



REPORT

To: ONE Joint Investment Board
From: Heather Douglas, WeirFoulds LLP, Counsel
Date: May 19, 2020
Re: ONE JIB Services Agreement
Report: 20-008

1. RECOMMENDATIONS

It is recommended that at its initial meeting on May 19, 2020 ONE JIB formally engage ONE Investment as its agent pursuant to the terms and conditions contained in the Services Agreement in its current form.

A copy of the Services Agreement is attached.

2. SUMMARY

ONE JIB requires certain management, administrative, secretarial and support services in order to carry out its responsibilities to the Participating Municipalities as set out in the ONE JIB Agreement. The Services Agreement sets out the terms and conditions under which ONE Investment will provide the necessary services to ONE JIB.

Pursuant to the Services Agreement, ONE JIB appoints ONE Investment as its primary agent, and ONE JIB authorizes and empowers ONE Investment to direct the day-to-day operations of the prudent investment program, subject to the supervision and overriding authority of ONE JIB.

3. BACKGROUND

The *Municipal Act, 2001* and the regulations made thereunder (collectively, the Municipal Legislation) permit a Joint Investment Board, such as ONE JIB, to authorize an agent to exercise any of its functions to the same extent that a prudent investor, acting in accordance with ordinary investment practice, would authorize an agent to exercise any investment function.

The Services Agreement deals exclusively with ONE Investment's obligations as a service provider to ONE JIB. The Participating Municipalities, that are parties to the ONE JIB Agreement (the subject of a separate report), are therefore not parties to the Services Agreement.

4. ANALYSIS

The following are highlights of the Services Agreement. (References to sections and schedules are to the Services Agreement.)

(a) Parties

- ONE JIB and ONE Investment are separate and distinct entities. ONE JIB owes its legal existence to the Municipal Legislation and ONE Investment is a non-share, not-for-profit corporation, formed by LAS and CHUMS

(b) Management Services Provided

- Core function of ONE Investment is to provide the professionals and staff to implement the investment of money and investments of the Participating Municipalities under the control and management of ONE JIB (Sections 2.1 and 2.2)

(c) Compliance with Law, including Securities Legislation

- ONE Investment must comply with applicable legislation, including securities legislation, which effectively means complying with the conditions of the regulatory relief (i.e. OSC Order) which exempts ONE Investment from having to be registered with securities authorities (Definition of “Applicable Securities Law”; Sections 2.4 and 4.1(b))

(d) The Secretary, the CIO and the CCO

- ONE Investment supplies or makes available to ONE JIB the services of a Secretary, Chief Investment Officer and Chief Compliance Officer
- the Secretary is Secretary to ONE JIB. The CIO and CCO are officers of ONE Investment who have reporting obligations to ONE JIB
- CIO and CCO may “engage in open and forthright discussions ...free from fear of reprisal” (Sections 3.1, 3.2 and 3.3)

(e) Preparation of Program Documents

- Staff of ONE Investment prepare initial drafts of program documents, including
 - template investment policies,
 - investment plans,
 - investment reports, and
 - compliance reports

for consideration and review by ONE JIB and others as appropriate (Section 3.4)

(f) Reporting to ONE JIB / Monitoring

- The Municipal Legislation requires reporting by agents such as ONE Investment at least annually or more frequently if necessary or advisable
- ONE JIB is to monitor the performance of ONE Investment so that ONE JIB is satisfied that ONE Investment is meeting its obligations

(g) Standard of Care/ Liability / Indemnification

- Standard of care is “prudent person” standard, consistent with Municipal Legislation, i.e. (i) act honestly and in good faith with a view to the best interests of the Participating Municipalities; and (ii) exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances (Section 2.6)
- ONE Investment must meet that standard in order to be indemnified by ONE JIB against third party claims and to be insulated from liability to the Participating Municipalities (Sections 6.1 and 6.2)

(h) Fees and Expenses

- ONE Investment entitled to fees set out in Schedule A to Services Agreement
- ONE JIB recovers fees from Participating Municipalities under ONE JIB Agreement with consent of ONE Investment
- Fees can be set off against, or deducted from, Participating Municipalities’ funds

under ONE JIB control (i.e. pooled funds) (Section 5.1; Schedule A)

(i) **Insurance**

- ONE Investment will maintain E & O insurance consistent with professional firms with similar assets under management (Section 7.2)

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