June 30, 2023 compared to June 30, 2022.

Table 2
Percentage of Plan Assets in Each Asset Class

Asset Class	Jun.30/23	Jun.30/22	Change	Maximum
Canadian Equity	27.4%	25.2%	+2.2%	28.0%
Global Equity	18.0%	19.3%	-1.3%	27.0%
Total Equity	45.4%	44.5%	+0.9%	
Canadian Fixed Income	53.9%	55.4%	-1.5%	65.0%
Cash	0.6%	0.1%	+0.5%	

Note: Anomalies due to rounding

Managers' Performance

Managers' investment performance relative to their benchmark is summarized in Table 3. One-year rates of return are as of June 30, 2023.

Table 3
Managers' Performance
One-Year Period Ended Jun. 30/23

	Manager Return	Benchmark Return	Value Added (Manager Return less Benchmark Return)	Percentage Total Assets
Canadian Equity:				
Guardian	13.0%	10.4%	+2.6%	14.5%
Letko	13.0%	10.4%	+2.6%	12.9%
Global Equity				
Aberdeen ⁽¹⁾	25.3%	21.6%	+3.7%	4.5%
GMO ⁽²⁾	18.8%	21.6%	-2.8%	13.6%
Fixed Income:				
TDAM Long Bonds ⁽³⁾	6.2%	5.9%	+0.3%	18.9%
TDAM Real Return Bonds ⁽³⁾	3.5%	3.4%	+0.1%	34.9%

Notes: ⁽¹⁾ Engaged in April 2010

⁽²⁾ Engaged in July 2010

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

Given the recent economic problems with COVID-19, tariffs and supply chain issues, Global markets have also seen contraction from future uncertainty. The Master Trust has performed acceptably over the past twelve months, returning 9.5% despite the Russia-Ukraine war, as well as, rapidly increasing Central bank interest rates attempting to combat inflation. The Master Trust has progressed to where two of our pension accounts are at, or very near fully funded.

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A new investment approach, such as immunization through annuities, is being considered. This is dependent upon continuing to increase the 86.2% Funded Ratio, as well as, hiring an Outsourced Chief Investment Officer (OCIO) to assist in executing a new strategy, or altering the current liability driven strategy. This OCIO would support in obtaining new management processes and achieve an appropriate asset mix to match the current liabilities in the plan, given economic conditions worldwide. Also, staff would be tracking exposure ranges to meet the goal of an expected wind-up at a reasonable cost, based on more recent liabilities and expected returns, as well as, investment strategy.

Staff are in the final stages of hiring an OCIO. Qualified proposals were considered to fulfil the role. Evaluations have concluded. Investment Management Corporation of Ontario (IMCO) has been selected as the preferred proponent and terms and conditions of an agreement are being negotiated.

APPENDICES AND SCHEDULES ATTACHED

Appendix “A” to Report FCS23094 – City of Hamilton Master Trust Defined Benefit Plan Second Quarter 2023 – AON Quarterly Investment Review

Appendix “B” to Report FCS23094 – Canadian DB pension plans navigated Q2 2023 with steady returns, reveals RBC Investor Services analysis – RBC Investor & Treasury Services

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