

2021 INVESTMENT COMMITTEE ANNUAL REPORT

RECOMMENDATION

That the April 27, 2022, Financial and Corporate Services report FCS01080, be received for information.

Report Purpose

Information only.

Council is being informed of the 2021 results for the City's investment funds.

Executive Summary

- Section 2.1.1 of City Investment Policy C212E states, "City Council approves the Investment Policy and receives the annual investment report through Executive Committee." This report is provided in consideration of this requirement.
- This report provides the performance results of the City's investment funds in 2021.
- All of the City's investment funds matched or outperformed their benchmarks.

REPORT

The Investment Committee's mandate is to oversee investment of the funds managed by the City. The Committee comprises a mix of individuals with investment and business expertise, and ensures good governance of the City's financial assets. These funds totaled \$3.4 billion as at December 31, 2021.

The 2021 Investment Committee Annual Report is included as Attachment 1.

2021 Investment Performance

All of the City's investment funds matched or outperformed their benchmarks in 2021. The City's benchmarks represent the performance of the underlying index of the fund.

Performance ranged from -0.8 per cent (Short-Term Bond Fund) to 15.0 per cent (Pension Fund), depending on each fund's asset mix (e.g. bonds vs. equities).

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On a four-year basis, investment returns have been strong and all the City's funds exceeded their policy benchmarks. Over a longer-term 10-year basis, returns have been even better, with all of the funds continuing to outperform their benchmarks.

The City's largest fund, the Ed Tel Endowment Fund, paid \$41 million in dividends to the City during 2021 and ended the year at its highest market value since inception.

The estimated fee savings from managing a portion of the City's financial assets in-house are approximately \$1.5 million a year, resulting in more than \$15 million in savings over the last 10 years.

2021 Key Projects

City Council approved a revised Investment Policy July 2, 2019 with report CR_7028, City of Edmonton Investment Policy C212E. The revision included a new global real estate asset class to diversify the investment funds further. Work has been ongoing to implement this strategy, of which the following was completed in 2021:

- a new trust structure was created at the City's custodian to include the real estate portfolio, and
- transition of assets to the new structure began and is expected to be largely complete in 2022.

The City's Investment Committee Terms of Reference was updated to reflect the new Investment Policy C212E approved by City Council. The Risk Management Section was also updated to align with the Investment Policy.

The treasury system for investments was upgraded to enable straight-through processing and electronic settlement of money market investment transactions, improving efficiency and timeliness.

Finally, after a previous external member's term concluded, a new member was appointed to the City's Investment Committee. As per the committee's Terms of Reference, external members can serve only two consecutive three-year terms on the Investment Committee; this ensures continued good governance of the City's financial assets.

COMMUNITY INSIGHT

The City's financial assets support projects and services that undertake their own efforts to gain insight from Edmontonians. Additional community insight is not sought for this annual report.

GBA+

All of the City's investment managers incorporate Environmental, Social and Governance (ESG) factors into their investment decision-making, when selecting companies to invest in on behalf of the City of Edmonton. For example, the community and societal impact of a company's operations will be considered or the composition and diversity of the company's board of directors will be evaluated.

In addition, all of the City's investment managers are signatories of the UN Principles of Responsible Investment.

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When selecting an investment firm to manage assets for the City, ESG and Diversity, Equity and Inclusion attributes are reviewed as part of the decision process.

Finally, the City's Investment Policy contains a commitment for the City of Edmonton to support social and ethical business practices through proxy voting, which provides the right to vote on corporate policies of the companies in which the City owns shares. In 2021, the City of Edmonton exercised its shareholder rights and voted its proxies in accordance with the Investment Policy.

ATTACHMENT

1. 2021 Investment Committee Annual Report