

**Chief Financial Officer's Report to
Audit Committee
2022 April 21**

**ISC: UNRESTRICTED
AC2022-0492
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The City of Calgary 2021 Annual Investment Report

RECOMMENDATION(S):

That the Audit Committee recommend that Council approve The City of Calgary 2021 Annual Investment Report.

RECOMMENDATION OF THE AUDIT COMMITTEE, 2022 APRIL 21:

That Council approve The City of Calgary 2021 Annual Investment Report.

HIGHLIGHTS

- As part of a sound governance practice, the Annual Investment Report provides the Audit Committee and Council with the reporting of The City's investment activity, asset class holdings, and performance during 2021 to meet investment objectives.
- In 2021, The City of Calgary's total investment portfolio (including internally and externally managed portfolios), returned 2.06 per cent after fees on a market value basis.
- The 2021 net portfolio return beat the benchmark return of 1.28 per cent by 79 basis points, but trailed the 2022 the annual inflation rate for Canada of 3.4 per cent.
- On a three-year annualized basis, the total portfolio returns of 5.0 per cent exceeded the benchmark return of 4.5 per cent.
- Gross income generated by the investments was \$168.1 million.
- Investment related expenses were \$17.0 million.
- Strategic Alignment to Council's Citizen Priorities: A prosperous city
- Background and Previous Council Direction is included as Attachment 1.

DISCUSSION

- The City of Calgary Investment and Governance Policy CP2020-02 directs the investment of The City's assets, which at 2021 December 31, the market value of The City's total investment portfolio was \$6.1 billion.
- The funds are managed in a series of asset classes which include short-term liquidity, short-term fixed income, long-term fixed income, equities, and real assets (infrastructure).
- The funds are managed to meet the investment objectives of City funds. This includes return, liquidity, and capital preservation requirements, as well as longer term growth to match funds with longer-term time horizons.
- The management of The City's investment portfolios follows industry best practice and aligns with prudent stewardship of financial resources and sustainability of The City.

STAKEHOLDER ENGAGEMENT AND COMMUNICATION (EXTERNAL)

- Public Engagement was undertaken
- Public Communication or Engagement was not required
- Public/Stakeholders were informed

The City of Calgary 2021 Annual Investment Report

Stakeholder dialogue/relations were undertaken

The Investment Advisory Committee, made up of senior City leadership and external members with industry experience, provides oversight of The City's investments and monitors compliance with all applicable policies and regulations. The 2021 Annual Investment Report on investment holdings and performance was reviewed and approved by the Investment Advisory Committee at its meeting held on 2022 April 8.

IMPLICATIONS

Social

Prudent investment in companies and governments that follow environmental and social principles supports sustainable risk/return performance of City investments to meet City goals and objectives.

Environmental

Prudent investment in companies and governments that follow environmental and social principles supports sustainable risk/return performance of City investments to meet City goals and objectives.

Economic

Financial and economic market conditions impact both investment income earned, as well as the market valuation of The City's investment portfolios.

Service and Financial Implications

No anticipated financial impact

Total investment income earned in 2021 was \$168.1 million compared to budget of \$104.7 million. There are no specific financial implications associated with this report.

RISK

The City of Calgary mitigates risk within its investment portfolios through a sound governance structure, adherence to government regulations, and The City's Investment Policy. Investment managers retained by The City, manage risk by investing in quality investments and ensuring sufficient diversification among holdings in their portfolios. The Investment Advisory Committee oversees investment strategy and regularly reviews the investment activity, compliance, and risk mitigation practices of both internal and external managers to meet City's investment objectives. Prudent investment in companies and governments that follow environmental and social principles supports sustainable risk/return performance of City investments to meet City goals and objectives.

ATTACHMENT(S)

1. Attachment 1 – Background and Previous Council Direction
2. Attachment 2 – The City of Calgary 2021 Annual Investment Report

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3. Attachment 3 – Presentation The City of Calgary 2021 Annual Investment Report

Department Circulation

General Manager/Director	Department	Approve/Consult/Inform
Carla Male	CFOD	Approve