



REPORT

To: ONE Joint Investment Board
From: Evelyn Foo, Chief Compliance Officer
Date: December 15, 2020
Re: Prudent Investment Program Funds Distribution Policy - Updated
Report: 20-O38

1. RECOMMENDATIONS

It is recommended that the Board approve:

- a. The current distribution practices, as detailed in this report.
- b. The formal distribution policy, attached as Appendix A.

2. SUMMARY

ONE Investment has distribution practices in place for its Prudent Investment (PI) Funds that require ONE Joint Investment Board (ONE JIB) approval. The Founding Municipalities have been consulted and have confirmed their support for quarterly distributions of interest income on the fixed income mandates and annual distribution of dividend income on the equity mandates. Furthermore, annual distributions will occur for net realized gains for all mandates.

3. BACKGROUND

ONE Investment consulted Founding Municipalities in developing the distribution policy

At its meeting on September 29, 2020, the ONE Investment Audit Committee identified three principles to consider in establishing a distribution policy:

- All products should distribute income.
- Distribution policies should be standardized across all funds and portfolios.
- Customer perspectives and impacts should be ascertained before any modifications to the frequency and consistency of distributions.

A review of current distribution practices has been discussed with the ONE's Chief Compliance Officer, Chief Investment Officer and the Founding Municipalities (FM). PS3450 requirements have been reviewed with ONE's auditor.

The Distribution Policy, attached in Appendix A, the Prudent Investment products. The ONE JIB is responsible for the approval of the policy.

4. ANALYSIS

Interest income is currently distributed and reinvested quarterly, while dividends and realized net gains are distributed and reinvested annually.

The current state of distributions for the Prudent Investment Offering is as follows:

Prudent Investment – Three fixed income funds – Two Canadian Bond funds and One Global Bond fund.

The Canadian Bond funds distribute and reinvest interest income by unit on a quarterly basis, as it is accrued, net of management fees. Any realized gains, net of realized losses and management fees, are distributed annually and reinvested.

The Global Bond fund distributes and reinvests income received from the underlying fund net of management fees on a quarterly basis. Any realized gains or losses are distributed net of management fees on an annual basis and reinvested.

Prudent Investment – Two equity funds – Canadian Equity and Global Equity

The Canadian equity fund distributes dividends net of management fees annually. Realized gains and losses net of management fees are distributed annually. Both are reinvested.

The Global Equity fund distributes income and net realized gains and losses received from the underlying fund net of management fees annually. Both are reinvested.

The Founding Municipalities have confirmed that the current distribution practice is appropriate for their needs.

The Founding Municipalities (FM) are satisfied with the current approach to the distribution of income and gains. While they are investing for the long-term, the FM have requested quarterly information, as outlined above and including current market valuation, for Council reporting purposes.

5. CONCLUSION

ONE JIB has the authority to adopt the PI Distribution Policy, which was developed through a consultative process to meet the needs of the FM and ONE's external auditors.

Drafted by: Evelyn Foo, Chief Compliance Officer

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