




## INFORMATION REPORT

<b>TO:</b>	Chair and Members Audit, Finance and Administration Committee
<b>COMMITTEE DATE:</b>	March 20, 2025
<b>SUBJECT/REPORT NO:</b>	Master Trust Pension Investment Performance Report as at June 30, 2024 (FCS25007) (City Wide)
<b>WARD(S) AFFECTED:</b>	City Wide
<b>PREPARED BY:</b>	Gerald T. Boychuk (905) 546-2424 Ext. 4321 Brandon Teglas (905) 546-2424 Ext. 4363
<b>SUBMITTED BY:</b>	Mike Zegarac General Manager, Finance and Corporate Services Corporate Services Department
<b>SIGNATURE:</b>	

### COUNCIL DIRECTION

Not Applicable.

### INFORMATION

Attached, as Appendix “A” to Report FCS25007, is Aon Solutions Canada Inc.’s (Aon) investment performance report for the City of Hamilton Master Trust as at June 30, 2024. The Master Trust is comprised of Hamilton Municipal Retirement Fund (HMRF), the Hamilton-Wentworth Retirement Fund (HWRF) and the Hamilton Street Railway Pension Plan (HSR). The Master Trust is referred to as the “Plan” in Report FCS25007.

The Plan’s return for the one-year period ending June 30, 2024 of 7.9% underperformed its benchmark of 8.5% by 0.6%. The market value of the assets of the Plan totalled \$295.2 M compared to \$296.7 M as of June 30, 2023, a decrease of \$1.5 M.

The funded ratio of assets to liabilities increased to 93.4%. Currently, a funding ratio of 93.4% enables a range of 64% to 84% for the Liability Matching Component (LMC) and the fund is at 52.0% of fixed income assets. Ultimately, under the investment policy, if the funded ratio reaches 100% the policy contemplates a target of 80% of fixed income assets.

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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.

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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.30/24	12 Months Ended Jun.30/23	12 Months Ended Jun.30/22	12 Months Ended Jun.30/21	12 Months Ended Jun.30/20
Plan Return	7.9%	9.5%	-12.1%	19.1%	0.2%
Benchmark	8.5%	9.5%	-11.8%	14.1%	7.1%
Value Added	-0.6%	0.0%	-0.3%	5.0%	-6.9%
Market Value (\$ Millions)	\$295.2	\$296.7	\$292.0	\$355.4	\$318.8
Funded Ratio	93.4%	86.2%	80.3%	82.9%	73.0%

The Plan's performance may be compared to the return earned in the broader pension market in Canada. Attached, as Appendix "B" to Report FCS25007, RBC Investor & Treasury Services reports its universe of pension funds, totalling C\$4.40 trillion, with a median return of 1.1% in the quarter ended June 30, 2024. The Plan's quarterly return of 0.8% underperformed the universe's median quarterly return of 1.1% by 0.3%.

**Asset Mix**

Table 2 shows the percentage of Plan assets in each asset class as of June 30, 2024, compared to June 30, 2023.

**Table 2**  
Percentage of Plan Assets in Each Asset Class

Asset Class	Jun.30/24	Jun.30/23	Change
Canadian Equity	27.7%	27.4%	+0.3%
Global Equity	<u>20.1%</u>	<u>18.0%</u>	<u>+2.1%</u>
Total Equity	47.8%	45.4%	+2.4%
Canadian Fixed Income	52.0%	53.9%	-1.9%
Cash	0.2%	0.6%	-0.4%

Note: Anomalies due to rounding

The Master Trust asset mix as of June 30, 2024 of 47.8% equity and 52.0% fixed income was outside of its prescribed boundaries set by the Plan's investment policy given a funded ratio of 93.4%. Aon recommend that a rebalancing of the portfolio such that fixed income is at 64.5%. This rebalancing is going to be deferred until the Outsourced Chief Investment Officer (OCIO) is engaged, which is expected in early 2025, because a major review of the Master Trust investment policy will be undertaken at that time.

### Managers' Performance

Managers' investment performance relative to their benchmark is summarized in Table 3. One-year rates of return are as of June 30, 2024.

**Table 3**  
Managers' Performance  
One-Year Period Ended Jun. 30/24

	Manager Return	Benchmark Return	Value Added (Manager Return less Benchmark Return)	Percentage Total Assets
Canadian Equity:				
Guardian	17.9%	12.1%	+5.8%	16.4%
Letko	9.8%	12.1%	-2.3%	11.3%
Global Equity				
Aberdeen <sup>(1)</sup>	17.6%	24.3%	-6.7%	5.3%
GMO <sup>(2)</sup>	20.6%	24.3%	-3.7%	14.8%
Fixed Income:				
TDAM Long Bonds <sup>(3)</sup>	0.5%	0.4%	+0.1%	17.1%
TDAM Real Return Bonds <sup>(3)</sup>	1.2%	1.5%	-0.3%	34.9%

Notes: <sup>(1)</sup> Engaged in April 2010

<sup>(2)</sup> Engaged in July 2010

<sup>(3)</sup> Toronto Dominion Asset Management (TDAM) engaged in March 2012

In the first half of 2024, the global equity markets rose as news emerged of a more positive outlook as regards earnings, easing inflation and performance of the tech giants. The Bank of Canada cut its benchmark interest rate by 25 basis points to 4.75% and the Federal Reserve remained unchanged at 5.5%. So far in the second half of

2024, the Bank of Canada has further cut its policy rate by 100 basis points to 3.75% and the Federal Reserve has cut its policy rate by 75 basis points to 4.75%.

Given the Master Trust's high funded ratio, 93.4% as of June 30, 2024, an investment approach, such as immunization through annuities, continues to be evaluated. This is dependent upon the Funded Ratio remaining at a favourable level.

Additionally, the hiring of an OCIO continues to be pursued 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 monitoring 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 currently being negotiated.

#### **APPENDICES AND SCHEDULES ATTACHED**

Appendix "A" to Report FCS25007 – City of Hamilton Master Trust Defined Benefit Plan Second Quarter 2024 – AON Quarterly Investment Review

Appendix "B" to Report FCS25007 – RBC Investor Services' Canadian pension plans near flat in Q2 2024: RBC Investor & Treasury Services