



REPORT

To: ONE Joint Investment Board
From: Heather Douglas, WeirFoulds LLP, Counsel
Date: May 19, 2020
Re: ONE JIB Agreement
Report: 20-005

1. RECOMMENDATIONS

It is recommended that at its initial meeting on May 19, 2020 ONE JIB execute the ONE JIB Agreement, to be entered into between ONE JIB, ONE Investment, and the municipalities that become parties to the agreement, in its current form.

A copy of the ONE JIB Agreement is attached.

2. SUMMARY

The ONE JIB Agreement is the primary operating document for municipalities that have decided to invest their money that they do not require immediately under the recently introduced prudent investor regime through ONE JIB. It governs the relationship between ONE JIB and any municipality that decides to invest under the prudent investor regime and executes the agreement. The initial municipal signatories to the agreement are referred to as the Founding Municipalities and municipalities deciding to join subsequently, together with the Founding Municipalities, are all referred to as Participating Municipalities.

ONE Investment is also a party to the agreement. It will provide support and administrative services to the other parties. One Investment's role is set out in the ONE JIB Services Agreement which is the subject of a separate report.

3. BACKGROUND

Historically municipalities were restricted in investing their money that they do not require immediately in a limited number of securities prescribed by regulation, often referred to as the Legal List. Recent amendments to municipal legislation authorize municipalities to invest in any type of securities under the prudent investor regime through an authorized vehicle such as ONE JIB, which is able to provide professional investment expertise. Members of ONE JIB consist of investment professionals and treasurers from certain of the Participating Municipalities.

Before formally opting into the prudent investor regime by passing an enabling by-law, a Participating Municipality must execute the ONE JIB Agreement.

The ONE JIB Agreement was developed with input from the municipal and investment communities, including ONE Investment's members (LAS and CHUMS), its Directors (all municipal representatives) and the Founding Municipalities. The form of agreement has been reviewed and approved by the Founding Municipalities.

There are currently six Founding Municipalities. Discussions have been held with several other municipalities that have expressed an interest in becoming Participating Municipalities. Discussions are ongoing with other potential Participating Municipalities as well.

4. ANALYSIS

The following are highlights of the ONE JIB Agreement. (References to sections and schedules relate to the ONE JIB Agreement.)

(a) Investment Decisions

- ONE JIB assumes exclusive control and management of money and investments that Participating Municipalities do not require immediately (Sections 2.01 and 2.04)
- All investments are to be made by ONE JIB exercising the care, skill, diligence and judgment that a prudent investor would exercise in making such investments (Section 10.01)
- ONE JIB can notify a Participating Municipality that its investment policy is not prudent and decline to invest in accordance with such policy (Sections 5.01 (d) and 10.05)

(b) Money to be invested

- Municipalities have the sole right and obligation to determine the amount of their money and investments that are not required immediately from time to time to be given to ONE JIB for investment (Section 5.04(b))

(c) Investment Plans

- ONE JIB prepares and adopts an investment plan to implement the investment policy of each Participating Municipality. ONE JIB advises on investment policies and changes thereto (Sections 5.02 and 5.03(a))
- ONE JIB updates investment plans when necessary and at least annually (Section 5.03 (b))

(d) Withdrawal of Money

- Money can be withdrawn by a Participating Municipality on 30 days' notice if it determines that money that was formerly not required immediately is then required immediately (Section 5.04 (b))
- ONE JIB can extend the time to return large amounts of money to avoid prejudice to other Participating Municipalities and can delay the return of money in extraordinary circumstances (Sections 5.04 (e) and 5.04 (f))

(e) Agents

- ONE JIB appoints agents including external portfolio managers and custodians to implement transactions (Section 3.02)
- ONE JIB monitors and reports on agents' performance (Section 3.04)

(f) Reports on Investments

- ONE JIB periodically reports on compliance with investment policies and plans and performance of investments annually or more frequently if required (Section 8)

(g) Members

- Membership of ONE JIB cannot include members of municipal council or municipal staff except for municipal treasurers who can constitute up to 25% of the members (Section 7.03)

- Members' standards of conduct are set out in a Code of Conduct that is attached as an exhibit to the Terms of Reference; the Terms of Reference are attached as a schedule to the agreement (Schedule "D"). The Terms of Reference are the subject of a separate report
- The adherence of members to the Code of Conduct is subject to oversight by an Integrity Commissioner

(h) Exclusivity

- So long as they are parties to the agreement Participating Municipalities cannot invest under the prudent investor regime through any investment board other than ONE JIB (Section 2.02)

(i) Fees

- Investment pools are subject to management fees and other expenses set by ONE Investment; fees are determined on a cost-recovery basis and are reviewed at least annually (Section 9, Schedule "D")
- Management fee discounts are to be determined by ONE Investment and paid directly by ONE Investment to Participating Municipalities (Schedule "D")

(j) Complaints

- A complaint protocol establishes a process for dealing with complaints by a Participating Municipality with respect to the management of its investments (Section 11)

(k) Indemnities

- Participating Municipalities indemnify ONE JIB for liabilities incurred in fulfilling its obligations under the agreement with a standard carve-out for ONE JIB's own misconduct (Section 10.03)

(l) Withdrawals from Agreement

- Any Participating Municipality may withdraw from the agreement, subject to certain conditions, so long as it continues to invest through another authorized vehicle (Sections 13.02 and 13.03)

(m) Termination of Agreement

- The agreement can only be terminated by no fewer than two Founding Municipalities if certain conditions are met (Section 15.01)

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