

To: ONE Joint Investment Board
From: Jennifer Hess, Manager of Investments, ONE Investment
Date: June 1, 2023
Re: Annual ONE JIB Template Review Process 2023
Report: ONE JIB 2023-022

1. RECOMMENDATIONS

It is recommended that the Board:

1. Approve the proposed objectives of the ONE JIB template review.
2. Approve the scope, timeline and workplan for the annual ONE JIB template review.

2. SUMMARY

ONE JIB conducts an annual review of its core templates: the Municipal Client Questionnaire (MCQ), the Investment Policy Statement (IPS), and the Investment Plan. Each template is designed to meet legislative requirements and ensure ONE JIB has the appropriate information required to perform its duties and responsibilities.

In preparing for this year's review, ONE Investment staff is looking to put increased emphasis and priority on finding efficiencies in the documents and enabling processes and policies to ensure the Prudent Investment Program can scale appropriately as more investors join ONE JIB. As a result, ONE Investment is proposing a more prolonged workplan and timeline for the review that would include an education session, a consultative feedback collection process, and a review and potential amendment or creation of dependent or associated policies. This will culminate in finalization and approval of revised templates at the November 29, 2023 ONE JIB meeting.

3. BACKGROUND

ONE JIB reviews its core templates annually, and this work has been identified by ONE JIB as a priority area for improvement

ONE JIB conducts an annual review of its templates. In its last two Board self-evaluations, ONE JIB identified the templates as a priority area for improvement. Last year, ONE Investment used a consultative process with ONE JIB to ensure that member feedback was incorporated where possible before the revised templates are presented. Last year's review resulted in some changes, but due to the allotted timeframe, not all feedback could be incorporated or discussed at length.

The MCQ allows ONE Investment to collect further information on the municipal risk

tolerances, objectives, investment experience, and most importantly the profile and expected timing of their MNRI

The MCQ is not a legislative requirement under the *Municipal Act, 2001*; however, ONE's Ontario Securities Commission exemption requires that ONE collect 'Know Your Client' information from participating municipalities. Additionally, the MCQ helps ONE Investment staff engage with Participating Municipalities on their cash flow forecasts and needs. The MCQ is completed by the Participating Municipality after significant engagement and discussion with ONE Investment staff to ensure all parties have a common understanding of the municipality's MNRI. The MCQ may see multiple iterations during this process and the municipality signs off once all agree. ONE JIB uses this document to get a better understanding of the municipality's level of comfort with investing, its plan-level risk tolerances (as opposed to outcome level), and the purpose and expected time horizons of its cash reserves. This information allows ONE JIB to evaluate the work of the Chief Investment Officer in applying the ONE JIB Outcome Framework and assess the Investment Plan allocations in the context of the municipality's risk and return objectives.

The IPS template is a document that is designed to assist municipalities in providing strategic direction to ONE JIB

The *Municipal Act, 2001* requires that participating municipalities have an investment policy. The municipality, in its policy, is required to include: (1) its objectives for return on investment and risk tolerance, and (2) its need for liquidity including, for greater certainty, the municipality's anticipated needs for funds for planned projects and the municipality's needs to have funds available for unanticipated contingencies. The municipality may also include other requirements with respect to investment matters that council considers to be in the interest of the municipality. The municipality must review and, if necessary, amend their IPS annually.

In the IPS template, there are sections that pertain to Money Required Immediately (which is managed by the Municipality) and Money Not Required Immediately (which is managed by ONE JIB) – this is encouraged as a best practice rather than having two separate documents governing the management of investments. This document is used to provide guidance on IPS development when a municipality transitions to prudent investor and to make recommendations to Participating Municipalities during their annual reviews. Municipalities are not required to use the IPS template nor are they required to accept recommended edits to their IPS.

ONE JIB has an Investment Plan template that is intended to describe how a Participating Municipality's investments will be managed

The *Municipal Act, 2001* requires that ONE JIB adopt and maintain an investment plan for all Participating Municipalities. The Act further details criteria for consideration when planning investments. The Regulation also provides the following guidance for what should be contained in the Investment Plan:

- (1) The investment plan shall deal with how the Investment Board or Joint Investment Board will invest each municipality's money and set out the Board's projections of the proportions of each municipality's portfolio of investments to be invested at the end of the year in each type of security selected by the Investment Board or Joint Investment Board and may include other requirements. O. Reg. 43/18, s. 10

4. ANALYSIS

ONE Investment is proposing four objectives for the review with an emphasis on finding efficiencies for scalability in anticipation of new members joining the ONE JIB

In conducting this review ONE Investment staff is proposing the following objectives:

- Assessing the templates for operational efficiency;
- Minimizing unnecessary redundancy between the templates, policies, and processes;
- Developing documents that are clear and easy to use for municipalities; and,
- Collecting and presenting the necessary information for ONE JIB to make decisions.

The covering reports for Investment Plans will be included in the template review process and the review may also encompass processes and policies where appropriate

Last year's review exclusively focused on the MCQ, the IPS, and the Investment Plan template. In reviewing the process and legislation, staff noted that several policies, processes, and procedures also ensure that ONE JIB is meeting the legislative requirements. As a result, they may not need to be explicitly addressed through the templates. Staff plan on looking at the wider scope of the Prudent Investment Program to see how all pieces interact to help ONE JIB complete its duties. A comprehensive education session and review may enable ONE JIB to find efficiencies by considering other enabling processes and policies in relation to the templates.

The proposed workplan for the template will begin immediately and conclude with the final meeting of 2023

Given the wider scope of this year's review, ONE Investment is recommending a more prolonged process, workplan and timeline. The table below outlines the proposed workplan and timeline.

Step	Timeline	Description
Approval of process	June 1, 2023	Review and finalization of template review process steps and timelines
Education session	Summer 2023 (Exact timing TBD)	To be scheduled – special meeting discussing legislative requirements, templates and impacts on process and administration
Gather template feedback from stakeholders	Summer 2023 (after education session)	Distribute templates and questionnaire soliciting feedback from ONE JIB and Participating Municipalities

Step	Timeline	Description
Summary of feedback from stakeholders and enabling policy review	September 6, 2023	<ol style="list-style-type: none"> 1. Summarize feedback on templates from stakeholders 2. Implementing feedback may require the review or development of enabling policies, which will be presented for revision and approval prior to modifying the templates
Revised templates	November 29, 2023	Revised templates for the IPS, MCQ, Investment Plan will be presented for final approval by ONE JIB

5. CONCLUSION

The core templates are a critical component for the operations of the Prudent Investment Program. While ONE JIB has conducted reviews of the materials in the past, the reviews have not considered the wider administrative framework of the Prudent Investment Program and how the templates operate within it. Given that ONE JIB is entering its fourth year, and the program continues to grow, it is a perfect opportunity to do a more fulsome review of the documents with a view on scalability of the program.

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Approved by: Judy Dezell and Donna Herridge - Co-Presidents/CEO