



REPORT

To: ONE Joint Investment Board
From: Jennifer Hess, Manager of Investment Services, MFOA
Date: September 6, 2023
Re: Annual ONE JIB Template Review Process Update
Report: ONE JIB 2023-046

1. RECOMMENDATIONS

It is recommended that the Board:

1. Receive the report.
2. Approve the Outcomes Framework Policy in Attachment 1.

2. SUMMARY

ONE Investment has developed three templates to document a municipality's investment policy, investment plan, current/future cash flows, reserves and spending requirements. ONE Investment and ONE JIB annually review these templates. The primary goal of this year's review is to streamline the templates to enable the Prudent Investment Program to scale efficiently. The Investment Plan template is the primary focus this year, 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.

This report provides an update on the review process to date, and next steps to be taken. Staff presented at a ONE JIB education session on July 19, 2023, and discussed the templates with the Participating Municipalities at a meeting on August 3, 2023. Additional post-session written feedback has been gathered. As a result of the annual review, a new ONE JIB Outcomes Framework Policy is being proposed and is included in **Attachment 1** of this report.

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.

The annual review will conclude at the November 29, 2023 ONE JIB Meeting, with revised templates being proposed

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 Participating Municipalities	Summer 2023 (after education session)	Distribute MCO template and questionnaire soliciting feedback from Participating Municipalities
Summary of feedback from participating municipalities and enabling policy review	September 6, 2023	Summarize feedback on templates from participating municipalities and propose policy changes, which will be presented to ONE JIB prior to proposed template changes.
Gather feedback from ONE JIB	September 13, 2023	Distribute a survey to ONE JIB soliciting feedback on the IP and MCO template.
Revised Templates	November 29, 2023	Revised templates will be presented to ONE JIB

4. ANALYSIS

The proposed Investment Plan and Municipal Client Questionnaire Templates will be brought forward for consideration at the November 29, 2023 ONE JIB meeting

Industry best practices and feedback from Participating Municipalities and ONE JIB members will be considered in the proposed Investment Plan and Municipal Client Questionnaire templates. To date, research has been gathered on industry best practices and Participating Municipalities have provided feedback on the MCQ. Additionally, a survey will be sent out to the ONE JIB members to gather their feedback on the Investment Plan and MCQ after the September 6, 2023 ONE JIB meeting.

A new ONE JIB Framework Outcome Policy is being proposed as a result of the Annual Review; the draft policy has been included in Attachment 1 of this report

The current Investment Plan template includes descriptive and process-related information on the ONE JIB Outcomes Framework that is better suited in a policy instead of the individual Municipal Investment Plans. By transferring this detail to the policy, continuity of information is better maintained whenever ONE JIB chooses to modify the Outcomes Framework or the Asset Allocations associated with that framework.

The proposed policy establishes the principles governing the ONE JIB Outcomes Framework and the annual review which includes:

- An annual 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 Municipalities' investment plans upon their next scheduled review, unless ONE JIB provides direction otherwise.

The proposed policy is inclusive of the changes included in the September 6, 2023 ONE JIB report on the Update to Allocations and Benchmarks for Outcome Framework (ONE JIB 2023-O41) as a result of implementing changes to ONE HISA and the ONE Canadian Bond Fund.

Feedback from Participating Municipalities on the MCQ has been positive overall, with the recommendation to add a few additional questions to improve the municipality's ability to tell its financial story

In advance of the August 3, 2023 Participating Municipalities meeting, a MCQ survey was distributed by e-mail, one municipality submitted its survey response in advance of the meeting while the other municipalities verbally discussed the MCQ during the meeting. For reference the current MCQ template has been included in **Attachment 2** of this report and the MCQ survey distributed to the Participating Municipalities is included in **Attachment 3** of this report.

In summary the following MCQ sections were discussed

- Section 3, Investment Objectives and Risk Tolerances: no changes were recommended to the table
- Section 4.1, Summary of Municipal Accounts for Investment Planning Purposes: no changes were recommended to the table
- There was general acceptance for the following new MCQ question to be added:
 - a) What assumptions / factors does the municipality include in the reserve cash flow forecast (i.e., inflation, future tax-based reserve contributions, forecasted development charge revenue etc.) For consideration, a point was raised that different reserves may have different assumptions (i.e., different inflationary rates).
 - b) Have there been any major changes in circumstances since the last MCQ update that you would feel would require a reallocation or what has changed since the last MCQ?
 - c) How sensitive is the municipality to recognizing investment gain/losses?
- Section 4.2 Cash Flow Projections Affecting MRNI: the effectiveness of this table was discussed and there was no consensus. Opinions generally fell into one of three groups.
 - Status quo, the table is effective,
 - The table should be removed because the cash flows in the Section 4.1 table along with the MCQ change questions (proposed) would be sufficient to demonstrate the municipal financial picture.
 - The table should be removed because municipal uncertainty in the longer term often results in a NULL 4.2 table.
- Section 4.2 Capital Budget and Asset Management Plan Forecast: the municipalities are in favour of adding a question to the MCQ asking to what extent the asset management plan is integrated into the capital budget process.
- Section 6.1 Existing Investments: although this table may not apply to every municipality, the idea of removing the table and asking for a schedule (if applicable) was not

recommended because they thought the quality of information may not meet ONE JIB's needs.

5. CONCLUSION

Information provided at the ONE JIB education session on July 19, 2023, comments received from the Participating Municipalities at the meeting on August 3, 2023 and written feedback from ONE JIB members in the survey sent out September 13, 2023 will be used as input for a comprehensive review of the Investment Plan template and the Municipal Client Questionnaire template.

A ONE JIB Outcomes Framework Policy has been developed as part of simplifying the Investment Plan template.

Revised templates for the Investment Plan and Municipal Client Questionnaire will be brought forward to the November 29, 2023 ONE JIB meeting.

ATTACHMENT

Attachment 1: DRAFT ONE JIB Outcome Framework Policy

Attachment 2: Current ONE JIB MCQ Template (fillable PDF format)

Attachment 3: Participating Municipalities MCQ Survey

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

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