



REPORT

To: ONE Joint Investment Board
From: Keith Taylor, Chief Investment Officer, ONE Investment
Date: November 17, 2021
Re: Implementation of Kenora's revised Investment Plan
Report: ONE JIB-O27-21

1. RECOMMENDATIONS

It is recommended that the Board:

1. Receive the report.

2. SUMMARY

Kenora decided to increase MNRI after the ONE JIB considered the City's Investment Plan at its July meeting. Based on information from Kenora, the ONE JIB approved the revised Investment Plan, subject to conditions, at its September meeting. This report describes the implementation of Kenora's revised Investment Plan.

3. BACKGROUND

Kenora's Council decided to increase MNRI in late August 2021

The implementation of the Investment Plan approved on July 14, 2021, was suspended based on updated information provided by the municipality on July 27th, 2021. The Treasurer informed the CIO that there could be an additional injection of \$11,749,037.35, pending approval by Council.

ONE JIB was informed of the circumstances, and on September 14, 2021, approved a modified Investment Plan to deploy the incremental MNRI into the Stable Return Outcome. The City of Kenora provided a revised MCQ on September 21, 2021. It is attached as an appendix to this report. Implementation of the Investment Plan started on September 22, 2021.

4. ANALYSIS

The updated Investment Plan increased MNRI by \$11.75 million

The update to the Investment Plan made only one revision: an incremental injection into MNRI of \$11,749,038. This revision was due to a change in the internal financing arrangements with the Citizen's Prosperity Trust Fund (CPTF). These changes were made in conjunction with the City

entering into a “Letter Agreement” with Toronto-Dominion Bank for a new multiple draw loan facility. This transaction resulted in a reclassification of \$11.75 million in the CPTF as MNRI. This incremental MNRI was invested into the Stable Return Outcome, similar to the treatment of other CPTF MNRI. There were no other revisions to the Investment Plan approved on July 14, 2021.

The Implementation of the Investment Plan involved adjustments across accounts

Kenora’s MNRI reflects two separate allocations, the General Account of the City and the CPTF, and there were several transactions that were identified by the Treasurer when they updated their IPS/MCQ that were required for accounting purposes. A summary of these transactions is detailed in the Table 1 below.

Table 1

| Kenora Changes In MNRI - September 2021 | | | |
|---|------------------------------------|--|-------------------------|
| Item/purpose | CPTF (Stable Return Outcome) | General Account (Target Date 3-5 Year Outcome) | Total Change In MNRI |
| 2020 debt repayment | \$ 1,556,327.00 | | \$ 1,556,327.00 |
| Reallocation to General | (1,485,519.00) | 1,485,519.00 | - |
| Release of WTP reserves | | (1,400,039.00) | (1,400,039.00) |
| Debt proceeds from TD Bank | 11,749,038.00 | | 11,749,038.00 |
| Net amount | 11,819,846.00 | 85,480.00 | 11,905,326.00 |

These transactions involved money moving from MRI to MNRI and from the General Account to the CPTF account. To facilitate City reporting, this movement took place through individual HISA transactions, with the net proceeds being deployed into the appropriate Investment Outcomes. The net impact resulted in an increase of \$11,905,326 in MNRI. This amount is inclusive of the contributions that were identified in the Investment Plan presented to the ONE JIB on July 14, 2021, plus the \$11.75 million contribution resulting from the recent revision in the MCQ.

Implementation of the Investment Plan affected only two of the City’s investment Outcomes

The City of Kenora is invested in three investment Outcomes: the Stable Return Outcome for CPTF balances and the Contingency and Target Date 3-5 Year Outcomes for the City’s General Account balances. The Investment Plan did not make any changes to the Contingency Outcome. Movements of MNRI between the General Account and the CPTF resulted in movements between the Stable Return and Target Date 3-5 Year Outcomes.

The transactions rebalanced the Stable Return and the Target Date 3-5 Year Outcome

Prior to the implementation of the trades, the Stable Return and Target Date 3-5 Year Outcome allocations had moved outside their asset allocation tolerance bands due to market movements. The strength in the Global Equity Fund in the quarter had flagged compliance alerts that indicated a rebalance was required. The implementation of trades brought both Outcome allocations back to their allocation target weights.

The transactions required manual administration to implement

The transactions required considerable planning by staff to ensure the cash movements, ONE Fund transactions and underlying pooled fund transactions were coordinated. The first stage involved the movement of HISA balances to reflect the accounting transactions in a way that was requested by the client, which required manual mapping of the money movements.

The second stage involved ONE Fund transactions. The transactions for the Stable Return Outcome directly deployed the new MNRI amount into the ONE pooled funds while the Target Date 3-5 Year Outcome trades were split into 2 segments. One segment was a self-funded portion (buys within the Target Date 3-5 Year Outcome were funded by sales of funds in this Outcome), and a second portion that was funded with the new MNRI. This segregation of the transactions was required to facilitate the settlement of trades at the custodian. The details are noted in Table 2 below. Lastly, pooled fund transactions were required within the Global Equity Fund and Global Bond Fund to deploy the cash into the underlying pooled funds.

Table 2

| Outcome | ONE HISA | ONE Canadian Government Bond Fund | ONE Canadian Corporate Bond Fund | ONE Global Bond Fund | ONE Canadian Equity Fund | ONE Global Equity Fund | Net Value of Transactions | Notes |
|------------------------|-----------|-----------------------------------|----------------------------------|----------------------|--------------------------|------------------------|---------------------------|---------------------|
| Stable Return | 1,404,846 | 1,295,000 | 1,310,000 | 5,430,000 | 570,000 | 1,810,000 | 11,819,846 | Transactions funded |
| Target Date 3 - 5 Year | | 26,000 | 27,000 | 10,000 | (26,000) | (37,000) | - | Self funded |
| Target Date 3 - 5 Year | 48,480 | | | 37,000 | | | 85,480 | Transactions funded |
| <i>Total Changes</i> | 1,453,326 | 1,321,000 | 1,337,000 | 5,477,000 | 544,000 | 1,773,000 | 11,905,326 | |

The transactions resulted in increased allocations to the ONE Investment Pooled Funds

While the transactions deployed money to all the ONE Investment Pooled Funds, almost half of the money was allocated to the ONE Global Bond Fund. Prior to these transactions, the Outcome allocations had moved away from their target weights due to the strength in equity markets. For this reason, proportionally more of the new monies was allocated to fixed income funds to rebalance the Outcomes to their target weights. Table 2 above summarizes how the monies were assigned to each of the ONE Investment Pooled Funds.

5. CONCLUSION

The Investment Plan that was implemented for the City of Kenora was identical to the Investment Plan approved by the ONE JIB on July 14, 2021, except for the injection of an additional \$11,749,037 into MNRI, which was deployed to the Stable Return Outcome. This transaction was approved by the ONE JIB on September 14, 2021. In that meeting the ONE JIB gave the CIO some latitude to make adjustments to the Investment Plan as appropriate, but no such adjustments were required. A revised MCQ was received from the City on September 21, 2021, and trades related to the implementation of the Investment Plan were implemented starting September 22, 2021.

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Approved by: Judy Dezell and Donna Herridge - Co-Presidents/CEO