



REPORT

To: ONE Joint Investment Board
From: Keith Taylor, Chief Investment Officer, ONE Investment
Date: September 4, 2024
Re: City of Thunder Bay's Investment Plan
Report: ONE JIB 2024-044

1. RECOMMENDATIONS

It is recommended that the Board:

1. Receive the City of Thunder Bay's Investment Policy Statement (Attachment 1).
2. Receive the City of Thunder Bay's Municipal Client Questionnaire (Attachment 2).
3. Approve the City of Thunder Bay's proposed Investment Plan (Attachment 3).

2. SUMMARY

The City of Thunder Bay has updated its Municipal Client Questionnaire (MCQ), which provides information on its MNRI and the investment horizons associated with its reserve balances. The MCQ indicates the City will not be making contributions or withdrawals of MNRI as part of the annual Investment Plan update this year. The City has also reviewed its Investment Policy Statement (IPS), which resulted in no changes to the IPS.

The City continues to have a relatively long investment horizon, with low prospects for drawdowns of MNRI within the next five years, with the bulk of municipal reserves having an investment horizon of between 5 to 10 years. Analysis of changes in municipal cashflow projections indicated that the mapping of MNRI to Outcomes remains appropriate. The Investment Plan's allocations remain unchanged after the annual review. Consolidated equity allocations in the Investment Plan will remain at 43.8%. The proposed investment allocations, which reflect consolidated holdings across ONE Investment Outcomes, are presented below:

ONE Investment Funds	Total Invested (\$ millions)	Portfolio Weight (%)
ONE Canadian Equity Fund	\$ 16.3	13.2
ONE Global Equity Fund	38.0	30.7
ONE Canadian Government Bond Fund	19.3	15.6
ONE Canadian Corporate Bond Fund	8.9	7.2
ONE Global Bond Fund	41.4	33.4
Total	\$ 123.9	100.0

3. BACKGROUND

Thunder Bay’s annual Investment Policy Statement (IPS) review resulted in no changes to the IPS

Thunder Bay completed its annual IPS review on June 24, 2024, making no updates to the content of the IPS. There have been no changes to the ONE JIB IPS template since the City last updated the plan in 2023, so the recently approved IPS remains consistent with the ONE JIB approved template.

There was no change in the overall investment horizon associated with MNRI this year.

Thunder Bay’s investment horizon, risk tolerances, and investment objectives are unchanged from last year’s Investment Plan. The mapping of reserves is also largely unchanged. As a result, there will be no changes to the City’s Investment Plan at this time. Table 1 below provides more details on the investment horizon of MNRI, categorized by reserve type.

Table 1: MNRI by reserve and time horizon forecast, adapted from Table 7 of the MCQ.

Investment Horizon of MNRI						
Reserve Name or Category	Brief Description or Purpose	Total MNRI Amount	Less than 3 years	3-to-5 years	5-to- 10 years	10+ Years
Capital Reserves	Program Reserves and Capital Reserves	85,667,008	3,732,977	25,930,230	37,360,623	18,643,178
Obligatory Reserves	Building Permit Reserve Fund, Canada Community Building Fund Reserve Fund, Dedicated Gas Tax Reserve Fund, Ontario Community Infrastructure Fund Reserve Fund, Parkland Dedication Reserve Fund	10,721,761	155,864	7,375,652	2,770,900	419,345
Stabilization & Contingency	Operating Reserves and Reserve Funds, Vested Property Rehabilitation Reserve Fund	27,527,097	--	--	27,527,097	--
	Total MNRI	123,915,866	3,888,841	33,305,882	67,658,620	19,062,523

Thunder Bay will not be making contributions or withdrawals of MNRI this year and does not expect any over the next few years

Thunder Bay will not be contributing to or drawing down MNRI this year, and its forecasts do not project any occurring within the next five years. This means that the Investment Plan does not need to account for near-term drawdowns, and the MNRI can be invested based on the long investment horizon of the City. Section 8 of the City’s MCQ provides

details of the anticipated contributions and withdrawals of MNRI over the next 10 years, which are shown in Table 2 below.

Table 2: Anticipated Cash Flow Projections MNRI by year from table 8 of the MCQ.

	Next Year	2 years	3 to 5 years	5 to 10 years	Greater than 10 years
Anticipated MNRI Drawdowns					
Anticipated MNRI Contributions					
Net change in MNRI	0	0	0	0	0

4. ANALYSIS

Investment allocations in Thunder Bay’s updated Investment Plan remain unchanged as a result of the annual Investment Plan review

A review of Thunder Bay’s expected cashflows and expected future reserve balances was conducted as part of the annual review process. While some changes were identified versus the analysis conducted in 2023, these changes did not result in a material change in the overall time horizon associated with municipal reserves. As a result, the allocation of MNRI across Outcomes remains appropriate at this time.

The mapping of MNRI to Outcomes in the Investment Plan and the resulting asset allocation is consistent with Thunder Bay’s cashflow forecasts, risk tolerances and objectives

The City continues to have a relatively long investment horizon, with no drawdowns expected within five years. About 70% of reserves have an investment horizon greater than five years. As there will be no changes in the mapping of MNRI to investment outcomes, the overall risk level is unchanged, and the overall allocation to equities at a consolidated level remains at 43.8%.

Mapping the MNRI to Outcomes was based on the information provided in the MCQ and discussions with the Treasurer. Asset allocations (Table 3) and fund allocations (Tables 4 and 5) were determined using the ONE JIB’s Outcome Framework.

Table 3: Proposed Outcome Mapping and Asset Allocation

Outcome	Total Invested (\$ millions)	Portfolio Weight (%)	Fixed Income (%)	Equities (%)	Total (%)
Cash	\$ 3.8	3.1	100	-	100
Contingency	27.6	22.3	40	60	100
Target Date 3-5 Years	33.1	26.8	90	10	100
Target Date 5-10 Years	40.2	32.4	50	50	100
Target Date 10+ Years	19.1	15.4	25	75	100
Total	\$ 123.9	100.0			

Table 4: Proposed Pooled Fund-Level Allocation

ONE Investment Funds	Total Invested (\$ millions)	Portfolio Weight (%)
ONE Canadian Equity Fund	\$ 16.3	13.2
ONE Global Equity Fund	38.0	30.7
ONE Canadian Government Bond Fund	19.3	15.6
ONE Canadian Corporate Bond Fund	8.9	7.2
ONE Global Bond Fund	41.4	33.4
Total	\$ 123.9	100.0

Table 5: Proposed Pooled Fund Allocations by Outcome (values in \$ millions)

Outcome	ONE Canadian Equity Fund	ONE Global Equity Fund	ONE Canadian Govt Bond Fund	ONE Canadian Corp Bond Fund	ONE Global Bond Fund	Total
Cash	-	-	\$ 3.8	-	-	\$ 3.8
Contingency	5.0	11.6	1.7	1.7	7.7	27.6
Target Date 3-5 Years	1.0	2.3	10.1	3.5	16.2	33.1
Target Date 5-10 Years	6.0	14.1	3.0	3.0	14.1	40.2
Target Date 10+ Years	4.3	10.0	0.7	0.7	3.3	19.1
Total	\$ 16.3	\$ 38.0	\$ 19.3	\$ 8.9	\$ 41.4	\$ 123.9

5. CONCLUSION

The proposed Investment Plan is consistent with Thunder Bay's IPS, and the proposed asset mix and fund allocations reflect the investment objectives and risk preferences expressed in its IPS and MCQ. The City has a long investment horizon and does not anticipate contributions or withdrawals of MNRI within the next five years. The investment

allocations are able to address the future drawdowns of MNRI anticipated by the municipality if circumstances change. As a result, the Investment Plan is appropriate for the City's time horizons and circumstances.

ATTACHMENTS

Attachment 1: City of Thunder Bay's Investment Policy Statement

Attachment 2: City of Thunder Bay's Municipal Client Questionnaire

Attachment 3: City of Thunder Bay's Proposed Investment Plan

Drafted by: Keith Taylor, Chief Investment Officer; Jennifer Hess, Manager Investment Services
Approved by: Judy Dezell and Donna Herridge, Co-Presidents/CEOs, ONE Investment