



REPORT

To: ONE Joint Investment Board
From: Judy Dezell, Co-President/Co-CEO, ONE Investment
Date: February 17, 2021
Re: Board Governance Self-Evaluation Report
Report: 21-003

1. RECOMMENDATIONS

It is recommended that the Board:

1. Receive the Board Governance Self-Evaluation Report for information.
2. Direct ONE Investment staff to provide the ONE JIB a training strategy focused on municipal finance at its next meeting.
3. ONE Investment staff bring forward in the fourth quarter of 2021 another Board Governance Self-Evaluation Survey.

2. SUMMARY

- The inaugural self-evaluation was completed in December 2020.
- The response rate was 100%.
- Several of the items identified as priorities for ONE JIB have been captured in the approved 2021 Futures List.
- An interest in learning more about municipal finance broadly and as it relates to investing specifically has been identified as a priority for training in 2021.

3. BACKGROUND

ONE JIB's Terms of Reference require an annual self-assessment

Board evaluation is a critical part of good governance and is intended to help boards improve their effectiveness. Evaluation results can inform boards' continuous improvement efforts, identify substantive and process strengths and weaknesses, help orient new board members, and validate the boards' future priorities. As contemplated in section 4.13 of ONE JIB's Terms of Reference, the ONE JIB directed ONE Investment staff in November 2020 to develop an online self-assessment for members to complete the first self-assessment.

The self-assessment will enable the board to build on what has been accomplished so far

The ONE JIB is a groundbreaking collective effort by the six Founding Municipalities. Its meetings during 2020 established the key foundations that will set the future course for the ONE JIB. The self-assessment reflects the ONE JIB commitment to a continuous improvement process. The self-evaluation questions were designed to focus on the key foundational work done by the ONE JIB during 2020 to identify where improvements could be made, celebrate successes, and plan future work of ONE JIB. The

self-analysis and Chair feedback are not included in this report.

4. ANALYSIS

How well has ONE JIB done its job?

The survey received a 100% response rate from ONE JIB members with overwhelming support that ONE JIB has successfully established a strong governance structure with high quality fund managers and transparency in how it conducts its business and reports to participating municipalities. Areas where members would like to focus during 2021, are identified in Table 1.

Table 1 – Job Areas of Focus

Key ONE JIB Areas of focus	ONE Investment Response
Sound performance reporting framework	The performance reporting framework is recognized as an area that requires further work in 2021.
Adequate design of core documents (Municipal Client Questionnaire, Investment Policy Statement template, Investment Plan template)	It was acknowledged by ONE JIB members the documents were initially a work in progress and were improved by the revisions in late 2020. Ongoing effort will be made to continuously improve the documents.
Paying sufficient attention to compliance matters	This is a shared responsibility between ONE Investment and ONE JIB that will be discussed in more detail during 2021.
Outcomes Framework is an effective means of translating municipal investments into objective asset allocations	It was identified by ONE JIB members that the Outcomes Framework requires continuous refinement. ONE Investment supports this effort.

How well has the ONE JIB functioned?

Members also feel they understand what is expected of them, and they are prepared for meetings because of the material they receive in advance of the meetings. Further, members are respectfully participating in the discussions. Areas where members would like to focus during 2021, are identified Table 2.

Table 2 - Function Areas of Focus

Key ONE JIB Areas of focus	ONE Investment Response
New members of ONE JIB receive thorough and effective onboarding from ONE Investment	With the Nominating Committee actively recruiting currently, ONE Investment will have the first real test of its member onboarding in 2021.
The reports to the ONE JIB contain the information members need	The issues are complex, and ONE staff are learning to find the balance between enough information for the ONE JIB to make informed decisions and too much to impede the strategy and governance discussions the ONE JIB has.
The reports to the ONE JIB are well written	It is a fine art to take complex topics and distill them into easily understood writing. ONE Investment implemented new processes

Key ONE JIB Areas of focus	ONE Investment Response
	starting in late 2020 that will start to address this challenge.
There is an appropriate balance of decision and information items on the agendas	ONE Investment has implemented a long-range planning tool for ONE JIB meetings. The plan for 2021 was shared with ONE JIB at its December 2020 meeting. The intent of the long-range planning is to provide good balance on both decision and information items in agendas, while ensuring the agendas effectively use the time set aside for meetings.
Frequency of ONE JIB meetings is adequate for ONE JIB to deliver on its mandate	The pace of meetings in 2020 was intense as the basics of good governance were established. ONE Investment always intended to evolve to a sustainable pace over the long term. Having some space between meetings will allow staff time to undertake more thorough analysis and succinct and clear report writing.

Does the ONE JIB have effective relationships?

Effective relationships are built on good two-way communication. The relationship between ONE Investment and ONE JIB is still new. There are encouraging signs that the members have a clear understanding of the respective roles between the two entities as well as the participating municipalities. Areas where members would like to focus in 2021, are identified in Table 3.

Table 3 - Effective Relationships Areas of Focus

Key ONE JIB Areas of focus	ONE Investment Response
ONE JIB is sufficiently familiar with the needs of its municipal investors	In the 2021 Futures List for ONE JIB, ONE Investment presented a plan to bring municipal investors before the ONE JIB to facilitate greater understanding of the investors by ONE JIB.
ONE JIB is sufficiently familiar with the fund managers	In the 2021 Futures List for ONE JIB, ONE Investment presented a plan to continue to invite fund managers to ONE JIB meetings to share information and ensure the Board is exercising appropriate oversight.
ONE JIB exercises an objective and independent role separate from ONE Investment staff	Good governance has been the goal of ONE Investment as it relates to the ONE JIB. It will continue to introduce initiatives to continually improve on its goal of good governance.

What should the ONE JIB's priorities be during 2021 and 2022?

At its December 2020 meeting, ONE JIB approved initial priorities for 2021 meetings, subject to the findings of the Board Governance Self-Evaluation survey. Table 4 below presents the priorities in order

of highest average to lowest average in the member responses. Many of the items identified below have been captured in the approved 2021 Futures List including training opportunities for members. What the priorities in the survey results identify is a key focus for training in 2021 – specifically on municipal finance broadly and how it relates to investing specifically. ONE Investment will develop a training strategy for the balance of 2021 based on this priority. The items listed further down will be addressed later in 2021 or in some cases in 2022.

Table 4 - 2021 and 2022 Priorities

Key ONE JIB Areas of focus	ONE Investment Response
Building relationships with Founding Municipalities and new Participating Municipalities	In the 2021 Futures List for ONE JIB, ONE Investment presented a plan to bring municipal investors before the ONE JIB to facilitate greater understanding of the investors by ONE JIB.
Developing a strategy for expanding municipal participation in the prudent investor program	The ONE Investment Board has approved a work plan for 2021 that includes expanding the municipal participation in the prudent investor program. ONE JIB will receive regular updates on this work.
Gaining a better understanding of municipal finance as it relates to investment	ONE Investment staff are working on educational content for ONE JIB to be delivered in 2021 that will provide more context about municipal finance as it relates to investment. This is directly linked to the item below.
In-depth analysis of municipal finance issues (reserve strategies, capital plans, infrastructure funding sources, etc.)	ONE Investment staff are working on educational content for ONE JIB to be delivered in 2021 that will provide more information and analysis of municipal finance issues such as reserve strategies, capital plans, and infrastructure funding. This is directly linked to the item above.
Carefully monitoring fund manager performance	ONE Investment is fully committed to supporting this priority of the ONE JIB with quarterly reports on fund manager performance in addition to scheduling regular meetings with fund managers.
In-depth analysis of relevant investment issues (e.g., ESG, asset correlation etc.)	In the 2021 Futures List for ONE JIB, ONE Investment presented a plan to initiate in-depth analysis on a variety of topics such as ESG. This list will be continually updated as issues are identified by the ONE JIB.
Developing education and training materials on investments for municipalities, in cooperation with ONE Investment	The ONE Investment Board has approved a work plan for 2021 that includes education and training materials on investments for municipalities.
Evaluating the current fund offering (e.g., considering potential revisions to the fixed income offerings)	ONE JIB created the New Products Committee in late 2020 with terms of reference that will cover topics like revisions to the fixed income

Key ONE JIB Areas of focus	ONE Investment Response
	offerings.
ONE JIB training (e.g., Institute of Corporate Directors' Non-Profit Governance Essentials course or similar training)	ONE JIB governance training will be investigated by ONE Investment and planned for late 2021 or 2022.
Reviewing and revising the core documents (e.g., Municipal Client Questionnaire, Investment Policy Statement template, Investment Plan statement)	ONE JIB has directed an annual review of the core documents. The next review is scheduled for Fall 2021.
Reviewing the Outcomes Framework	In the 2021 Futures List for ONE JIB, ONE Investment presented a plan to review the Outcomes Framework in late 2021.
Evaluating the potential for expanded prudent investor offering (e.g., real estate, infrastructure, private equity)	ONE JIB created the New Products Committee in late 2020 with terms of reference that will cover topics like expanded prudent investor offering – this work will probably start late in 2021 or 2022.
Developing a risk management framework	ONE Investment's Audit Committee is working on a risk framework to be finalized by the middle of 2021. It will be shared with the ONE JIB.
Developing advice (guidance) for municipalities with respect to the choice of legal list or prudent investor regimes)	ONE Investment Board has approved a work plan for 2021 that includes education and training materials on investments for municipalities which will include developing guidance on choosing between legal list and prudent investor regimes.
Developing a succession plan for key roles on the ONE JIB	ONE JIB has established a skills and competencies matrix that ensures a good mix of skills on ONE JIB and has also established a Nominating Committee to fill the two current vacancies. The Nominating Committee's future work could include identifying key roles on the ONE JIB and making recommendations to inform the succession plan for those key roles.
Developing a vision/mission/strategic plan for the ONE JIB with respect to municipal prudent investing	ONE Investment will undertake research and data collection over 2021, the first full year of ONE JIB operation, to inform strategic planning in 2022.

5. CONCLUSION

The inaugural ONE JIB Governance Self-Evaluation achieved a 100% response rate. The survey results provided useful feedback and inform amendments to the approved 2021 Futures List. A key priority for 2021 will be education focused on municipal finance issues broadly and specifically as they relate to investing.

Drafted by: Judy Dezell, Co-President/CEO

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