

2023 INVESTMENT COMMITTEE ANNUAL REPORT

Recommendation

That the May 3, 2024, Financial and Corporate Services report FCS02347, 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"> City Policy C212E - Investment Policy Bylaw 11713 - Ed Tel Endowment Fund Bylaw 		
Related Council Discussions	<ul style="list-style-type: none"> FCS01734, 2022 Investment Committee Annual Report, Executive Committee, May 3, 2023 		

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."
- Performance ranged from 5.0 per cent (Money Market Fund) to 11.1 per cent (Ed Tel Endowment Fund), reflecting each fund's asset mix (e.g., bonds vs. equities).
- This report provides the performance results of the City's investment funds in 2023.

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REPORT

The Investment Committee's mandate is to oversee the 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 \$3.3 billion as of December 31, 2023.

The 2023 Investment Committee Annual Report is included as Attachment 1.

2023 Investment Performance

Performance ranged from 5.0 per cent (Money Market Fund) to 11.1 per cent (Ed Tel Endowment Fund), reflecting each fund's asset mix (e.g., bonds vs. equities).

On a four-year basis, the City has generated strong positive returns and exceeded its policy benchmarks. Reviewing the results on a longer-term 10-year basis, shows all of the investment funds have continued to outperform their benchmarks while maintaining an upward trend.

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.

The City's largest fund, the Ed Tel Endowment Fund, paid \$45 million in dividends to the City in 2023 and ended the year at a market value of \$938 million.

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

2023 Key Projects

The Investment Committee oversaw the following projects in 2023:

Asset Allocation Studies

In 2023, an external third party conducted a comprehensive review of the Ed Tel Endowment Fund, the Pension Fund and the Long-Term Disability Fund. The results confirmed that each fund continues to have an appropriate asset mix relative to its objectives, time horizon and risk tolerance. In addition, the asset allocation policy of the Ed Tel Endowment Fund supports the current five per cent spending rate and ongoing dividend payout from the fund.

Fixed Income Investment Structure Implementation

Previously, a review of the City's fixed income investment structure was completed to identify areas where potential enhancements could be made. The analysis supported the addition of a new fixed income strategy, which is expected to provide additional yield and diversification improvements beginning in 2024.

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.

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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 2023, the City of Edmonton exercised its shareholder rights and voted its proxies in accordance with the Investment Policy.

Attachment

1. 2023 Investment Committee Annual Report