



REPORT

To: ONE Joint Investment Board
From: Jennifer Hess, Manager of Investment Services, MFOA
Date: July 19, 2023
Re: Annual ONE JIB Template Review 2023
Report: ONE JIB 2023-O33

1. RECOMMENDATIONS

It is recommended that:

1. The report be received for information

2. SUMMARY

ONE Investment has developed three templates to document a municipality's investment policy, investment plan and current and future cash flows, reserves and spending requirements. ONE Investment and ONE JIB annually review these templates. The goal of this year's review is to streamline the templates to enable the Prudent Investment Program to scale efficiently. The Investment Plan Template will be the primary focus of this year's review, although changes to the Municipal Client Questionnaire will also be part of the review. The Investment Policy Statement was not included in this year's review, since changes were made during the 2022 review.

The process for streamlining the templates will involve a staff presentation at a ONE JIB education session, post-session feedback focusing on the investment plan, a meeting with participating municipalities to discuss the Municipal Client Questionnaire, and then public reports to ONE JIB in Fall 2023. Changes to the templates are likely to lead to the development of policies to replace sections of the investment plans.

3. BACKGROUND

ONE JIB has identified the core templates as a priority area for improvement

ONE JIB conducts an annual review of its templates. In the last two ONE JIB governance self-evaluations, ONE JIB members 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 were presented. Last year's review resulted in modest changes. But more significant revisions will be needed to enable the board to make decisions efficiently in an environment with more participating municipalities and very large participating municipalities.

The annual review this year has four objectives, with a goal of finding efficiencies for

scalability

The following objectives are the focus of this year's annual review:

- 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
- Identifying and incorporating the information essential for ONE JIB's decision-making.

As the Prudent Investment Program continues to grow, streamlined documentation would improve overall operational efficiency by reducing staff workload, avoiding the possibility of contradictory information in different documents, and making it easier for ONE JIB to focus on key decisions.

Template feedback will be gathered from ONE JIB members and participating municipalities in Summer 2023, and reported back to ONE JIB at its September meeting

Due to its broader scope, this year's review is not expected to be completed until November 2023. Table 1 below outlines the project timeline.

Table 1 - Project Timeline

Step	Timeline	Description
Process Approved	June 1, 2023	Template review process steps and timelines approved
Education Session	July 19, 2023	Presentation on the legislative requirements, templates, impacts on process and administration.
Gather template feedback from ONE JIB members and Participating Municipalities	Summer 2023 (after education session)	Distribute templates and questionnaire soliciting feedback from ONE JIB and Participating Municipalities
Summary of feedback from ONE JIB members and participating municipalities and enabling policy review	September 6, 2023	<ol style="list-style-type: none">1. Summarize feedback on templates from ONE JIB members and participating municipalities.2. Implementing feedback received may require policy changes, which will be presented to ONE JIB prior to proposed template changes.
Revised Templates	November 29, 2023	Revised templates will be presented to ONE JIB

In order to compile the information for the September 6, 2023 meeting, any feedback from ONE JIB members should be emailed to Jennifer Hess by July 31, 2023. This tight timeframe is

required in order to meet the reporting deadlines for the September 6, 2023 ONE JIB meeting.

4. ANALYSIS

The current investment plan template will be evaluated to determine whether sections can be dropped, shortened, moved to policies or otherwise improved

Subsection 19(2) of *Ontario Regulation 438/97* provides “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”.

Staff have conducted a preliminary review of the templates and discussed the legislative requirements for an Investment Plan at a high level with ONE Investment’s legal counsel, WeirFoulds LLP. The findings of that discussion concluded that the legislative requirements for the Investment Plan are minimal, and the current investment plan template could be shortened significantly.

Staff plan to review the Investment Plan template using four questions:

The five questions are:

1. Is this section legislatively required?
2. Is this section or information duplicated somewhere else?
3. Is there a current policy or could there be a policy replacing this section?
4. Is the content of this section likely to change often?
5. Is this section in the Toronto Investment Plan?

The review will help staff determine which sections of the current investment plan template should remain as is, which sections could be modified, and which sections could be removed.

ONE Investment is recommending using policies or procedures to reduce the length of the Investment Plans and add clarity.

It is administratively better to have information in a single location, whether in a policy, procedure, template or website, rather than in multiple investment plans updated at different times. Should modifications be identified either through the annual template review or through legislative changes, updating a single location would reduce the risk of conflicting information or missing changes.

From a client perspective, streamlined templates improve readability and clarity. References to supporting information can be included in the template.

Research into the approach taken in other Investment Plans may also be used to inform recommendations to ONE JIB. Staff are continuing to search for municipal comparators outside

of the Province of Ontario. Within Ontario, the City of Toronto's Investment Plan Template is publicly available and will be considered. There are only two other municipalities in Ontario that are pursuing prudent investor through individual investment boards and available information is limited. Any new information discovered will be brought forward by staff at the September 6, 2023 ONE JIB meeting.

A recommendation for new policies to replace sections of the Investment Plans will be brought forward to the September 6, 2023 ONE JIB meeting.

The City of Toronto will be used as a municipal comparator and its Investment Plan Template is considerably shorter than the ONE JIB's

To provide a municipal comparison, the City of Toronto's Investment Plan template will be used to help facilitate discussion. The use of municipal comparators can help determine best practice standards.

The City of Toronto's Investment Plan template (Attachment 1) is seven pages long, in comparison to ONE JIB's 28 pages (Attachment 2).

Toronto's Investment Plan template includes two sections and two appendices:

- The Governance Section includes purpose, limitations, legal authority, review, roles and responsibilities, and portfolio overview.
- The Investments Section includes plan objective, return objective, rebalancing, recommended asset mix, investment management structure, active and passive investment management, and environmental, social and governance factors.
- Appendix A includes the transition plan and Appendix B includes mandate letters.

ONE Investment will also seek input on the Municipal Client Questionnaire (MCQ) from participating municipalities

Informal observation indicates client confusion about some sections of the MCQ. Municipalities differ in the structure, purposes and uses of their reserve and reserve funds that need to be translated into common MCQ terminology. To facilitate discussions at the August 2, 2023 Participating Municipalities' meeting, a questionnaire will be distributed in advance seeking their input.

Participating Municipalities have indicated that they would strongly prefer the MCQ form in a fillable PDF instead of the existing word format. A draft PDF form has been built using the current template and is attached as Attachment 3 of this report.

Feedback from participating municipalities on the MCQ will be presented to ONE JIB at the September 6, 2023 meeting

Depending on feedback from the Participating Municipalities, it may be beneficial to have two MCQ Templates: one for existing clients and one for new clients being onboarded (when additional supplementary information may be beneficial for the ONE JIB). Any changes that are proposed by the municipalities will be brought forward to ONE JIB at its September 6, 2023 meeting.

5. CONCLUSION

Presentation at the ONE JIB education session on July 19, 2023, comments received from the participating municipalities at the meeting on August 2, 2023 and written feedback from ONE JIB members will be used as input for a comprehensive review of the Investment Plan template and the Municipal Client Questionnaire template. The findings will be presented at the ONE JIB meeting on September 6, 2023. Further work will likely be required to revise the templates and develop or amend policies.

ATTACHMENTS

Attachment 1 - City of Toronto Investment Plan Template

Attachment 2 - Current ONE JIB Investment Plan Template

Attachment 3 - Current ONE JIB MCQ Template (fillable PDF format)

Drafted by: Jennifer Hess, Manager of Investment Services, MFOA

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