

## 2022 INVESTMENT COMMITTEE ANNUAL REPORT

### RECOMMENDATION

That the May 3, 2023, Financial and Corporate Services report FCS01734, be received for information.

Requested Council Action		Information only	
ConnectEdmonton's Guiding Principle		ConnectEdmonton Strategic Goals	
CONNECTED This unifies our work to achieve our strategic goals.		N/A	
City Plan Values	N/A		
City Plan Big City Move(s)	N/A	Relationship to Council's Strategic Priorities	Conditions for service success
Corporate Business Plan	Managing the corporation		
Council Policy, Program or Project Relationships	<ul style="list-style-type: none"><li>City Policy C212E - Investment Policy</li><li>Bylaw 11713 - Ed Tel Endowment Fund Bylaw</li></ul>		
Related Council Discussions	<ul style="list-style-type: none"><li>FCS01080, 2021 Investment Committee Annual Report, Executive Committee, April 27, 2022</li></ul>		

### Executive Summary

- This report is provided in consideration of the requirement in Section 2.1.1 of City Policy C212E that "City Council approves the Investment Policy and receives the annual investment report through Executive Committee."
- This report provides the performance results of the City's investment funds in 2022.
- All of the City's investment funds outperformed their benchmarks in 2022.

### 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 in an effort to ensure good governance of the City's financial assets. These funds totaled \$3 billion as at December 31, 2022.

The 2022 Investment Committee Annual Report is included as Attachment 1.

### 2022 Investment Performance

All of the City's investment funds outperformed their benchmarks in 2022. The City's benchmarks represent the performance of the underlying index of each fund. Benchmarks are a comparison between the overall fund performance to the value gained from the City actively managing its funds.

Performance ranged from 2.0 per cent (Money Market Fund) to -7.4 per cent (Balanced Fund), reflecting each fund's asset mix (e.g. bonds vs. equities). While some City funds had negative returns in 2022, these decreases were not as large as the declines in capital markets overall.

On a four year basis, investment returns remain positive and all of the City's funds are exceeding their policy benchmarks. Over a longer term 10 year basis, returns have been even stronger, with all of the funds continuing their outperformance against their benchmarks.

The City's largest fund, the Ed Tel Endowment Fund, paid \$54 million in dividends to the City in 2022 – the largest contribution in the fund's history.

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.

### 2022 Key Projects

The Investment Committee oversaw the following projects in 2022:

#### Major Cities Investment Regulation

The Major Cities Investment Regulation, which outlines the permitted investments for the cities of Edmonton, Calgary and Medicine Hat, was up for renewal in June 2022. Following a review by the Government of Alberta, this regulation was replaced by a new Municipal Investment Regulation for a 10 year term, while still allowing the major cities much broader investment opportunities.

#### Fixed Income Investment Structure Review

The Investment Committee engaged a third party to undertake a review of the City's fixed income investment structure to identify areas for potential enhancements. The resulting analysis supported the addition of a new private debt investment mandate, which is expected to provide additional yield and diversification improvements. Following this decision, the Investment Committee initiated a manager search and selected an investment firm to manage the new strategy. This work will continue in 2023.

### Update to Money Market Fund Mandate

The Investment Management Mandate of the internally managed Money Market Fund was revised to reflect the fund's growth since the last revision, including incorporating some additional market updates.

### New Committee Appointment

A new member was appointed to the City's Investment Committee as there was an opening for another external member. As per the committee's Terms of Reference, external members can serve only two consecutive three-year terms on the Investment Committee to ensure 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 United Nations Principles of Responsible Investment.

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 2022, the City of Edmonton exercised its shareholder rights and voted its proxies in accordance with the Investment Policy.

## ATTACHMENT

1. 2022 Investment Committee Annual Report