



Appendix 8 - Account Mapping and Investment Allocations Town of Whitby

1. Summary

Key Points:

- Whitby will allocate \$108.0 million that is available to be investment by the ONE JIB. Additionally, \$6 million in principal protected notes will be contributed in kind to the ONE JIB.
- Whitby anticipates significant capital expenditures in the next 10 years with about 43% of total MNRI needed over the next 5 years and an additional 42% in the following 5 years.
- The Whitby Council is willing to accept higher returns on its longer-term funds.
- The changes to account mapping and outcome allocations will increase their equity allocation from 17.3% to 35.3% and increase cash holdings from 0.2% to 9.3%.
- The shifts increase annual return expectations by 0.5% while increasing standard deviation by 1.0.

2. Background

Whitby's IPS and MCQ establish the amount available for investing, their investment objectives, investment horizons and risk tolerance

Whitby initially has \$108.0 million available for the ONE JIB to invest. At the end of 2019, the Town had reserves and reserve funds totalling approximately \$213.0 million, with approximately \$114.0 million classified as money not required immediately, though \$6 million of which is locked into principle protected notes.

The Town is growing rapidly (projected 40% increase in population by 2032) and has significant growth-related & maintenance projects planned over the next 10 years. A lot of its MNRI will be required during that timeframe: 43% in the first five years, and 42% in the 5-to-10-year range. The Town's return objective is an annual return that at least meets inflation. Their objectives, based on the time horizon and needs should be oriented around growth in investments, while maintaining sufficient liquidity for large anticipated spending in the next 5 years.



Whitby's overall risk tolerance is moderate with an annual downside comfort of -5% in a single year. Whitby is willing to accept higher risk, including potential loss of capital for potentially higher returns over the long term. Their IPS states their risk tolerance on contingency and target date funds with a term of greater than 10 years is high. They have a moderate risk tolerance on target date funds in the 5-to-10-year range and any stable return allocations. On amounts required in less than 5 years, they have a low risk tolerance.

3. Analysis

Mapping Whitby's MNRI to the revised outcomes shifts \$4.4 million from Stable Return and \$12.5 million Contingency into the Target Date 5-to-10-year outcome.

Further analysis of Whitby's cash flow needs indicated that the investment horizon and investment objectives of the money previously allocated to Stable Return would be more appropriately shifted to the Target Date 5-to-10-year outcome. Additionally, a specific time requirement on funds previously allocated to the Contingency outcome prompted a shift of \$12.5 million to the Target Date 5-to-10-year outcome. Some additional minor adjustments were made between outcomes to best align funds with investment objectives and investment horizon. See table 1 for details.



Table 1
Comparison of MNRI allocation to Original and Revised Outcomes

Draft Plan Presented to Council		Revised Mapping	
Original Outcomes	Amount (\$)	Revised Outcomes	Amount (\$)
Target Date 2023	247,472	Cash < 3 yrs	438,287
Target Date 2025	47,749,872	Cash Plus 3-5 yrs	47,749,872
Stable Return	4,440,760	Stable Return	
Contingency (Low to moderate risk)	16,849,175	Contingency	4,359,392
Contingency (High risk)		Asset mgt reserves	238,729
Target Date 2030	26,692,047	Target Date 5-10 yrs	43,350,407
Target Date 2035, 2040, 2045	11,975,607	Target Date > 10 yrs	11,818,247
Total	\$107,954,934		\$107,954,934

Compared to the Draft Plan the Revised Mappings would shift the overall allocations from 17.3% equities to 35.3% equities; cash holdings would increase from 0.2% to 9.3%.

The revised outcomes mapping, along with the revised suggested fund allocation weights for each outcome, results in a shift among funds. The changes result in a greater allocation to both the Canadian Equity Fund and the Global Equity Fund, while allocations decreased to the CDN Government, Canadian Corporate Bond Funds, and a slight decrease in the allocation to the Global Bond Fund. Cash holdings increase significantly under the new mapping. See table 2 for specific allocations.

Table 2
Allocation Between ONE Funds
Comparison between Original Draft and Revised Mapping

Fund	Draft Plan Presented to Council		Revised Mapping	
	Total Invested	Percentage	Total Invested	Percentage
HISA	247,472	0.2%	9,988,261	9.3%



CDN Equity Fund	2,997,879	2.8%	11,443,310	10.6%
Global Equity Fund	15,629,461	14.5%	26,701,057	24.7%
CDN GOV Bond Fund	12,123,044	11.2%	8,973,346	8.3%
CND Corp Bond Fund	29,367,640	27.2%	8,973,346	8.3%
Global Bond Fund	47,589,437	44.1%	41,875,614	38.8%
Total \$	\$107,954,934	100.0%	\$107,954,934	100.0%

The proposed changes to mapping and allocations will increase the average expected returns but will also increase the volatility of the portfolio

The revised outcome mappings and increased equity allocation will increase expected returns to 4.0% from 3.5%. The changes would also mean that standard deviation would increase from 3.5% to 4.5% compared to the plan presented to council. See table 3 for further details.

Table 3
Risk and Return Comparison
Draft plan to Revised Mappings

Plan version	Average Expected Returns	Standard Deviation
Draft Plan Presented to Council	3.5	3.5
Revised Plan Based on New Mappings	4.0	4.5
Difference	+0.5	+1.0



5. Conclusion

Staff is looking for feedback on whether the revised mappings lead to an allocation that is more in line with Whitby's risk tolerance and return objectives.

Prepared by: Colin Macdonald, Manager of Investments and Keith Taylor Chief Investment Officer

Approved for submission by: Judy Dezell and Donna Herridge, Co-President/CEO