



REPORT

To: ONE Joint Investment Board
From: Jennifer Hess, Manager of Investment Services, MFOA
Date: September 4, 2024
Re: Template Review – Investment Plan, Investment Policy Statement and Municipal Client Questionnaire
Report: ONE JIB 2024-039

1. RECOMMENDATIONS

It is recommended that the Board:

1. Approve the Investment Plan template included as Attachment 1 of this report, and authorize staff to adjust the template to accommodate individual municipal circumstances, if needed;
2. Approve the Investment Policy Statement template included as Attachment 3 of this report;
3. Approve the Municipal Client Questionnaire template included as Attachment 4 of this report.

2. SUMMARY

The launch of ONE Investment's Outsourced Chief Investment Officer (OCIO) Offering in 2024 has resulted in a review of current business practices, including the templates used for the Prudent Investment Program. This report seeks approval of the updated Investment Plan template, the Investment Policy Statement template and the Municipal Client Questionnaire. These have been updated to reflect the OCIO Offering, a change to the concept of Money Not Required Immediately (MNRI), and the creation of Restricted Special Assets which are not considered to be MNRI under the management and control of ONE JIB.

3. BACKGROUND

The 2024 template review primarily focused on changes because of the new OCIO Offering and changes to "in-kind" investments

ONE JIB last approved changes to the Investment Policy Statement in 2022, while changes to the Investment Plan and Municipal Client Questionnaire were approved in 2023 in anticipation of the OCIO Offering launching in 2024. The 2024 review focused on:

- Required changes because of the OCIO Offering, including but not limited to terminology changes, and the addition of Alternative Asset Classes, which is a new

investment class that municipalities may opt into in their Investment Policy Statement.

- Changes to MNRI including the inclusion of Restricted Special Assets (new), which would remove the management of “in-kind” investments from the management of ONE JIB since the Board does not have control of these investments as of the Prudent Effective Date.

The review of the Investment Plan (IP), Investment Policy Statement (IPS) and Municipal Client Questionnaire (MCQ) was a collaborative process involving ONE Investment Staff, PH&N Institutional and WeirFoulds LLP

With the launch of the OCIO Offering, the Investment Plan template, the IPS template and the MCQ template required updating to reflect a) new OCIO Offering terminology and the change in business (away from Program Managers), and b) the revised concept of MNRI and new concept of Restricted Special Assets, both of which are discussed later in the report. ONE Investment staff led the review of the documents, with input and review by PH&N staff. WeirFoulds LLP provided a legal review of the Investment Policy Statement and the supplementary analysis on MNRI and Restricted Special Assets.

4. ANALYSIS

The proposed OCIO Investment Plan template is like Durham Region’s Investment Plan previously approved by ONE JIB

Durham’s Region’s Investment Plan, as the first OCIO Offering municipality was very different from the standard ONE JIB Investment Plan template approved in 2022. The Durham Investment Plan prepared by PH&N Institutional meets all legislative requirements and was well received by the ONE JIB. As more OCIO Offering Investment Plans come forward, recognizing the differences between municipalities and the complexities in their MNRI, the structure of the Investment Plan content (including the tables and graphs) may change. If this occurs, all pertinent and legislatively required information will still be included. The proposed Investment Plan template has been included as **Attachment 1** of this report.

WeirFoulds LLP has reviewed the concept of Money Not Required Immediately (MNRI) and has introduced the term Restricted Special Assets (considered to not be MNRI)

Section 418.1 of the *Municipal Act, 2001, S.O. 2001, c.25* (the Act) and *Ontario Regulation 438/97* relate to prudent investment. The legislation requires that a municipality’s “money not required immediately” be transferred to an external investment board but does not define MNRI. It is up to each municipality to determine MNRI. To date, Ontario municipalities have used time as the sole delineating factor; however, they don’t need to. For example, MNRI could be defined based on when the money is needed (time), the purpose of the money, or the source of the money, or something else entirely.

Prior to adopting Section 418.1 and choosing to go prudent investor, municipalities invest solely under Legal List (Section 418 of the Act). As a result, existing investments such as, Local Distribution Company (LDC) shares or other Municipal Service Corporations (MSC)

investments, Guaranteed Investment Certificates (GICs), Bonds, Principal Protected Notes (PPNs) could be part of their investment portfolio prior to the prudent effective date. For various reasons, a municipality may prefer not to liquidate these investments. Historically these were referred to as “*in-kind*” investments. A new term for ONE called “*Restricted Special Assets*” has been introduced – these are municipal assets (investments) where ONE JIB is not able to exercise control after the prudent effective date. The types of Restricted Special Assets will be listed in Schedule A of the Municipal Investment Policy Statement and will not be considered MNRI; thereby eliminating the responsibility of in-kind investments for ONE Investment and ONE JIB.

The information provided by WeirFoulds LLP has been included in **Attachment 2** of this report.

The proposed Investment Policy Statement (IPS) template has been updated to reflect changes due to the new OCIO Offering, including the addition of Alternative Asset Classes and Restricted Special Assets

The ONE Investment IPS template is a guidance tool for municipalities; the IPS is a municipal document, which municipalities can change to meet their unique municipal needs. ONE Investment staff typically review a draft of the IPS prior to it going before Council to ensure that it doesn't include anything contrary to the legislative requirements or ONE JIB's ability to manage and control the investment of MNRI.

Through a collaborative effort ONE Investment staff, PH&N Institutional and WeirFoulds LLP have updated the IPS to reflect the changes required as a result of the launch of the OCIO Offering (including Alternative Asset Classes), the change to the concept of MNRI, and the addition of Restricted Special Assets.

WeirFoulds LLP has reviewed the IPS template to ensure it remains compliant with legislation and has updated terms as applicable. The IPS template has been included as **Attachment 3**, and a summary of material changes is shown in **Attachment 4**.

Participating Municipalities will update their IPS approved by Council during the 2025 annual review cycle.

The Municipal Client Questionnaire (MCQ) has been updated to reflect OCIO Offering changes and the change to MNRI as a result of Restricted Special Assets (not MNRI)

The MCQ is ONE Investment's “Know Your Client” Form that participating municipalities provide in advance of ONE updating the Investment Plan, along with a copy of their IPS and municipal MNRI cash flow projections. The MCQ template in **Attachment 5** is a draft fillable form, although content will not change, minor formatting changes may be required.

ONE Investment staff in collaboration with PH&N Institutional reviewed and updated the MCQ template. It includes information that both ONE Investment and PH&N Institutional deem to be relevant to understand the Participating Municipality's circumstances including

their MNRI and investment horizon. Additionally, information pertaining to Local Distribution Company Shares (LDC) and other “in-kind” securities has been removed because they will be classified as Restricted Special Assets and not considered to be MNRI.

5. CONCLUSION

The 2024 annual review of the Investment Plan template, the Investment Policy Statement and the Municipal Client Questionnaire has resulted in changes to all documents to reflect the OCIO Offering, a change to the concept of MNRI, and the introduction of Restricted Special Assets, which are not considered to be MNRI under the management and control of ONEJIB. It is anticipated that once that all existing Participating Municipalities are transitioned over to the OCIO Offering, going forward it would simply be known as the Prudent Investment Program.

ATTACHMENTS

- Attachment 1: Investment Plan (IP) Template
- Attachment 2: Supplementary MNRI Information – WeirFoulds LLP
- Attachment 3: Investment Policy Statement (IPS) Template
- Attachment 4: Summary of Material IPS Template Changes
- Attachment 5: Municipal Client Questionnaire (MCQ)

Drafted by: Jennifer Hess, CPA CMA, Manager Investment Services
Approved by: Judy Dezell and Donna Herridge, Co-Presidents/CEOs