



REPORT

To: ONE Joint Investment Board
From: Jennifer Hess, Manager of Investment Services, MFOA
Date: November 29, 2023
Re: Investment Plan and Municipal Client Questionnaire Templates
Report: ONE JIB 2023-O63

1. RECOMMENDATIONS

It is recommended that the Board:

1. Approve the Municipal Client Questionnaire Template in Attachment 1.
2. Approve the Investment Plan Template in Attachment 2

2. SUMMARY

Modest changes to the Municipal Client Questionnaire and more substantial changes to the Investment Plan templates are being proposed

As a result of the 2023 annual template review process, changes are being proposed to both the Municipal Client Questionnaire and Investment Plan templates. The proposed changes are based on feedback from ONE JIB members, Participating Municipalities, and ONE staff. The changes consider the practices of other Municipal Investment Boards and a legal review by the Board's Legal Counsel, WeirFoulds LLP.

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. The focus of this year's review was to identify revisions that would enable the Board to make decisions efficiently in an environment with more participating municipalities, including participating municipalities with large AUM.

The 2023 annual template review 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 can 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 resulted in revisions to both the Investment Plan template and the Municipal Client Questionnaire template

The 2023 annual review commenced in the first quarter and has been ongoing throughout the year. A number of consultation and best practice research initiatives were undertaken including a surveys and verbal feedback from Participating Municipalities and ONE JIB members, and advice from WeirFoulds LLP. A summary of the Participating Municipalities feedback was brought forward to ONE JIB at the September 6, 2023 meeting (**report 2023-O46**), and the ONE JIB survey feedback has been summarized in report **2023-O62**.

4. ANALYSIS

The proposed changes to the Municipal Client Questionnaire include the addition of four new questions and three adjustments to existing questions for greater clarity

The Municipal Client Questionnaire has been updated to reflect feedback from ONE JIB and the Participating Municipalities. ONE Investment staff recommends adding four new questions that will help Participating Municipalities to better characterize their long-term financial picture and MNRI. The new questions are as follows:

- *Question 6* – How sensitive is your municipality to recognizing investment gains and losses from portfolio adjustments and market fluctuations?
- *Question 10* – What assumptions or factors does your municipality include in the reserve cash flow projections? For example: inflation assumptions on capital projects, assumptions on future tax-based reserve contributions, forecasted development charge revenue.
- *Question 13* – To what extent has your municipal asset management plan been integrated into the capital budget process?
- *Question 19* – Have there been major changes in circumstances since the last MCO updates (if applicable) that you would feel would require a reallocation of funds for your Municipality? Please advise what has changed since the last MCO update.

Feedback from ONE JIB and the Participating Municipalities indicated that the following questions should be modified for clarity:

- *Question 4* – The Investment Objectives and Risk Tolerance table descriptions were modified to better reflect risk in all three categories.
- *Question 11 & 12* – This was previously a combined question and has been modified to allow for different answers for each forecast / plan.
- *Question 17* – The table has been modified to add sub-total lines.

The Investment Plan template has been streamlined to reduce overlap between policies and processes

The legislative requirements for an investment plan are minimal. The prescribed contents of an investment plan articulated in subsection 19 (2) of O Reg. 438/97 Part II are:

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.

Any information removed from the Investment Plan template is currently provided via another source; whether that is the Municipal Investment Policy Statement, Municipal Client Questionnaire, Staff Report, ONE JIB Policy and resulting process, or the ONE Investment Website.

Overall, the Investment Plan will include any Long-Term Money that is controlled and managed by ONE JIB. *Table 1* summarizes the changes and the rationale for the change.

Table 1 – Summary of changes to Investment Plan Template

Information	IP Change	Location	Rationale
Glossary and Definitions	Reference only to where to find the information	ONE Investment website (public), updated as required	Reference or general material is better controlled in a central location as terminology may pertain to multiple documents.
Purpose of Plan	N/A	Investment Plan	
Responsibility for Plan	N/A	Investment Plan	
Investment Goals	Shortened to reference only municipal specific information General reference information removed	Investment Plan (specific info) ONE JIB Outcomes Framework Policy (general info)	Reference or general material, is better controlled in a central location as the information may pertain to multiple documents.
Comments by CIO	Section Removed	ONE Staff Report	Information contained in this section is currently included in the CIO Staff Report, thereby duplicating efforts. For streamlining purposes, as more municipalities join ONE JIB, it is more efficient to have the

Information	IP Change	Location	Rationale
			<p>information in a single location.</p> <p>Based on the ONE JIB survey four of the seven respondents identified that the most appropriate location for the information was not in the investment plan. Three of those responses identified that the Staff Report was the most appropriate location.</p>
Analysis of Economic Environment	Information Removed	Part of the annual ONE JIB Outcomes Framework Review	<p>The legislation requires that ONE JIB consider the current economic environment when developing an investment plan.</p> <p>The ONE JIB Outcomes Framework Policy includes an analysis of the economic environment. It also includes a mandatory annual review and provisions for interim reviews if required. Should economic conditions change in a way that might materially impact investment strategy, it would prompt a review of the Outcomes Framework.</p> <p>ONE JIB survey feedback was mixed on the appropriate placement of this information with four of the seven respondents identifying another location (not the Investment Plan).</p> <p>As any material change that would impact a single plan should have a cascading effect on the Outcomes Framework and therefore all plans. Staff is recommending that any ongoing economic analysis should be done at the Outcomes Framework level, and this section should be removed from the plan.</p>

Information	IP Change	Location	Rationale
Account Structure & Outcomes	These sections have been combined. General reference material has been removed Municipal Specific information and target weights remain.	Information on the Outcomes is in the Outcomes Framework Policy	Reference or general material, is better controlled in a central location as the information may pertain to multiple documents.
Legacy Investments / Strategic Investments	This section has been removed	Municipal Client Questionnaire	The majority of ONE JIB survey respondents supported the idea that the Investment Plan should only include Long-Term Money that the ONE JIB has management or control of. Any assets that are “ring-fenced” should not be in the Plan.
Applicable ONE JIB Policies	Streamlined to reference source documentation instead of repeating general reference material	Investment Plan	Reference or general material is better controlled in a central location as the information may pertain to multiple documents.
Implementation	Moved Transition Plan details to Appendix in Investment Plan	Investment Plan	If applicable, details on the specific municipal transition plan will be included as an Appendix to the Investment Plan

5. CONCLUSION

As per the parameters established by ONE JIB, the changes to the Investment Plan template and Municipal Client Questionnaire template, as presented in this report, strive to be user friendly for municipalities while increasing internal operational efficiency and minimizing redundancy. The documents maintain essential information pertaining to ONE-JIB decision making.

ATTACHMENTS

Attachment 1: Municipal Client Questionnaire Template (2023)

Attachment 2: Investment Plan Template (2023)

Drafted by: Jennifer Hess, Manager Investment Services

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