



REPORT

To: ONE Joint Investment Board
From: Keith Taylor, Chief Investment Officer, ONE Investment
Date: February 25, 2025
Re: Investment Plan Implementation Update
Report: ONE JIB 2025-002

1. RECOMMENDATIONS

It is recommended that the Board:

1. Approve the plan to fund the unanticipated \$25 million drawdown of MNRI for the District of Muskoka.
2. Acknowledge the December 2024 drawdown for the Town of Aurora of \$10.3 million.

2. SUMMARY

This report summarizes investment plan implementation and related activity for December 2024 through February 2025. The details of trading activities related to Investment Plan updates or other client-related requests are summarized in the table below.

Municipality	Details	Trading
Aurora	<ul style="list-style-type: none">• Unanticipated drawdown required• Funds raised by selling In-kind securities• \$10.3 million reclassified as MRI	Yes - December
Kenora	<ul style="list-style-type: none">• No changes in allocations	N/A
Bracebridge	<ul style="list-style-type: none">• No changes in allocations	N/A
Aylmer	<ul style="list-style-type: none">• No changes in allocations	N/A
Clarington	<ul style="list-style-type: none">• Initial MNRI Contribution = \$20 million	Yes - January
Red Lake	<ul style="list-style-type: none">• Initial MNRI Contribution = \$2.2 million	Yes - January
Central Frontenac	<ul style="list-style-type: none">• Initial MNRI Contribution = \$2.2 million	Yes - January
Durham	<ul style="list-style-type: none">• The third tranche of MNRI received	Yes - January
Muskoka	<ul style="list-style-type: none">• Unanticipated drawdown required• \$25 million to be drawn down as part of OCIO transition	Yes - trading pending in March

At the ONE JIB meeting on November 27th, 2024, six investment plans were approved, including plans for three new municipalities joining the ONE JIB. Trading was required to implement the Investment Plans of these three new Participating Municipalities. Additionally, the third tranche of MNRI identified in Durham's Investment Plan was deployed, and some trading of in-kind bonds was initiated to satisfy Aurora's liquidity needs. Lastly, Muskoka submitted an MCQ update that will require trading.

3. BACKGROUND

Investment Plan updates for Aylmer, Bracebridge and Kenora did not require any trading to implement

Investment Plans for Aylmer, Bracebridge and Kenora were approved at the ONE JIB meeting on November 27, 2024. These three Investment Plans did not involve contributions or withdrawals of MNRI, nor did they result in a reallocation of MNRI across Outcomes. As the investment horizon of reserves was unchanged and there was no significant change in the circumstances, no changes in the Investment Plans were required. As a result, no changes were needed for the investment allocations of these municipalities, and no trading was required.

Durham's Investment Plan involved three tranches of cash contributions. Two of these tranches have already been received and deployed

The initial contribution of \$500 million to MNRI occurred in July 2024, the implementation of which was reported to ONE JIB in September. The second tranche of approximately \$500 million was received in September, part of which involved the liquidation of Durham's holdings in the ONE Equity portfolio. The implementation of the second tranche of MNRI was reported to ONE JIB on November 27, 2024.

4. ANALYSIS

Aurora requested a drawdown of MNRI to address unanticipated short-term liquidity requirements in December 2024

A disruption in postal delivery in the fourth quarter disrupted the municipality's receipt of cheques. This affected the Town's short-term liquidity, necessitating an unanticipated drawdown of MNRI. Aurora's Investment Plan did not contemplate this event. Based on the details in the Midyear MCQ update form submitted on December 10, 2024, and on the advice of the CIO, the ONE JIB Chair approved the withdrawal of MNRI in December 2024.

This request for MNRI was addressed without affecting the MNRI invested in ONE Investment pooled funds. Instead, in-kind securities were utilized. Three bonds held as in-kind MNRI were liquidated, raising \$10.3 million in proceeds. These proceeds were reclassified as MRI. The details of the in-kind bonds sold are detailed in Table 1 below. As

part of the transition to the OCIO Offering, Aurora has submitted a Securities Acceptance Plan as detailed in the ONE JIB In-Kind Securities Policy.

Table 1 – Aurora’s In-Kind Securities Sold

Account	Bond Description	Expected Maturity	Book Value (\$)	Proceeds from Sale 12-Dec-24
CIBC Wood Gundy	BANK OF MONTREAL EXT MAR 16, 2032, STEP UP NTS UP NTS 3.25%-4% MAR 16 2023	Mar - 2032	\$4,000,000	\$3,816,383
CIBC Wood Gundy	CDN IMPERIAL BK OF COMMERCE CALL LINEAR ACCRUAL SENIOR NT DUE MAR 09, 2031, CALL MAR 09, 2025	Mar - 2031	\$4,000,000	\$3,820,000
BMO Wealth Management	BMO EXT 03/15/2032 ACCRUAL NOTE 3.62% 03/15/2023 - 03/15/2032 DUE: 03/15/2032 3.620%	Mar - 2032	\$2,500,000	\$2,622,500
		Grand Total	\$10,500,000	\$10,258,883

Muskoka requested a midyear drawdown of MNRI of \$25 million, which will be fulfilled during the OCIO transition planned for March

The District of Muskoka requested a drawdown of \$25 million from MNRI to address short-term liquidity needs. The \$25 million will be raised during the transition to the OCIO Offering, which will occur by the end of March. As all ONE Investment pooled funds will be liquidated as part of the transition, this MNRI can be distributed to the District at the same time. The remaining MNRI will be deployed to the OCIO Offering.

The Treasurer indicated that the overall investment horizon of MNRI should not be adjusted at this time but may be considered at the next annual review of their Investment Plan. The allocation of MNRI across Outcomes will remain unchanged, and the proportion of MNRI in each Outcome will remain the same when the MNRI is transferred into the OCIO Offering. A more detailed review of the change in circumstances will occur during Muskoka’s annual Investment Plan update, planned for the third quarter of 2025. A revision in allocations may be appropriate when the Investment Plan is updated. At that time, additional details about financial planning may offer greater clarity regarding potential changes in the investment horizon associated with municipal reserves.

Trading was required to deploy the MNRI of Central Frontenac, Clarington and Red Lake, which joined ONE JIB as Participating Municipalities

ONE JIB accepted three new Participating Municipalities as Participating Municipalities at the ONE JIB meeting on November 27, 2024. The Municipality of Clarington, Township of Central Frontenac, and Municipality of Red Lake’s MNRI were deployed into the OCIO Offering on January 13, 2025, collectively adding \$25 million to MNRI under ONE JIB.

The MNRI of Central Frontenac, Clarington and Red Lake was invested in the OCIO Offering using model portfolios approved by ONE JIB on November 27, 2024

At the November ONE JIB meeting, ten investment models were approved for use in investment allocations of most Participating Municipalities. These models had allocations to equities that ranged from zero to seventy percent, with some of these models including allocations to alternative investments (real estate and infrastructure). Central Frontenac, Clarington and Red Lake's Investment Plans used these model portfolios and the MNRI was deployed into the OCIO Offering, as detailed in Table 2 below. None of these three Participating Municipalities elected to include alternative investments (real estate and infrastructure) in their allocations.

Table 2 – Investment Allocations of New Participating Municipalities

Participating Municipality	MNRI (millions)	Model #	Fixed Income	Equity	Real Estate & Infrastructure
Central Frontenac	\$ 2.8	F	40%	60%	0%
Clarington	\$ 20.0	G	30%	70%	0%
Red Lake	\$ 2.2	D	60%	40%	0%

Central Frontenac, Clarington and Red Lake's transition to the OCIO Offering was executed seamlessly

To prepare for the transition, Legal List holdings were liquidated in December 2024 by the three municipalities to raise funds to be used in the transition. The MNRI was deployed into the investment allocations detailed in the respective Investment Plans on January 13, 2025. The money movements and purchase of PH&N Institutional funds were executed seamlessly.

The last tranche of Durham's MNRI was deployed into the OCIO Offering

The implementation of Durham's Investment Plan continued, with the third and last tranche of MNRI being deployed into the OCIO Offering, contributing \$432 million to Durham's long-term allocation. Half the trading happened on January 15th to limit market impact, and the residual was traded on the 29th. All trading was executed seamlessly.

The implementation of MNRI into the OCIO Offering involved security substitutions due to liquidity constraints in some of the pooled funds

Some of the pooled funds used in the OCIO Offering do not have enough liquidity to accommodate the incoming MNRI immediately. As a result, the OCIO has recommended using substitute securities on an interim basis. These substitutions were reviewed by the Chief Investment Officer (CIO) and approved by the ONE JIB Chair before implementation. The details of the substitutions are as follows:

Target Fund: PH&N Private Placement Corporate Debt Fund
Temporarily allocation: PH&N Enhanced Total Return Bond Fund.

Affected accounts:

- Durham (Long): approximately \$44 million
- Red Lake: \$0.22 million

Target Fund: PH&N Commercial Mortgage Fund
Temporarily Allocation: PH&N Short Term Bond & Mortgage Fund.

Affected accounts:

- Durham (Long): approximately \$65 million
- Clarington: \$2 million
- Central Frontenac: \$0.28 million
- Red Lake: \$0.22 million

5. CONCLUSION

Since the last ONE JIB meeting on November 27, 2024, significant investment activity involving multiple Participating Municipalities has occurred. In January 2025, three new municipalities joined ONE JIB: Central Frontenac, Clarington, and Red Lake. The MNRI of these three municipalities, collectively representing \$25 million of MNRI, were deployed into the OCIO Offering. Furthermore, Durham's third and final tranche of MNRI was received in January and deployed into its long-term allocation.

Additionally, two municipalities had unplanned MCQ updates involving MNRI drawdowns to address short-term liquidity needs. Neither of these updates implied a material change in municipal circumstances that would justify changes to the Investment Plans at this time.

Investment Plans for three existing Participating Municipalities were also reviewed at the ONE JIB meeting on November 27, 2024, including Aylmer, Bracebridge and Kenora. These Investment Plan updates did not require a change in the investment allocations, and no trading was required to implement changes.

ATTACHMENTS

Attachment 1: Town of Aurora - Midyear MCQ Updates Form

Attachment 2: District Municipality of Muskoka - Midyear MCQ Updates Form

Drafted by: Keith Taylor, Chief Investment Officer; Evelyn Foo, Chief Compliance Officer
Approved by: Judy Dezell and Donna Herridge, Co-Presidents/CEOs, ONE Investment