

# Attachment 1



## Town of Whitby Policy

<b>Policy Title:</b>	Investment Policy
<b>Policy Number:</b>	F 100
<b>Reference:</b>	<i>Municipal Act, 2001</i> Eligible Investments, Regulation 438/97 and Council Resolution #106-23
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<b>Point of Contact:</b>	Financial Services – Treasury Services

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### Policy Statement

It is the policy of The Corporation of the Town of Whitby (the "Town") to invest municipal funds in a manner which will provide the highest return within risk tolerances that are appropriate for the Town. Investments must comply with the Municipal Act, 2001, Sections 418-420 and Eligible Investments, Regulation 438/97 (Appendix B).

### Purpose

To provide investment guidelines which govern the investment of the Town's Long-Term Money or "Money that is Not Required Immediately" ("MNRI") and also Short-Term Money or "Money that is Required Immediately" ("MRI"). It is intended, among other things, to direct the Treasurer in the investment of MRI and to direct ONE Joint Investment Board ("ONE JIB") in the investment of MNRI.

The Investment Policy Statement ("IPS") governs the investment of the Town's MNRI and MRI. It is intended, among other things, to direct the Treasurer in the investment of MRI and to direct ONE JIB in the investment of MNRI pursuant to which the Town authorized the establishment of guidelines for the prudent management of the Town's MNRI pursuant to section 418.1 of the Act.

In addition to the Town's MRI and MNRI, the Town is from time to time entrusted with the management of money and investments for a third-party beneficiary ("Third-Party Trust Funds").

There are also source(s) of money in which the Town may have an indirect interest but which the Town currently has no authority to invest. Such source(s) of money, referred to in this IPS as "Designated Funds", are listed in Schedule A attached hereto. The Designated Funds are identified in this IPS for the sole purpose of enabling the Town to better see, on an aggregated basis, the various financial assets in which the Town has

an interest. The Town is not responsible for the investment activities or performance of Designated Funds.

## Scope

The IPS, as outlined, applies to all investment of Working Capital, Reserves, Reserve Funds, sinking funds, trust funds and any new funds created by the Town unless specifically exempted.

The goals of this IPS is to:

- Define and assign responsibilities for investment of MRI and MNRI;
- Direct ONE JIB as to the Town's investment goals and risk tolerance;
- Describe the Town's responsibilities with respect to third party trust funds;
- Ensure compliance with the applicable legislation;
- Direct ONE JIB as to the Town's investment goals and risk tolerance;
- Provide guidance and limitations regarding the investments and their underlying risks;
- Describe the Town's responsibilities with respect to Third-Party Trust Funds and Designated Funds;
- Establish a basis of evaluating investment performance and the underlying risks; and,
- Establish a reporting standard to Council.

This IPS applies to employees of the Town, to ONE JIB and to the employees of ONE Investment. ONE JIB, the Treasurer, and any agent or advisor providing services to ONE JIB in connection with the investment of the portfolio shall accept and strictly adhere to this IPS.

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## 1. Definitions

The following capitalized terms are defined terms which have the meanings set out below:

**Act:** means the *Municipal Act, 2001*, S.O. 2001, c. 25, as amended from time to time.

**Agent:** means any administrator, custodian, payment servicer, portfolio manager, investment counsel, consultant, banker, broker, dealer or other service provider engaged or appointed by ONE JIB and authorized by ONE JIB to exercise any of the functions of ONE JIB pursuant to a written agreement, in the manner and to the extent provided in the Regulation and without limiting the generality of the foregoing, Agent includes ONE Investment.

**Asset Class:** means a specific category of assets or investments, such as cash, fixed income, equities, alternative investments, real estate etc.

**Asset Mix (or Asset Allocation):** means the proportion of each asset class in a portfolio. Asset classes include bank deposits, money market securities, bonds and equities, among other things.

**Authorizing By-law:** means a by-law of a founding municipality which authorizes: (i) entering into an Initial Formation Agreement; (ii) the establishment of ONE JIB; (iii) the approval of the Client Questionnaire and the adoption of the IPS; and (iv) entering into the ONE JIB Agreement.

**Benchmark:** means an index that is representative of a specific securities market (e.g. the S&P/TSX Composite Index, the FTSE/TMX 91 Day T-bill Index, etc.) against which investment performance can be compared. Performance benchmarks refer to total return indices in Canadian dollar terms.

**CFA Institute:** refers to the global, not-for-profit professional association that administers the Chartered Financial Analyst (CFA) and the Certificate in Investment Performance Measurement (CIPM) curricula and examination programs worldwide, publishes research, conducts professional development programs, and sets voluntary, ethics-based professional and performance reporting standards for the investment industry.

**Credit Risk:** means the possibility of a loss resulting from a borrower's failure to repay a loan or meet contractual obligations. That is, the risk that a lender may not receive the owed principal and interest.

**Custodian:** means a specialized financial institution that is responsible for safeguarding a municipality's investments and is not engaged in "traditional" commercial or consumer/retail banking. Global custodians hold investments for their clients in multiple jurisdictions around the world, using their own local branches or other local custodian banks ("sub-custodians" or "agent banks").



**Derivative:** means a contract between two or more parties whose value is based on an agreed-upon underlying financial asset (like a security) or set of assets (like an index). Common underlying instruments include bonds, commodities, currencies, interest rates, market indexes, and stocks.

**Environmental, Social and Governance (ESG) Investing:** means considering and integrating ESG factors into the investment process, rather than eliminating investments based on ESG factors alone. Integrating ESG information can lead to more comprehensive analysis of a company.

**External Portfolio Managers:** means external third-party investment management firms whose investment offerings are accessed by ONE JIB directly or through services provided to a Pooled Fund. External Portfolio Managers are agents authorized by ONE JIB in accordance with Part II of the Regulation.

**Interest Rate Risk:** refers to the possibility that the value of a bond or other fixed-income investment will suffer as the result of a change in interest rates. Interest rate risk can be managed to help improve investment outcomes.

**Internal Controls:** means a system of controls that may include authorities, policies, procedures, separation and segregation of duties, compliance checks, performance measurement and attribution, reporting protocols, measures for safekeeping of property and data, and the audit process.

**Investment Plan:** means the investment plan applicable to the Long-Term Funds investments and adopted by ONE JIB under the Regulation, as it may be amended from time to time.

**Investment Policy Statement (IPS):** means the investment policy applicable to the Town's investments adopted and maintained by the Council of the Town for Long-Term Money under the Regulation, and for Short-Term Money, as the same may be amended from time to time. The IPS may also apply to the money and investments held by the Town for the benefit of persons other than the Town itself and may make reference to source(s) of money in which the Town may have an indirect interest but which the Town has no authority to invest.

**JIB:** is short for Joint Investment Board and means a joint municipal service board that is established under section 202 of the Act by two or more municipalities for the purposes of Part II of the Regulation.

**Legal List Securities:** means the securities and other investments and financial instruments that are included from time to time in Part I of the Regulation.

**Leverage:** means an investment strategy of using borrowed money—specifically, the use of various financial instruments or borrowed capital to increase the potential return of an investment. Typically leverage also tends to increase investment risks.



**Local Distribution Corporation or LDC:** means a corporation incorporated under section 142 of the Electricity Act, 1998, S.O. 1998, c. 15, Sched. A., as amended.

**Long-Term Money:** means money that the Town has defined as long-term and characterized as money that is not required immediately by the Town as described in section 5.2. Monies that are Long Term Money will be invested in accordance with the Prudent Investor Standard.

**Modern Portfolio Theory:** means a theory of portfolio management that looks towards the portfolio as a whole, rather than towards the prudence of each investment in the portfolio. This is found in the CFA Institute Standards of Practice Handbook.

**ONE JIB:** means ONE Joint Investment Board, established by certain founding municipalities under section 202 of the Act as a JIB for purposes of Part II of the Regulation, which is the duly appointed JIB for the Town, as constituted from time to time and which acts in accordance with the Act, the Regulation, the ONE JIB Agreement, including the Terms of Reference, this IPS and the Investment Plan.

**ONE JIB Agreement:** means the agreement effective as of July 2, 2020, entered into in accordance with the requirements of the Regulation, pursuant to which ONE JIB has control and management of the Town's Long-Term Money.

**Outcome:** in the context of the Town's IPS the word 'Outcome' is used interchangeably with 'Solutions'. Investment Outcomes are a set of investment allocations with varying risk/return characteristics. The Outcomes assigned to each investor are intended to reflect the needs and circumstances of the Town. MNRI may be invested into several Outcomes based on the characteristics of the Town's accounts/reserves and its saving and spending needs.

**ONE JIB's Outcome Framework:** a set of Investment Outcomes designed by the ONE JIB to categorize the potential goals of investing MNRI. Each Outcome has a unique Asset Allocation with risk/return characteristics that are aligned with the intended use of the money assigned to the outcome.

**Pooled Fund:** means a unit trust established under a trust instrument, generally not available to the public, in which institutional, sophisticated or high net worth investors contribute monies that are invested and managed by an External Portfolio Manager. Monies are pooled or combined with monies of other investors.

**Portfolio:** means any collection of funds that are grouped together and required for specific purposes.

**Proxy Voting:** means a legal transfer to another party of a shareholder's right to vote thereby allowing shareholders who cannot attend meetings to participate. External Portfolio Managers usually vote proxies on behalf of their clients.



**Prudent Effective Date:** means July 2, 2020, the date on which the prudent investor regime applies to the Town.

**Prudent Investor Standard:** means the standard that applies when the Town invests money that it does not require immediately under section 418.1 of the Act. It requires the Town to exercise the care, skill, diligence and judgment that a prudent investor would exercise in making such an investment and the standard does not restrict the securities in which the Town can invest. The Prudent Investor Standard makes use of Modern Portfolio Theory and applies the standard of prudence to the entire portfolio in respect of the Town's Long-Term Money rather than to individual securities. It identifies the fiduciary's central consideration as the trade-off between risk and return as found in the CFA Institute Standards of Practice Handbook.

**Regulation:** means Ontario Regulation 438/97.

**Risk:** means the uncertainty of future investment returns or chance of loss of capital.

**Risk Tolerance:** means the financial ability and willingness to absorb a loss in return for greater potential for gains.

**Securities Lending:** means loaning a security to another market participant. The borrower is required to deliver to the lender, as security for the loan, acceptable collateral with value greater than the value of the securities loaned. The Securities Lending program is managed by the Custodian or another appointed agent on behalf of investors. A Securities Lending program is widely used by institutional investors to generate additional marginal returns on the total portfolio.

**Short-Term Money:** means money that is required immediately by the Town as described in section 5.1 and which remains under the control and management of the Town. The money can be invested in appropriate Legal List Securities.

**Sinking Fund:** means a fund established to fulfil the requirements to make annual contributions in respect of various debenture issues wherein money is to be regularly set aside for the payment of the principal of the debentures at maturity.

**Sinking Fund Required Contributions (Annual Sinking Fund Requirement):** means the amount of money to be set aside each year for deposit into a sinking fund or a retirement fund, as applicable, for each sinking fund and term debenture issue in accordance with the Town's debenture by-laws.

**Sinking Fund Required Earnings:** means the investment earnings needed for the Sinking Fund Contributions to continue to grow to a value sufficient to repay the principal at maturity for each issue of sinking fund and term debentures.



**Sinking Fund Excess Earnings:** means the investment earnings in excess of the required earnings.

## **2. PURPOSE AND LEGISLATIVE FRAMEWORK**

### **2.1. Governing Legislation**

Investments of MRI will, in accordance with this IPS, only be made in Legal List Securities. The primary objectives of the Short-Term investment program, in priority order, shall be: Preservation of Capital, Maintenance of Liquidity, earning a Competitive Rate of Return and Legality of Investments. This will be achieved by investing in eligible legal list securities, high credit quality rated bonds to mitigate credit risk, highly liquid assets to respond to cash flow requirements and seeking the best ongoing return possible subject to the constraints of this Policy, respectively.

Investments of Long-Term Money or, MNRI are governed by the Prudent Investor Standard in accordance with Section 418.1 of the Act. This standard is similar to that which governs trustees and pension fund administrators and creates a fiduciary responsibility. Prudent investment in compliance with the Act and the Regulation enhances the potential for the Town to earn improved risk-adjusted rates of return.

Money and investments that the Town holds as Third-Party Trust Funds or has an interest in as Designated Funds will be subject to applicable legislation and any related agreements or instruments.

The Act provides that the Town, and therefore ONE JIB, must consider the following criteria in planning investments of MNRI, in addition to other criteria relevant to the circumstances:

- General economic conditions;
- The possible effect of inflation or deflation;
- The role that each investment plays within the Town's total portfolio of investments;
- The expected total return from income and the appreciation of capital; and
- Needs for liquidity, regularity of income and preservation or appreciation of capital.

### **2.2. Prudent Investor Standard**

For MNRI, the standard to be used by the Town and ONE JIB shall be the Prudent Investor Standard as required by section 418.1 of the Act and Part II of the Regulation in the context of managing the Town's MNRI and investments thereof. Investments shall be made with the care, skill, diligence, and judgment, taking into account the prevailing circumstances,



that persons of prudence, discretion and integrity would exercise in the management of investments, considering the necessity of preserving capital as well as the need for income and appreciation of capital. The Act includes a duty to obtain the advice that a prudent investor would obtain under comparable circumstances.

Officers, employees, and investment agents acting in accordance with written procedures and the IPS and exercising due diligence shall take all necessary actions to optimize performance of investments on a portfolio basis, taking into account the prescribed risk and other parameters set out in this IPS and market factors. The Town's staff acting in accordance with written procedures and this IPS, shall be relieved of personal responsibility for an investment's performance, provided underperformance relative to expectations is reported to Council and the liquidation or sale of investments is carried out in accordance with this IPS.

### **3. MONEY REQUIRED IMMEDIATELY AND MONEY NOT REQUIRED IMMEDIATELY**

#### **3.1. Determination of MNRI and MRI**

Determination of the Town's MNRI is the responsibility of Council. In making the determination, Council may consider:

- the time horizon within which the monies are needed to meet financial obligations;
- the purpose for which the monies have been collected or set aside and are to be used;
- the source of the money; or
- any combination of the foregoing

MNRI will be comprised of money that is to be used to meet financial obligations that become due more than 24 months from the date of receipt of such money by the Town.

For certainty, all money and investments of the Town that have not been identified as MNRI (other than Third-Party Trust Funds and any Designated Funds referenced in Section 2.1) shall be deemed for purposes of this IPS to be MRI.

Determination of the Town's MNRI and MRI may be modified at any time and from time to time by action of Council and with respect to specific monies by the Treasurer in accordance with the provisions of Section 6.2.

Any changes in this IPS regarding the Town's MNRI and MRI must be communicated immediately in writing to ONE JIB.

#### **3.2. Overview of Portfolios**



The Town's portfolios represent funds required for specific purposes. A high-level description of each of these portfolios and their objectives is provided in Section 5 below. This IPS applies to the following money of the Town, its agencies, boards and commissions including:

- MRI which is invested in Legal List Securities; and/or,
- MNRI which is invested under the Prudent Investor Standard.

## **4. ROLES AND RESPONSIBILITIES**

### **4.1. Role of ONE JIB**

ONE JIB has been appointed by the Town in accordance with the requirements of the Act and the Regulation and on the terms and conditions set out in the ONE JIB Agreement.

ONE JIB exercises control and management of the Town's MNRI and the investments made by it in accordance with the objectives and risk tolerance established in this IPS.

Among the responsibilities of ONE JIB are the following:

- Reviewing this IPS;
- Adopting and maintaining an Investment Plan that complies with this IPS;
- Engaging External Portfolio Managers, Custodians, Administrators and other investment professionals (Agents);
- Allocating the money and investments under its control and management among External Portfolio Managers and their funds in compliance with this IPS;
- Monitoring the performance of the Agents; and,
- Reporting to the Town.

The foregoing is subject to the more detailed terms and conditions contained in the ONE JIB Agreement.

### **4.2. Role of Municipal Staff**

This IPS is approved and adopted by Council with input from the Treasurer, and from ONE JIB with respect to MNRI. MRI of the Town, and any Third-Party Trust Funds referenced in Section 2.1, remain under the control and management of the Treasurer.

Consistent with this IPS, the Treasurer is responsible for the implementation of the investment program and the establishment of investment procedures which shall include:

- Investment management of MRI and any Third-Party Trust Funds referenced in Section 2.1 by, or under the direction of, the Treasurer;



- The deposit or withdrawal of MNRI, under the explicit delegation of authority regarding MNRI, and the investment thereof, to ONE JIB, which is responsible for the control and management of such funds and investments; and,
- A system of controls exercised by the Treasurer to regulate the activities of Town staff when investing MRI.

No person including, without limitation, ONE JIB, may engage in an investment transaction except as provided under the terms of this IPS.

In the management of MRI of the Town, and any Third-Party Trust Funds referenced in Section 2.1, the Treasurer may engage one or more agents and service providers. ONE Investment can assist with the investment of the Town's MRI, in Legal List Securities, and with the investment of Third-Party Trust Funds, in accordance with the terms of the applicable trust, if permitted, at the request of the Town.

#### **4.3. Ethics and Conflicts of Interest**

Individuals who are responsible for the Town's Short-Term Portfolio shall comply with the Town's Conflict of Interest guidelines and any relevant sections of professional codes of conduct (e.g., the CPA Code of Professional Conduct).

ONE JIB, in its capacity as a joint municipal service board, is subject to a Code of Conduct as required by the Municipal Act, 2001 (the "Act"). This Code of Conduct applies to the Chair and the other Members of ONE JIB acting in their capacity as Members of ONE JIB.

### **5. INVESTMENTS**

#### **5.1. MRI: Short-Term Money**

The Town's MRI is described in this IPS as Short-Term Money. Short-Term Money consists of money that is needed to meet the short-term financial obligations coming due within 24 months from the date of receipt of such money and are controlled and managed by the Treasurer.

For clarification, any debenture or promissory note issued by a LDC to the Town, together with any payments or interest earned thereon, shall be considered Short-Term Money.

##### **5.1.1. Short-Term Money: Investment Objectives**

The main focus of the investment of Short-Term Monies is cash management, and interest income generated by investments is a contributor to municipal revenues. To the extent possible, the Town shall



attempt to match its investments with anticipated obligations. Capital preservation is the paramount objective for short-term investments, and these investments need to be highly liquid. Consequently, only high quality, short-term investments that are also Legal List Securities will be held in this portfolio. The Town may invest in fully liquid money market securities and deposit accounts. The Town aims to maximize returns subject to the constraints set out in Part I of the Regulation, as amended from time to time, with a view to preserving capital and to further manage risk through diversification by issuer and credit quality.

The investment objectives for Short-Term Money, ranked in priority, are as follows:

a) Security of Principal

The primary objective for MRI is to ensure the security of principal. To minimize the risk of loss, investments shall be subject to minimum credit ratings and shall be diversified by maturity, type of investment and issuer. Investing activities will be reviewed on a regular basis as actual, revised and forecasted operating and capital plans are completed. Maturity dates should be structured so that investment cash inflows occur when needed.

b) Liquidity Requirements

Liquidity is measured by the ease with which securities can be converted to cash to meet forecast spending. The investments that are eligible under Ontario's Eligible Investments and Related Financial Agreements Regulation possess different features and thus market prices will vary depending on market conditions, as well as the particular features of the type of investment.

To ensure adequate liquidity, the Town's investments shall be diversified by holding securities of various terms to maturity and by various types of investments and issuers and to the extent possible, the term of such investments shall match the forecasted requirements for such monies to meet expenditures.

c) Rate of Return

The Town's money shall be invested to maximize the rate of return within acceptable risk levels while respecting the security of principal, legal constraints and the liquidity needs of each investment portfolio.

The composition of each portfolio, including its term to maturity and type of investments, shall be adjusted within the guidelines of this Policy to take advantage of market opportunities. Such changes shall be made with the periodic interest rate outlook and target portfolio structure approved by the Treasurer.



## 5.2. MNRI: Long-Term Money

The Town's MNRI is described in Section 3.1 as Long-Term Money. In accordance with the ONE JIB Agreement and this IPS, ONE JIB has exclusive control and management of the Long-Term Money and the investments made therewith.

From time to time, the Town may require money immediately to meet financial obligations and may require ONE JIB to liquidate one or more investments in order to generate money to meet those obligations. ONE JIB will select the investment(s) to be liquidated. The timing of such liquidation will be determined by ONE JIB in consultation with the Treasurer.

### 5.2.1. Long-Term Funds: Investment Objectives

In setting the objectives noted below, the Town has taken into account the following considerations:

- Preservation of capital;
- Adequate liquidity that takes into account the needs of financial obligations and reasonably anticipated budgetary requirements;
- Diversification by asset class, market, sector, issuer, credit quality and term to maturity;
- Income and capital appreciation; and,
- Macro risks, such as inflation, economic growth and interest rates.

The Town's Investment objectives for its Long-Term Money (MNRI) can be achieved via allocations to the Outcomes defined within the ONE JIB's Outcome Framework. Table 1 provides a summary of this framework.

Table 1: ONE JIB's Outcome Framework

Outcome Category	Outcome Strategy	Objective	Risk Tolerance, Liquidity	Investment Horizon
Cash	Cash	Preservation of Capital	Low risk; high liquidity	< 3 years
Stable Return	Stable Return	Income generation: To generate returns to fund recurring needs	Moderate risk with emphasis on growth and stable returns, regular liquidity	> 5 years (Perpetual)



Contingency	Contingency	Contributions for unexpected and infrequent events	Higher risk; emphasis on longer-term capital growth with some liquidity	> 5 years (Perpetual)
	Asset Mgt Reserves	Contributions to generate returns to fund asset management reserves	Higher risk; emphasis on longer-term capital growth; low liquidity	> 10 years (Perpetual)
Target Date	Target Date 3-5 yrs	Preservation of capital	Low risk; high liquidity	3 – 5 years
	Target Date 5-10 yrs	Contributions toward capital projects, mitigate inflation impacts and meet target funding requirements	Moderate risk, liquid	5 – 10 years
	Target Date 10+ yrs	Contributions toward capital projects, mitigate inflation impacts and meet target funding requirements	Higher risk, emphasis on long-term inflation-adjusted growth	> 10 years

Investment of Long-Term Money is to be managed by ONE JIB in a way that balances the investment objectives with a level of risk that is appropriate for the Town. The MNRI invested will be broadly diversified to help reduce the volatility of investment returns. Returns have an impact on revenues, as well as a longer-term impact on future years' budgets and should, at a minimum, keep pace with inflation. To the extent possible, the Long-Term Money's investment horizons are aligned with the Town's obligations and cash flow requirements and may consist of liquid and non-liquid securities based on future cash flow requirements.

#### 5.2.2. Long-Term Money: Eligible Investments



Eligible investments for Long-Term Money include any pooled fund or other collective investment vehicle or institutional investment management product sponsored or managed by ONE Investment for the Prudent Investment Program (Prudent Investment Offering), provided always that the products and the selection of products comply in all material respects with the IPS.

Additionally, nothing in this IPS prevents Long-Term Money from being held in cash, short term money market instruments, or overnight deposits.

#### **5.2.3. Long-Term Funds: Local Distribution Corporation (LDC)**

The direct investment in LDC shares and/or promissory notes, as may be applicable, prior to July 2, 2020, shall be permitted and included as part of the Long-Term Funds/MNRI held by ONE JIB. Specific details of this investment shall be approved by Council in its sole and absolute discretion, and ONE JIB shall adhere to all terms and conditions as directed. More specifically, ONE JIB shall be prohibited from selling, transferring, assigning, or pledging the LDC shares.

LDC shares are considered restricted, special assets and remain in the custody of the Town. LDC shares are to be viewed as separate standalone investments with the subject matter expertise and administrative functions remaining under the purview of the Town. These assets are not marketable securities and were acquired by the Town pursuant to separate legislative provisions and shareholder agreement(s). Council retains direct, de facto control of the LDC shares and ONE JIB shall adhere to all terms and conditions as directed. More specifically, Council controls all acquisition and disposition decisions related to current and future LDC assets. Any voting related to LDC shares will be undertaken solely by the Town.

The investment in LDC shares will not be included in calculations regarding asset mix/allocations or other constraints that apply to the Long-Term Funds.

#### **5.2.4. Long-Term Funds: Other Portfolios**

The Town does not currently have any other investment portfolios which require management by ONE JIB under the Prudent Investor Standard.

### **5.3. Third-Party Trust Funds and Designated Funds**

In addition to the Town's own money, the Town is from time to time entrusted with Third-Party Trust Funds, and the responsibilities and obligations with respect thereto may be subject to other legislation and governed by other agreements and instruments. To the extent that there is any conflict or inconsistency between the provisions of this IPS and the terms and conditions contained in such other legislation, agreements or instruments applicable to Third-Party Trust Funds, the latter shall prevail.



The Municipality's Third-Party Trust Funds and the Designated Funds are listed in Appendix A.

For certainty, the third-party trust funds and the Designated Funds are not MNRI of the Town, and such monies are not under the control or management of ONE JIB.

#### **5.4. Investment Management**

##### **5.4.1. Investment Management of Short-Term Money**

The investment of Short-Term Money shall be controlled and managed by the Treasurer.

##### **5.4.2. Investment Management of Long-Term Money**

The investment of Long-Term Money shall be controlled and managed by ONE JIB in accordance with this IPS.

Competent External Portfolio Managers shall be appointed by ONE JIB, and they shall enter into an agreement with ONE Investment that complies with this IPS and Part II of the Regulation and provide compliance and performance reports. In accordance with the applicable regulatory requirements, ONE JIB shall make any External Portfolio Manager changes deemed in the best interest of the Town. For each External Portfolio Manager, ONE Investment shall agree on a set of operational guidelines including constraints, discretion limits, diversification and quality standards, and performance expectations, which are documented in each External Portfolio Manager's guidelines.

##### **5.4.3. Transition to Prudent Investor Regime**

Upon and after the Prudent Effective Date, the control and management of money and investments that are determined to be not required immediately shall be given to ONE JIB. Nothing in this IPS requires that such investments need be liquidated or disposed of. It is not contrary to this IPS for investments that the Town does not require immediately to be held, and to continue to be held by, ONE JIB in instruments such as term deposits, guaranteed investment certificates or principal protected notes issued by a financial institution. They can be held to maturity and invested upon receipt of cash proceeds. The Town holds Principal Protected Notes that have been identified as MNR that will be held to maturity.

Management of Third-Party Trust Funds and any Designated Funds is not directly affected by the Prudent Effective Date.

#### **5.5. Investment Constraints**

##### **5.5.1. Environmental, Social and Governance (ESG) Investing**



The Town supports ESG investing for Short-Term and Long-Term Money. The Town believes that well-managed companies are those that demonstrate high ethical and environmental standards and respect for their employees, human rights, and the communities in which they do business, and that these actions contribute to long term financial performance.

The Town has chosen to monitor the developments of ESG factors and will reconsider its approach to ESG investing for the Short-Term Portfolio as and when appropriate to do so.

For the investment of Long-Term Money, ONE JIB is required to explore how External Portfolio Managers are implementing responsible investing principles at the time of hiring and during periodic reviews. It may report on results periodically, if requested.

#### **5.5.2. Securities Lending**

For the investment of Short-Term Money, the Town may invest in pooled funds, and other investment funds that are controlled by an External Portfolio Manager who may engage in Securities Lending if the policies of the External Portfolio Manager that apply to such pools permit such an action.

For the investment of Long-Term Money, the Town may invest in pooled funds, and other investment funds that are managed by an External Portfolio Manager who may engage in Securities Lending if the policies of the External Portfolio Manager permit such an action.

#### **5.5.3. Derivatives**

Derivatives may not be used for speculative purposes. They may be used for the investment of Long-Term Money where they are fully covered by a backing asset, e.g., as for currency or other hedging, to change portfolio duration or in covered call strategies.

#### **5.5.4. Pooled Funds**

All investment strategies may be pursued directly through holdings of corporate and government issuers and indirectly via pooled funds and investment funds or any combination thereof. The investment strategies may also include allocations to cash or short-term investment vehicles.

#### **5.5.5. Currency Hedging**

The Short-Term Portfolio will not utilize currency hedging.



The Town's funding requirements are in Canadian dollars. However, some exposure to foreign currencies in the Long-Term Portfolio may be advantageous to provide diversification and potentially enhance returns. Therefore, it shall not be a violation of this IPS for investments in global mandates to be unhedged, in whole or in part, where the diversification benefits embedded in the currency exposure are considered to be beneficial or desirable by ONE JIB.

#### **5.5.6. Prohibited Investments**

In no event may investments be made through foreign direct investment in countries subject to Canadian or UN economic sanctions.

##### **5.5.6.1. Letters of Credit**

With respect to MRI investments, the Town will accept irrevocable Letters of Credit in the prescribed format issued by a Schedule I bank with a minimum Dominion Bond Rating Service (DBRS) rating of R-1 low or A (low) or Schedule II (as approved) bank with a minimum DBRS rating of R-1 middle or AA (low).

Letters of credit issued may be accepted from any of the five largest banks set out in Schedule I of the Bank Act listed below:

1. Bank of Montreal
2. The Bank of Nova Scotia
3. Canadian Imperial Bank of Commerce
4. Royal Bank of Canada
5. Toronto Dominion Bank

Letters of credit may be accepted from Schedule I or II banks meeting the minimum DBRS rating criteria on the approval of the Treasurer or designate.

If a Letter of Credit was previously accepted in accordance with this policy and the bank has since been downgraded and no longer meets the minimum requirements, the Town may request a new acceptable Letter of Credit.

#### **5.6. Performance Monitoring, Rebalancing and Management**

##### **5.6.1. Short-Term Money**

The Treasurer shall monitor the performance, rebalance asset mix, and manage short-term funds in a manner that achieves the investment objectives set out in this IPS. The Investment & Financial Analyst will provide regular performance reporting to the Treasurer on the portfolio, as required.



### **5.6.2. Long-Term Money**

For the investment of Long-Term Money, ONE JIB shall establish parameters for monitoring investments and rebalancing through policy or directly within the investment plan.

Investments are expected to achieve returns at least equal to their benchmarks measured over a rolling five-year period. At minimum, ONE JIB shall provide reporting described in Section 6.7 that shows the Town's holdings, declares compliance with this IPS and shows External Portfolio Manager performance.

## **6. ADMINISTRATIVE POLICIES**

### **6.1. Flow of Money and Annual Town Budget**

#### **6.1.1. Transfer to ONE JIB as Part of Annual Review Process**

On an annual basis, as part of the Town's annual review process, the Town shall identify the amount, if any, of Long-Term Money that it holds. Any Long-Term Money not already under the control and management of ONE JIB shall be transferred to ONE JIB as soon as practicable.

#### **6.1.2. Transfer to Town as Part of Annual Review Process**

On an annual basis, as part of the Town's annual review process, ONE JIB shall be notified by the Treasurer as to the amount, if any, required by the Town from the Long-Term Money then under the control and management of ONE JIB for the Town's operational purposes. Such amount shall be deemed to be Short-Term Money and shall be returned to the Town in a lump sum or by way of periodic payments, as directed by the Treasurer.

### **6.2. Flow of Money Otherwise than through the Annual Review Process**

#### **6.2.1. Surplus Funds**

The Short-Term Funds capture revenues received by the Town during each year after the approval of the Town's budget for the year. Any amounts deemed to be MNRI by the Treasurer at any such time during the year shall be transferred to ONE JIB to be under its management and control as Long-Term Funds. Amounts so transferred will be recorded annually in the investment Plan and allocated by ONE JIB in accordance with the Investment Plan.

#### **6.2.2. Contingencies**

The Treasurer is authorized to direct ONE JIB to return any amounts determined by the Treasurer to be required to meet expenditures for unexpected contingencies not anticipated by the Town's budget in force for



that year, provided however that the aggregate of the amounts to be returned to the Town under this Section 6.2.2 during the year shall not exceed 25% of the Long-Term Money under the control and management of ONE JIB as at the date that the Town approved its budget for the year (the Budgeted Long-Term Money). In determining the Budgeted Long-Term Money for purposes of calculating the 25% limit, any Long-Term Money to be transferred to the control and management of ONE JIB in accordance with that year's Annual Review pursuant to Section 6.1.1 shall be included and any amount to be returned by ONE JIB to the Town pursuant to Section 6.1.2 shall be excluded.

### **6.3. Valuation of Investments**

Investments shall be valued according to the values provided by the Custodian(s). For the investment of Long-Term Money, values of unitized vehicles shall be valued according to the unit values published by the Custodian. Other investments shall be valued at their market value when that is available from regular public trading. If a market valuation of an investment is not available, then a fair value shall be supplied by the External Portfolio Manager to the Custodian no less frequently than quarterly.

### **6.4. Voting Rights**

Where External Portfolio Managers have been appointed, such External Portfolio Managers shall assume the responsibility of exercising voting rights and will report their voting policies to ONE JIB annually. The Town may access these policies at any time.

### **6.5. Internal Controls**

The Treasurer shall establish an annual process of review of all investments made under this IPS. This review will provide internal control by assuring compliance with governing legislation and with policies and procedures established by the Treasurer. To the extent ONE JIB's input is needed, these requirements will be communicated in advance to ONE JIB.

### **6.6. Custodians**

All investments and assets of the investment portfolios shall be held by a Custodian and any of the Custodian's sub-custodians or nominees. For Long-Term Money, the Custodian shall be acceptable to ONE Investment. For Short-Term Money the Custodian shall be acceptable to ONE Investment if ONE Investment is administering the investment of the Town's Short-Term Money, otherwise the Custodian shall be acceptable to the Town.

### **6.7. Reporting**



### **6.7.1. Short-Term Money**

For the investment of Short-Term Money, the Treasurer shall report at least annually to Council in a form and contain such content as Council may request. The report to Council shall include investment performance during the period covered and any other information as required under the Regulation and that the Treasurer may consider to be pertinent.

### **6.7.2. Long-Term Money**

The Regulation provides that ONE JIB shall submit an investment report to Council in respect of the investment of Long-Term Money at least annually. This report shall include the following.

- Investment performance during the period covered by the report;
- Asset mix of the total portfolio;
- A listing of individual investments held at the fund level at the end of the reporting period showing, where appropriate, book value, market value, realized/unrealized gains/losses and actual income received;
- A list of all transactions including the security name, trade date, and the purchase and/or sale price;
- A statement by the Treasurer as to whether all investments were made in accordance with the IPS and as to whether all investments were made in accordance with the Investment Plan; and
- Any other pertinent information in the opinion of the Treasurer.

All securities invested on behalf of the Town by ONE JIB or with the assistance of ONE Investment shall be held for safekeeping in the name of the Town by a custodian.

## **7. APPROVAL, SUBSEQUENT MODIFICATIONS AND EFFECTIVE DATE**

### **7.1. Revocation / Amendment of Previous Investment Policy**

Upon coming into effect, this IPS supersedes previously approved investment policies of the Town.

### **7.2. Modifications to the IPS**

At least annually, Council shall review the IPS and update it, if required. In the course of reviewing the IPS, Council may request comments from the Treasurer with respect to the investment of Short-Term Money and from ONE JIB with respect to the investment of Long-Term Money.

Following the Council's review of the IPS, ONE JIB shall review the Investment Plan and update it, if required.

At a minimum, the annual IPS review will consider:

- the adequacy of funding for capital works;



- the Town's ability to reduce other spending;
- flexibility of the timeframe to payout; and
- sensitivity to loss.

### 7.3. Effective Date

This IPS is adopted by Council of the Town effective July 2, 2020. The Treasurer is directed to sign a copy of this IPS to evidence approval and to deliver a copy of this IPS to ONE JIB.

Signed by: \_\_\_\_\_

Fuwing Wong  
Treasurer

2023-05-18  
Date



## **APPENDICES**

- Appendix A**     Third-Party Trust Funds and Designated Funds
- Appendix B**     Ontario Regulation 438/97 (Eligible Investments & Prudent Investment)
- Appendix C**     Authorized Investments & Sector Limitations (Short Term Portfolio)
- Appendix D**     Dominion Bond Ratings Service Credit Quality

This Policy is hereby approved by Council Resolution #106-23 on this 24<sup>th</sup> day of April, 2023.