Appendix 5 - Account Mapping and Investment Allocations
Town of Innisfil

1. Summary

- Innisfil has $15.0 million available to invest, all with a time horizon of greater than 10 years.
- The Innisfil's Council has established its investment objectives and risk.
- The revised outcomes and further cash flow analysis prompted shifting approximately half of MNRI from the stable return to the contingency outcome.
- The changes to the outcomes result in an increase in the allocation to equities from 25% in total to 60%
- The increased exposure to equites increases expected returns by 0.9% while increasing standard deviation by 2.5%.

2. Background

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

Innisfil initially has $15.0 million available for the ONE JIB to invest, all of which is expected to have a timeframe of 5 to 10 years.

At the end of 2019, the Town had reserves and reserve funds totalling approximately $68.5 million. Through 2021-2024, the Town expects to be upgrading its library facilities and a large capital expenditure related to its fire and arena facilities in 2026, which accounts for its high allocation of reserve and reserve funds to money required immediately.

The Town's return objective is an annual return that at least meets inflation. Their primary objectives based on the time horizon and needs should be oriented around growth in investments.

Innisfil's overall risk tolerance is moderate with an annual downside comfort level of -5% in a single year. Innisfil wishes to achieve moderate growth without excessive risk to capital.

3. Analysis

Mapping Innisfil's MNRI to the revised outcomes shifts $7.5 million from the Stable Return outcome to the refined contingency outcome.

Further analysis of Innisfil's cash flow forecasts indicated that the investment horizon and the investment objectives of the money previously allocated to Stable Return are more aligned with the Contingency outcome. The investment objectives do not identify a need for a regular target income from the funds, so the Contingency option was used, as the term was greater than 5 years, but the funds are not targeted to a specific date or project. See Table 1 for more detail.

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		Cash < 3 yrs	
Target Date 2025		Cash Plus 3-5 yrs	
Stable Return	7,500,000	Stable Return	
Contingency (Low to moderate risk)	7,500,000	Contingency	15,000,000
Contingency (High risk)		Asset mgt reserves	
Target Date 2030		Target Date 5-10 yrs	
Target Date 2035, 2040, 2045		Target Date > 10 yrs	
Total	$15,000,000		$15,000,000

Compared to the Draft Plan the Revised Mappings would shift the overall allocations from 25.0% equities to 60.0% equities.

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 (from 5% to 18%) and the Global Equity Fund (from 20% to 42%) and a decreased allocation to the Canadian Government (from 15% to 6%), and Global Bond Funds (from 60% to 28.0%). The changes to the outcome allocations result in some funds being allocated to Canadian Corporate Bonds where previously none had been allocated. See Table 2 for specific allocations.

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

	Draft Plan Presented to Council		Revised Mapping	
Fund	Total Invested	Percentage	Total Invested	Percentage
HISA	-	0.0%	-	0.0%
CDN Equity Fund	750,000	5.0%	2,700,000	18.0%
Global Equity Fund	3,000,000	20.0%	6,300,000	42.0%
CDN GOV Bond Fund	2,250,000	15.0%	900,000	6.0%
CND Corp Bond Fund	-	0.0%	900,000	6.0%
Global Bond Fund	9,000,000	60.0%	4,200,000	28.0%
Total $	$15,000,000	100.0%	$15,000,000	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 4.9% from 4.0%. The changes would also mean that standard deviation would increase from 4.1% to 6.6% 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	4.0	4.1
Revised Plan Based on New Mappings	4.9	6.6
Difference	+0.9	+2.5

5. Conclusion

Staff is looking for feedback on whether the revised mappings lead to an allocation that is more in line with Innisfil'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