



ONE Joint Investment Board Policy Statement			
Policy:	Outcome Framework	Date Approved: September 6, 2023 Date of Next Review: September 2024	Person Most Responsible: Chief Investment Officer

Purpose Statement

The purpose of this policy is to establish the principles governing the board approved ONE JIB Outcome Framework, and the review and compliance of this policy.

Scope

This is a policy of ONE JIB and applies to the Chief Investment Officer of ONE Investment, who's duties include the investment of the Money Not Required Immediately (MNRI) of Participating Municipalities in accordance with the related Investment Policy Statement and Investment Plan. The scope of the policy is limited to the determination of MNRI as it applies to the annual investment plan review and updated as required under the Outcome Framework.

Definitions

- **Asset Allocation (Asset Mix)** means the proportion of each asset class in a portfolio.
- **Benchmark** means an independently verifiable index that is representative of a specific securities market. For the most part the Benchmark is a relevant market index e.g., the S&P/TSX Composite Index, the FTSE/TMX 91 Day T-bill Index, etc. against which investment performance can be compared. ONE Investment generally selects recognized and widely used performance benchmarks which measure total returns expressed in Canadian dollars. ONE Investment may use a single index or a blended index made up of one or more indices.
- **Chief Investment Officer (CIO)** means a duly qualified individual who is the most senior person responsible to oversee investments and who advises ONE JIB as to the recommended Outcomes for Participating Municipalities to comply with their IPSs.



- **Investment Plan** refers to a document that defines how ONE JIB will invest the MNRI of a Participating Municipality, as outlined in Ontario Regulation 438/97.
- **Investment Policy Statement (IPS)** means the investment policy applicable to a Participating Municipality's investments adopted and maintained by the council of the Participating Municipality for Short and Long-Term Funds under the Regulation and may be amended from time to time. The IPS may also apply to the money and investments held by the Participating Municipality for the benefit of persons other than the Participating Municipality itself and may make reference to any source of money in which the Participating Municipality may have an indirect interest but which the Participating Municipality has no authority to invest.
- **Money Not Required Immediately (MNRI)** means long-term money held by the Participating Municipalities that are delegated to ONE JIB to control and manage. There is no universal definition of MNRI, and it is at the discretion of Participating Municipalities to define MNRI in a way that is appropriate for their circumstances.
- **Municipal Client Questionnaire (MCQ)** means a document which is completed by the Treasurer of each Participating Municipality, and which includes information on municipal investments and risk preferences that must be reviewed annually.
- **ONE JIB** refers to the ONE Joint Investment Board that was formed on May 19, 2020 under section 202 of the Municipal Act, as required under Part II of Ontario Regulation 438/97, to manage the investments of Ontario municipalities under the prudent investor regime. ONE Investment is the agent for ONE JIB and the relationship is governed by a services agreement.
- **Outcomes** are a set of investment strategies with varying risk/return characteristics designed to align with the purpose, time horizon, and expected volatility of the associated MNRI. The Outcomes assigned to each Participating Municipality are intended to reflect the needs and circumstances of the municipality.
- **Outcome Framework** means the framework established by ONE JIB for categorizing different types of MNRI by purpose, time horizon, and expected volatility.
- **Participating Municipalities** refer to municipal investors having entered into a ONE JIB Agreement for the investment of MNRI.
- **Prudent Investor Standard** means the standard of care which requires ONE JIB, when investing money under section 418.1 of the Act, to exercise the care, skill, diligence and judgement that a prudent investor would exercise in making such an investment. The



Prudent Investor Standard applies to the Participating Municipalities' Long-Term Funds under the control and management of ONE JIB.

- **Target Weight** means the percentage weight of investment holdings defined in the Outcome Framework that represents the intended Allocation Weights for each Outcome. These Target Weights are intended to provide guidance to the Chief Investment Officer and ONE JIB to evaluate the positioning of Participating Municipality investments and, as appropriate, direct how the Outcomes should be rebalanced.

Policy Statement

Investment Goals and Objectives

- The ONE JIB Outcome Framework outlined in **Appendix 1** of this policy, helps translate the financial objectives as disclosed by the participating municipality into investment allocations.
- As part of their annual review, the municipality will identify their goals and objectives for their Money Not Required Immediately (MNRI).
- The MNRI will be assigned to associated Outcomes in the ONE JIB Outcomes Framework in the Investment Plan, updated as required and prepared by the Chief Investment Officer based on the information provided in the annual review.

Asset Allocations

- A formal asset allocation study will guide an appropriate asset allocation mix between underlying products for asset allocation under the Outcomes Framework.
- Details on the asset allocations under the Outcomes Framework are included in **Appendix 2** of this policy.

Review

The ONE JIB Outcomes Framework will be reviewed annually, and the annual reviews will consist of a review of the outcome allocations given:

- General economic conditions;
- The possible effect of inflation or deflation;
- The role that each investment or course of action plays within each outcome;
- The expected total return on investment and appreciation of capital; and
- Needs for liquidity, regularity of income and preservation or appreciation of capital based on the objectives of the outcome.



At minimum, once every three years, the annual review will include a review of the design, categories, objectives, recommended risk tolerances and time horizons of each outcome.

At minimum, once every five years, the annual review will include a formal asset allocation study of each outcome to determine an appropriate allocation between the underlying products, and expected returns and standard deviations of each outcome.

ONE JIB members or the Chief Investment Officer may recommend an early review or accelerated timeline due to a change in events or circumstances. Upon such recommendation, ONE JIB will decide whether to initiate an early review.

Any updates to the ONE JIB Outcomes Framework resulting from a review will be reflected in participating municipality investment plans upon their next scheduled review, unless ONE JIB provides direction otherwise.

Compliance

A covering report from the Chief Investment Officer accompanies any annual municipal Investment Plan reviews submitted to ONE JIB, summarizing the determinization of MNRI under the Outcome Framework and compliance with this policy.

Reference

Appendix 1 – Outcomes Framework

Appendix 2 – Asset Allocations under the Outcomes Framework



Appendix 1 – 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



Appendix 2 – Asset Allocations under the Outcome Framework

Cash Outcome

Cash allocations are appropriate for relatively short-term funding needs. As the monies are anticipated to be drawn down within three years, it is most appropriate to invest these monies such that there is minimal potential for capital loss. Longer-term investments can assume more risk and potentially absorb capital losses as there is ample time for investment growth to allow the investment value to recover. Details of the allocation of the Cash Outcome are found in Table 2. Monies in the Cash Outcome are expected to be reclassified as MRI over the next few years. All interest earned in the Cash Outcome will be reinvested in the Cash Outcome:

Table 2 - Cash Outcome

Asset Class	% Weight			Benchmark
	Min	Target	Max	
Fixed Income	100	100	100	
ONE Canadian Corporate Bond Fund		100		Blended – Canadian Government Bonds
Total		100		

Stable Return Outcome

The Stable Return Outcome is specifically designed to generate stable returns that could be used as a recurring income. This Outcome’s investment approach is relatively conservative, as it attempts to provide a recurring return stream while also emphasizing preservation of capital. All income generated from the Stable Return Outcome will be reinvested. This Outcome has an allocation of 30% to equity investments, which will help generate annual returns to support the municipal budget and potentially provide modest growth in capital over time. The annual income needs of the municipality may be satisfied by selling securities from the Stable Return Outcome as needed. The degree to which balances invested in this Outcome can grow over time is directly influenced by the rate at which drawdowns take place.

The allocation of the Stable Return Outcome is shown in Table 3. Stable Return monies will be invested based on the following asset mix. All income will be reinvested to facilitate continued long-term growth in the assets until they are needed.



Table 3– Stable Return Outcome

Asset Class	% Weight			Benchmark
	Min	Target	Max	
Equity	26	30	34	
ONE Canadian Equity Fund		9		S&P/TSX Composite Index
ONE Global Equity Fund		21		MSCI ACWI (All Country World Index)
Fixed Income	66	70	74	
ONE Canadian Government Bond Fund		19		Blended – Canadian Government Bonds
ONE Canadian Corporate Bond Fund		9		Blended – Canadian Corporate Bonds
ONE Global Bond Fund		42		Bloomberg Barclays Multiverse Index
Total		100		

Contingency Outcome

Contingency monies may be drawn upon to meet unexpected needs and infrequent events. Emphasis on the preservation of purchasing power is a key consideration, and therefore growth in the value of investments is emphasized. These monies will be invested according to the asset mix set out in Table 4 and will be rebalanced to ensure a consistent risk. All income will be reinvested to facilitate continued long-term growth in the assets until they are needed.

Table 4 - Contingency Outcome

Asset Class	% Weight			Benchmark
	Min	Target	Max	
Equity	55	60	65	
ONE Canadian Equity Fund		18		S&P/TSX Composite Index
ONE Global Equity Fund		42		MSCI ACWI (All Country World Index)
Fixed Income	35	40	45	
ONE Canadian Government Bond Fund		6		Blended – Canadian Government Bonds
ONE Canadian Corporate Bond Fund		6		Blended – Canadian Corporate Bonds
ONE Global Bond Fund		28		Bloomberg Barclays Multiverse Index
Total		100		

Asset Management Reserves Outcome

The Asset Management Reserve Outcome is specifically designed as an Outcome suitable for very long investment horizons with a well-defined purpose. Allocations to this Outcome are intended to generate returns to fund asset management reserves. The very long-term nature of asset management reserves allows this Outcome to emphasize long-term growth, and as such, it has a significant allocation to equities. Details of the allocation of the Municipality's Asset Management Reserves Outcome are show in Table 5. All income generated by this outcome will be reinvested. Monies invested in this Outcome will be invested based on the following asset mix and will be rebalanced to ensure a consistent risk profile.



Table 5 - Asset Management Reserve Outcome

Asset Class	% Weight			Benchmark
	Min	Target	Max	
Equity	88	90	92	
ONE Canadian Equity Fund		27		S&P/TSX Composite Index
ONE Global Equity Fund		63		MSCI ACWI (All Country World Index)
Fixed Income	8	10	12	
ONE Canadian Government Bond Fund		1.5		Blended – Canadian Government Bonds
ONE Canadian Corporate Bond Fund		1.5		Blended – Canadian Corporate Bonds
ONE Global Bond Fund		7		Bloomberg Barclays Multiverse Index
Total		100		

Target Date Outcome

The municipality identifies reserves that would be appropriate for Target Date Outcomes. Most of the municipality's MNRI will be allocated to Target Date Outcomes, which will be allocated in a way that reflects the expected time horizon of balances and reserves. The monies invested in Target Date Outcomes will be split into separate Target Date allocations that collectively reflect the need for liquidity and growth and the time horizon in which the funds will be required.

Target Date Outcomes will be managed with the objective of providing for the return of principal, income and capital gains at a target date in the future. All income will be reinvested.

The Target Date 3-5 Year Outcome is intended to provide some liquidity for projects within the next five years. Due to the relatively short-term time horizon, the monies invested in this Target Date Outcome will attempt to mitigate the potential for capital loss by investing primarily in fixed income and cash-like investments. This Outcome has a small allocation to equity investments to enhance the growth potential. It is anticipated the entire balance will be drawn down in the coming years to pay for planned expenditures. More detail on the allocations for the Target Date 3-5 Year Outcome is shown in Table 6 below.



Table 6 - Target Date 3-5 Year Outcome

Asset Class	% Weight			Benchmark
	Min	Target	Max	
Equity	8	10	12	
ONE Canadian Equity Fund		3		S&P/TSX Composite Index
ONE Global Equity Fund		7		MSCI ACWI (All Country World Index)
Fixed Income	88	90	92	
ONE Canadian Government Bond Fund		30.5		Blended – Canadian Government Bonds
ONE Canadian Corporate Bond Fund		10.5		Blended – Canadian Corporate Bonds
ONE Global Bond Fund		49		Bloomberg Barclays Multiverse Index
Total		100		

The Target Date 5-10 Year Outcome reflects the intended time horizon and risk profile for reserve accounts where near term liquidity is less relevant. Details of the allocation for this Outcome are in Table 7 below. The Target Date 5-10 Year Outcome has a 50% allocation to equities, which should help monies invested in this outcome to achieve growth. As monies invested in this Outcome typically reflect reserves for future capital projects, growth is the value of investments is important to help offset the impact of inflation and pre-construction changes on project costs.

Table 7 - Target Date 5-10 Year Outcome

Asset Class	% Weight			Benchmark
	Min	Target	Max	
Equity	45	50	55	
ONE Canadian Equity Fund		15		S&P/TSX Composite Index
ONE Global Equity Fund		35		MSCI ACWI (All Country World Index)
Fixed Income	45	50	55	
ONE Canadian Government Bond Fund		7.5		Blended – Canadian Government Bonds
ONE Canadian Corporate Bond Fund		7.5		Blended – Canadian Corporate Bonds
ONE Global Bond Fund		35		Bloomberg Barclays Multiverse Index
Total		100		

The Target Date 10+ Year Outcome, is intended to fund longer-term capital projects. This Target Date Outcome has an overall allocation to equity of about 75%, which should provide an opportunity for the monies invested to grow in value. More detail on the allocations for the Target Date 10+ Year Outcome are shown in Table 8.

As these monies may be used for construction/development projects in the future, growth is highly relevant as it will help preserve the purchasing power for monies invested. The need for investment returns to at least match inflation is a key consideration for monies allocated to this longer dated target date outcome.



Table 8 - Target Date 10+ Year Outcome

Asset Class	% Weight			Benchmark
	Min	Target	Max	
Equity	71	75	59	
ONE Canadian Equity Fund		22.5		S&P/TSX Composite Index
ONE Global Equity Fund		52.5		MSCI ACWI (All Country World Index)
Fixed Income	21	25	29	
ONE Canadian Government Bond Fund		3.75		Blended – Canadian Government Bonds
ONE Canadian Corporate Bond Fund		3.75		Blended – Canadian Corporate Bonds
ONE Global Bond Fund		17.5		Bloomberg Barclays Multiverse Index
Total		100		