

To: ONE Joint Investment Board
 From: Keith Taylor, Chief Investment Officer, ONE Investment
 Date: March 1, 2023
 Re: Municipality of Neebing's Investment Plan
 Report: ONE JIB 2023-005

1. RECOMMENDATIONS

It is recommended that the Board:

1. Receive the Municipality of Neebing's Investment Policy Statement (Attachment 1).
2. Receive the Municipality of Neebing's Municipal Client Questionnaire (Attachment 2).
3. Approve the Municipality of Neebing's proposed Investment Plan (Attachment 3).

2. SUMMARY

The Municipality of Neebing has completed its first annual review process and provided an updated Municipal Client Questionnaire (MCQ), which provides information on its MNRI and the investment horizons associated with its reserve balances. The MCQ indicated that the investment horizon associated with the Municipality's MNRI is largely unchanged from the previous year and continues to be very long. The Municipality will be contributing \$140,000 of additional MNRI this year. It is recommended that this new contribution be allocated to the Target Date 3-5 Year Outcome. It is also recommended that \$107,400 of MNRI currently in the Cash Outcome be reallocated to the Target Date 3-5 Year Outcome. Equity allocations in the updated Investment Plan will be 49.9%.

The proposed investment allocations, which reflect consolidated holdings across ONE Investment Outcomes are shown below. Neebing's MCQ identifies \$2.4 million of investable MNRI, allocated according to the proposed Investment Plan as shown in the table below:

ONE Investment Funds & HISA	Total Invested (\$)	Portfolio Weight (%)
ONE HISA	\$ 288,156	11.9
ONE Canadian Equity Fund	362,662	15.0
ONE Global Equity Fund	846,210	34.9
ONE Canadian Government Bond Fund	138,765	5.7
ONE Canadian Corporate Bond Fund	138,765	5.7
ONE Global Bond Fund	647,568	26.7
Total	\$ 2,422,125	100.0

3. BACKGROUND

Neebing's annual Investment Policy Statement (IPS) review resulted in minor housekeeping changes in the Investment Plan

The Municipality completed its annual IPS review in January 2023 with Council approving some minor modifications to the IPS. The modifications were housekeeping items to reflect changes made in the IPS template. The modifications clarify language and give ONE JIB more flexibility to modify the product offerings used in the Prudent Investment Program.

Neebing will be contributing \$140,000 to MNRI this year, deploying proceeds from a recent sale of vacant land

The updated MCQ identified a \$140,000 contribution of MNRI that represents proceeds from the sale of vacant land held by the Municipality. The allocation of this cash contribution to the investment outcomes was determined by reviewing the Municipality's reserve balances and forecasts. Table 1 below details the projected contributions and withdrawals for MNRI which influenced how the arriving MNRI contribution will be deployed.

Table 1: Forecast contributions and withdrawals - adapted from MCQ 4.2

Type	Next year	2 years	3 to 5 years	5 to 10 years	Greater than 10 years
Anticipated MNRI Drawdowns		(200,000)	(440,000)		
Anticipated MNRI Contributions					
Net change in MNRI		(200,000)	(440,000)		

The proposed changes in the Investment Plan involve increasing the allocation to the Target Date 3 – 5 Year Outcome by \$240,000 and reducing the allocation to the Cash Outcome by \$100,000

The update to the MCQ shows a new contribution of \$140,000 from capital reserves with a time-horizon in the 3-to-5-year range. Additionally, adjustments to forecasts indicate that approximately \$100,000 previously allocated to the less than 3-year range now has an expected horizon of 3 to 5 years.

Table 2: MNRI by Type, Category and Time Horizon, adapted from MCQ section 4.2

Reserve Type	Brief Description	MNRI Amount	Investment Horizon of MNRI			
			Less than 3 years	3 to 5 years	5 to 10 years	10+ years
Capital Reserves and Special Projects	Target Date	2,140,000	200,000	440,000	500,000	1,000,000
Stabilization Reserves	Contingency Reserves	24,200			24,200	-
Contingency Reserves	Contingency Reserves	335,800			335,800	
Total		2,500,000	200,000	440,000	860,000	1,000,000

4. ANALYSIS

The mapping to Outcomes and resulting asset allocation is consistent with Neebing's cashflow forecasts, risk tolerances and objectives

A significant portion of Neebing's MNRI consists of capital reserves with a long time-horizon. The largest of these include capital reserves to fund spending on their fire department, their landfill site and roads. The changes in Neebing's MCQ did not result in a significant change in the time horizon of MNRI. As a result, more than half of Neebing's MNRI will remain allocated to the Target Date 5 - 10 Year and the Target Date 10+ Year Outcomes. Reserves with a 5-to-10-year horizon can be invested at moderate risk levels, while those with a longer investment horizon, representing almost a million dollars, will be invested in the Target Date 10+ Year Outcome with a higher risk profile.

The overall risk profile remains similar, with an allocation to equities of 49.9%, down modestly from the 52.4% in the previous year's Investment Plan. The equity allocation was diluted slightly as the new MNRI contribution is to be deployed to the Target Date 3 - 5 Year Outcome, which has a 10% allocation to equity investments. This level of allocation to equities is appropriate considering the long investment horizon of the Municipality's overall MNRI.

Mapping the MNRI to Outcomes was based on the information provided in the MCQ and discussions with the Treasurer. Asset allocations (Table 3 below) and fund allocations (Tables 4 and 5 below) were determined using the ONE JIB's Outcomes Framework.

Table 3: Proposed Outcome Mapping and Asset Allocation

Outcome	Total Invested (\$)	Portfolio Weight (%)	HISA (%)	Fixed Income (%)	Equities (%)	Total (%)
Cash	200,000	8.3	100	-	-	100
Contingency	344,589	14.2	-	40	60	100
Target Date 3-5 Years	440,778	18.2	20	70	10	100
Target Date 5-10 Years	478,112	19.7	-	50	50	100
Target Date 10+ Years	958,646	39.6	-	25	75	100
Total	2,422,125	100.0				

Table 4 Proposed Pooled Fund-Level Allocation

ONE Investment Funds & HISA	Total Invested (\$)	Portfolio Weight (%)
ONE HISA	\$ 288,156	11.9
ONE Canadian Equity Fund	362,662	15.0
ONE Global Equity Fund	846,210	34.9
ONE Canadian Government Bond Fund	138,765	5.7
ONE Canadian Corporate Bond Fund	138,765	5.7
ONE Global Bond Fund	647,568	26.7
Total	\$ 2,422,125	100.0

Table 5: Proposed Pooled Fund Allocations by Outcome (values in \$ thousands)

Outcome	ONE HISA	ONE Canadian Equity Fund	ONE Global Equity Fund	ONE Canadian Govt Bond Fund	ONE Canadian Corporate Bond Fund	ONE Global Bond Fund	Total
Cash	\$ 200.0	-	-	-	-	-	\$ 200.0
Contingency	-	62.0	144.7	20.7	20.7	96.5	344.6
Target Date 3-5 Years	88.16	13.2	30.9	46.3	46.3	216.0	440.8
Target Date 5-10 Years	-	71.7	167.3	35.9	35.9	167.3	478.1
Target Date 10+ Years	-	215.7	503.3	36.0	36.0	167.8	958.6
Total \$	\$ 288.2	\$ 362.7	\$ 846.2	\$ 138.8	\$ 138.8	\$ 647.6	\$ 2,422.1

The average annual expected return on Neebing's investments is approximately 5.2%

The average return expectation (i.e., Annual 10-yr Compound Return Assumption) in the proposed Investment Plan is 5.2%. The standard deviation of the portfolio is approximately 5.6%. Risk and return attributes of the consolidated MNRI are detailed in Table 6 below. This aligns with the risk and return objectives established in the Municipality's IPS and MCQ

Table 6: Risk and return expectations

Outcome	Expected Return	Standard Deviation	Allocation Weight (%)
Cash	4.2%	1.3%	8.3%
Contingency	5.4%	6.6%	14.2%
Target Date 3-5 Years	4.5%	2.8%	18.2%
Target Date 5-10 Years	5.2%	5.8%	19.7%
Target Date 10+ Years	5.6%	7.9%	39.6%
Overall	5.2%	5.6%	100.0%

5. CONCLUSION

The proposed Investment Plan is consistent with the Municipality's IPS. The proposed asset mix and fund allocations reflect the investment objectives and risk preferences expressed in its IPS and MCO. As a result, the Investment Plan is appropriate for the Municipality's objectives, risk tolerance, time horizons and available MNRI.

Drafted by: Colin Macdonald, Manager of Investment Services and Keith Taylor Chief Investment Officer
Approved by: Judy Dezell and Donna Herridge, Co-Presidents/CEO