




**CITY OF HAMILTON**  
**CORPORATE SERVICES DEPARTMENT**  
**Financial Planning, Administration and Policy Division**

<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 Statement of Investment Policies and Procedures (FCS25008) (City Wide)
<b>WARD(S) AFFECTED:</b>	City Wide
<b>PREPARED BY:</b>	Rosaria Morelli (905) 546-2424 Ext. 1390
<b>SUBMITTED BY:</b>	Mike Zegarac General Manager, Finance and Corporate Services Corporate Services Department
<b>SIGNATURE:</b>	

**RECOMMENDATION(S)**

- (a) That Appendix “A” to Report FCS25008, respecting the 2024 City of Hamilton Defined Benefit Pension Plans Master Trust Statement of Investment Policies and Procedures, be approved and replace the previous 2023 City of Hamilton Defined Benefit Pension Plans Master Trust Statement of Investment Policies and Procedures contained in Report FCS23098 and approved by Council on January 24, 2024; and
- (b) That report FCS25008 and Appendix “A” to Report FCS25008, respecting the 2024 City of Hamilton Defined Benefit Pension Plans Master Trust Statement of Investment Policies and Procedures, be forwarded to the HMRF/ HWRF Pension Administration Sub-Committee and to the Hamilton Street Railway Pension Advisory Committee for their information.

**EXECUTIVE SUMMARY**

The Statement of Investment Policies and Procedures for the City of Hamilton Defined Benefit Pension Plans Master Trust (the “Master Trust SIPP”) has been updated as a result of the annual formal review required under the Master Trust SIPP. The updated Master Trust SIPP is attached as Appendix “A” to Report FCS25008.

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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.

The Master Trust SIPP comprises the investment policies of the Hamilton Municipal Retirement Fund (HMRF) pension plan, the Hamilton Street Railway Company Pension Plan, 1994 (HSR) and the Hamilton-Wentworth Retirement Fund (HWRF) pension plan.

In terms of amendments made to the Master Trust SIPP in this year's annual review, firstly, the data pertaining to the Provision for Adverse Deviations (PfAD) was updated in the Master Trust SIPP.

The PfAD is a reserve that pension plans are required to establish and fund on a going-concern basis and which is part of the pension funding regime for Ontario defined benefit pension plans effective as of May 1, 2018.

Amendments pertaining to the PfAD were first made to the Master Trust SIPP in Report FCS18090 respecting the 2018 Master Trust Pension Statement of Investment Policies and Procedures, in order to comply with regulatory disclosure requirements.

The amendment made to the Master Trust SIPP in this year's annual review was the statement on environmental, social and governance (ESG) in Section 2.05 on page 9 of the Master Trust SIPP, which now reads as follows:

“The City of Hamilton believes that well-managed companies are those that demonstrate high ethical and environmental standards and respect for their employees, human rights, and the communities in which they do business, and that these actions contribute to long term financial performance.

The City has chosen to monitor the developments of ESG factors and will reconsider its approach as and when appropriate to do so.”

The previous statement on environmental, social and governance previous in Section 2.05 on page 9 of the Master Trust SIPP read as follows, and has now been deleted in the Master Trust SIPP:

“The Administrator's primary responsibility is to make decisions in the best interest of the Plan beneficiaries. This responsibility requires that there be an appropriate balance between the need to seek long-term investment returns to help build better pensions for all members of the Plans and the needs for those returns to be delivered in as stable a manner as possible (given the behaviour of the investment markets).

The Administrator neither favours nor avoids managers and investments based on ESG integration. In keeping with the foregoing and having regard to the size of the Plans and the pension fund, the Administrator does not take ESG factors into account when making investment decisions.

As previously noted, the Administrator has delegated the search for investment managers to its Investment Consultant. On the direction of the Administrator, the Investment Consultant is directed to search and select the best investment managers for investing the assets of the Plans considering factors such as business, staff, historical performance and investment process, since the Administrator believes that these factors will contribute to higher investment returns in the long run and manage risk. Investment Managers are not prohibited from considering ESG factors if they believe that it will have a positive impact on the Plans' investment returns.”

Aon recommended that the statement on ESG in the Master Trust SIPP be amended to better conform with the recent update, on September 9, 2024, to the Canadian Association of Supervisory Authorities (CAPSA) Guidelines regarding ESG. CAPSA is the national association of pension regulators whose mission is to facilitate an efficient and effective pension regulatory system in Canada.

CAPSA's guidelines related to ESG include a guiding statement that plan administrators (either directly or through their delegates) should consider whether and how ESG information may be material to assessing the financial risk-return profile of their fund and take appropriate action.

Finally, for this annual formal review, there were no changes in the applicable pension legislation affecting the Master Trust SIPP since the preceding review that was undertaken and described in Report FCS23098 respecting the 2023 City of Hamilton Defined Benefit Pension Plans Master Trust Statement of Investment Policies and Procedures.

#### **Alternatives for Consideration – Not Applicable**

#### **FINANCIAL – STAFFING – LEGAL IMPLICATIONS**

Financial: Not Applicable.

Staffing: Not Applicable.

Legal: Not Applicable.

#### **HISTORICAL BACKGROUND**

The Master Trust SIPP provides the framework for the investment of the assets of the City of Hamilton's three non-OMERS defined-benefit pension plans: HMRF, HWRF and HSR. Assets for the three pension plans (the "Plans") have been aggregated for investment purposes in a private pooling vehicle structure or master trust structure (the "Master Trust") which was approved and adopted by Council on May 18, 1999. Each of the pension plans participates in the Master Trust.

Appendices “A”, “B” and “C” to the Master Trust SIPP contain details of the individual statement of investment policies and procedures for the HMRP, HSR and HWRF pension plans, respectively.

Since 2006, a policy review of the Master Trust SIPP has been completed annually except for fiscal years 2010 and 2013. For each review, the applicable Master Trust SIPP was replaced with the amended version adopted and approved by Council.

## **POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS**

Ontario Regulation 909 (the “Regulation”) made under the Pension Benefits Act (PBA) requires that the administrator of a provincially regulated pension plan establish a written statement of investment policies and procedures that complies with requirements of the federal investment regulations as modified in Sections 47.8 and 79 of the Regulation.

## **RELEVANT CONSULTATION**

The City’s investment consultant, Aon, undertook a review of the Master Trust SIPP from a compliance and governance perspective. Aon took account of all applicable regulatory guidance and addressed any relevant changes where appropriate in the Master Trust SIPP.

## **ANALYSIS AND RATIONALE FOR RECOMMENDATION(S)**

### **Data Pertaining to the Provision for Adverse Deviations (PfAD)**

The data pertaining to the Provision for Adverse Deviations (PfAD) was updated in the Master Trust SIPP.

The PfAD is a reserve that pension plans are required to establish and fund on a going-concern basis and which is part of the pension funding regime for Ontario defined benefit pension plans effective as of May 1, 2018. Amendments pertaining to the PfAD were first made to the Master Trust SIPP in the Report FCS18090 respecting the 2018 Master Trust Pension Statement of Investment Policies and Procedures, in order to comply with regulatory disclosure requirements.

The calculation of the PfAD is based in part on a pension plan’s asset allocation (as defined by the Regulation) generally summarized in a pension plan’s PfAD Table.

As of May 1, 2018, the SIPPs of Ontario defined benefit pension plans must disclose the percentage values of a pension plan’s target asset allocation for each investment category listed in subsection 76(12) in the Regulation.

In this year’s formal annual review, the Plans’ PfAD Table on page 5 in Section 2.03 of the Master Trust SIPP has been updated with the percentage values as of June 30, 2024 for the Target Asset Allocations.

Table 1 shows the Plans' PfAD Table.

**Table 1**  
Target Asset Allocations for Investment Categories (PfAD Table)

Investment Category under subsection 76(12) of Regulation 909	Target Asset Allocation <sup>1</sup>	Accessed Through Mutual or Pooled or Segregated Funds
1. Insured contracts	0.0%	-
2. Mutual or pooled funds or segregated funds	N/A	-
3. Demand deposits and cash on hand	0.0%	-
4. Short-term notes and treasury bills	0.0%	-
5. Term deposits and guaranteed investment certificates	0.0%	-
6. Mortgage loans	0.0%	-
7. Real estate	0.0%	-
8. Real estate debentures	0.0%	-
9. Resource properties	0.0%	-
10. Venture capital	0.0%	-
11. Corporations referred to in subsection 11(2) of Schedule III to the federal investment regs	0.0%	-
12. Employer issued securities	0.0%	-
13. Canadian stocks other than investments referred to in 1 to 12 above	13.0%	Yes
14. Non-Canadian stocks other than investments referred to in 1 to 12 above	13.0%	Yes
15. Canadian bonds and debentures other than investments referred to in 1 to 12 above	74.0%	Yes
16. Non-Canadian bonds and debentures other than investments referred to in 1 to 12 above	0.0%	-
17. Investments other than investments referred to in 1 to 16 above	0.0%	-

<sup>1</sup> The Target Asset Allocation indicated in the PfAD table is based on the glidepath positioning as of June 30, 2024.

The percentage values for the Target Asset Allocation in the PfAD Table were derived from the Plans' actual target asset mix as of June 30, 2024.

Under the Plans' dynamic investment strategy, the Plans' actual target asset mix as of June 30, 2024 is determined from the glidepath set out on pages 6 and 7 in Section 2.03 of the Master Trust SIPP using the Plans' funded status as of June 30, 2024 (93.4%), as given in the Master Trust Pension Investment Performance Report as of June 30, 2024.

Hence, the Plans' actual asset mix, as of June 30, 2024, is shown in Table 2.

**Table 2**  
Plans' Actual Asset Mix As of June 30, 2024

Canadian Equity:	13%
Global Equity:	13%
Fixed Income:	74%
(Funded Status:	93.4%)

Thus, in the PfAD Table, the investment categories 13 and 14 are allocated percentage values of 13% and 13%, respectively, and investment category 15 is allocated a percentage value of 74%.

The 2023 PfAD table reflected percentage values for investment categories 13, 14 and 15 of 18%, 18% and 64%, respectively, reflecting the Plans' actual asset mix (18% Canadian equity; 18% global equity; 64% fixed income) as of June 30, 2023. The implicit understanding was that the percentage values in the PfAD Table would need to be updated as the Plans' funded status (and therefore the actual target asset mix) changed over time.

### **Environmental, Social and Governance (ESG)**

The other amendment made to the Master Trust SIPP in this year's annual review was the statement on environmental, social and governance in Section 2.05 on page 9 of the Master Trust SIPP, which now reads as follows:

"The City of Hamilton believes that well-managed companies are those that demonstrate high ethical and environmental standards and respect for their employees, human rights, and the communities in which they do business, and that these actions contribute to long term financial performance.

The City has chosen to monitor the developments of ESG factors and will reconsider its approach as and when appropriate to do so."

The previous wording for Section 2.05 Environmental, Social and Governance (ESG) Issues of the Master Trust SIPP read as follows, and has now been deleted in the Master Trust SIPP:

"The Administrator's primary responsibility is to make decisions in the best interest of the Plan beneficiaries. This responsibility requires that there be an appropriate balance between the need to seek long-term investment returns to help build better pensions for all members of the Plans and the needs for those returns to be delivered in as stable a manner as possible (given the behaviour of the investment markets).

The Administrator neither favours nor avoids managers and investments based on ESG integration. In keeping with the foregoing and having regard to the size of the Plans and the pension fund, the Administrator does not take ESG factors into account when making investment decisions.

As previously noted, the Administrator has delegated the search for investment managers to its Investment Consultant. On the direction of the Administrator, the Investment Consultant is directed to search and select the best investment managers for investing the assets of the Plans considering factors such as business, staff, historical performance and investment process, since the Administrator believes that these factors will contribute to higher investment returns in the long run and manage risk. Investment Managers are not prohibited from considering ESG factors if they believe that it will have a positive impact on the Plans' investment returns.”

Aon recommended that the statement on ESG in the Master Trust SIPP be amended to better conform with the recent update, on September 9, 2024, to the Canadian Association of Supervisory Authorities (CAPSA) Guidelines regarding ESG. CAPSA is the national association of pension regulators whose mission is to facilitate an efficient and effective pension regulatory system in Canada.

CAPSA's guidelines related to ESG include a guiding statement that plan administrators (either directly or through their delegates) should consider whether and how ESG information may be material to assessing the financial risk-return profile of their fund and take appropriate action.

### **Legislation affecting the Master Trust SIPP**

For this annual formal review, there were no changes in the applicable pension legislation affecting the Master Trust SIPP since the preceding review that was undertaken and described in Report FCS23098 respecting the 2023 City of Hamilton Defined Benefit Pension Plans Master Trust Statement of Investment Policies and Procedures.

### **ALTERNATIVES FOR CONSIDERATION**

Not Applicable

### **APPENDICES AND SCHEDULES ATTACHED**

Appendix “A” to Report FCS25008 – Statement of Investment Policies and Procedures –  
City of Hamilton Defined Benefit Pension Plans Master  
Trust, November 2024