



REPORT

To: ONE Joint Investment Board
From: Keith Taylor, Chief Investment Officer, ONE Investment
Date: February 25, 2025
Re: Municipality of Neebing's Investment Plan
Report: ONE JIB 2025-005

1. RECOMMENDATIONS

It is recommended that the Board:

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

2. SUMMARY

The Municipality of Neebing 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 municipality will need to make a mid-year withdrawal of \$213,000 in Q4 2025 and may need to make additional withdrawals of up to \$1.1 million from 2026 to 2028. The Municipality has also reviewed its Investment Policy Statement (IPS) and has updated its IPS to reflect changes associated with the OCIO Offering.

Expected drawdowns of MNRI over the next few years to fund capital projects may lead to a significant decrease in MNRI, but it is anticipated that contributions thereafter would rebuild MNRI balances once roadwork projects are completed in 2028. The actual size of nearer term drawdowns (2026-2027) does not account for potential grants, and actual drawdowns may be smaller.

Neebing's investment allocation was determined after reviewing the municipality's circumstances, needs, and risk tolerance. It also incorporates the treasurer's analysis of expected cashflows affecting municipal reserve balances. The resulting allocation described in the Investment Plan is appropriate for the municipality. Investment Model E has been recommended for Neebing. This model, which has a 50% allocation to equities, will be implemented during the planned transition to the OCIO Offering by the end of the first quarter of 2025. A summary is shown below:

MID TERM / 50% EQUITY MODEL E		
Asset Classes	Target Weight	Total Invested (\$)
Cash & Equivalent	0%	\$0
Canadian Fixed Income	35%	\$1,004,079
Global Fixed Income and Credit	15%	\$430,319
Canadian Equities	25%	\$717,199
Global Equities	25%	\$717,199
Alternatives	0	\$0
Total	100%	\$2,868,796

3. BACKGROUND

Neebing’s annual review of its IPS resulted in changes to reflect the new IPS template that will be used under the OCIO Offering

Neebing completed its annual IPS review on December 4, 2024, updating the IPS with changes suggested in the most recently approved ONE JIB IPS template. The amendments to the IPS included relevant changes as the ONE JIB moved to an OCIO Offering. While the option of investing in alternative investments (real estate and infrastructure) could have been considered an allowable investment type and reflected in the updated IPS, the municipality did not elect to consider using these investment types at this time.

Investment Income may help provide Neebing with an additional source of revenue for the municipality

Ontario municipalities are under significant pressure to provide new and improved infrastructure to residents (i.e. recreation facilities, fire halls, roads, libraries, and more) while avoiding excessive property tax rate increases. In Neebing’s case, the most recent 10-year capital forecast projects a need for \$12.5 million in spending to be funded from paid by the property tax base, Canada Community Building Fund (previously Federal Gas Tax), Ontario Community Infrastructure Fund funding, long-term debt, and existing reserves. For the Municipality of Neebing, a 1% increase in property taxes would bring in an incremental \$31,188 in annual tax receipts, which limits its ability to fund the increasing costs of expected capital needs via tax increases alone. For this reason, investment returns are an important part of the strategy to help the municipality achieve its goals.

Neebing’s MNRI will be transitioned into the OCIO Offering that uses a single model portfolio

Neebing’s MNRI will be transitioned into one of the ten model portfolios approved at the ONE JIB meeting in November 2024. These ten models each have investment allocations that offer a range of risk and return attributes appropriate for most Participating Municipalities. Based on the client's needs, circumstances and risk tolerances, one of the model portfolios will be assigned. This differs from Neebing’s allocations invested in the Outcome Framework, where five outcome accounts, each with different investment

allocations, have been used.

PH&N Institutional has developed a set of model portfolios that are designed to be appropriate for a wide range of Participating Municipalities’ needs. For more information about the decisions that led to this report, please see the New Products Committee Report [\(2024-01\)](#), dated October 1, 2024.

Neebing’s updated MCQ indicated that near-term drawdowns may be expected

The treasurer has provided details of the time horizon associated with reserve balances, which has informed the allocation decisions in the Investment Plan. Table 1 below provides a summary of the key reserves. As shown below, a significant portion of its MNRI has an investment horizon that exceeds 10 years and a significant portion with a much shorter investment horizon.

Table 1: MNRI by reserve and time horizon forecast, adapted from table 3.1 of MCQ

Investment Horizon of MNRI				
Description (i.e. Funding Objective, Investment Purpose, or Municipal Reserve)	Total MNRI (\$)	Investment Horizon < 5 Years (\$)	Investment Horizon 5-10 Years (\$)	Investment Horizon >10 Years (\$)
Capital Projects	\$1,243,123	\$1,243,123		
Long term Contingencies	\$1,625,673	\$76,377	\$263,380	\$1,285,916
Total MNRI	\$2,868,796	\$1,319,500	\$263,380	\$1,285,916

Neebing anticipates meaningful drawdowns of MNRI annually until 2029

The analysis provided by the treasurer suggested that Neebing anticipates significant drawdowns over the next few years, including a drawdown of \$213,000 expected in Q4 2025. Section 3.3 of Neebing’s MCQ provides details of the anticipated contributions and withdrawals of MNRI over the next 10 years, which are shown in Table 2 below. Future drawdowns beyond 2025 are based on a worst-case scenario; – the municipality is pursuing grants to help offset capital costs, which may reduce future withdrawal needs. The municipality also has \$300,000 in MRI to address potential contingency needs, which it plans on using first before withdrawing from its MNRI investments.

Table 2: Anticipated Cash Flow Projections, MNRI by year adapted from table 3.3 of MCQ.

	2025	2026 + 2027	2028	2029	2030 - 2034
Anticipated MNRI Drawdowns	\$213,000	\$532,500	\$574,000	-	-
Anticipated MNRI Contributions	-	-	-	-	\$601,500
Net change in MNRI	\$213,000	\$532,500	\$574,000	-	\$601,500

4. ANALYSIS

Neebing’s Investment Plan needs to accommodate both the anticipated need for near-term drawdowns and long-term (10+ year) investments

A review of Neebing’s expected cashflows and expected future reserve balances was conducted as part of the annual review process. The treasurer noted that the drawdowns in 2026 and 2027 may be lower than suggested in the MCQ if the municipality receives grants to help fund the associated capital projects. The spending in 2028 relates to spending planned for “chip-sealing” of roads and is part of its asset management plan. The cost of this is difficult to quantify at this point. These nearer-term drawdowns identified in the MCQ represent very conservative estimates, and there is a reasonable probability that drawdowns may be smaller than projected.

The municipality has a relatively long investment horizon, with about 40% of MNRI having an investment horizon that exceeds 10 years. While near term drawdowns are expected, the treasurer expects to be adding to MNRI thereafter and describes the next few years as a wave of asset management needs, after which the municipality anticipates several years of lower capital needs, until the next wave hits.

The Investment Plan recommends Neebing’s MNRI be invested in model E, which has a 50% allocation to equity within a well-diversified portfolio

The investment allocations proposed in the Investment Plan reflect that Neebing’s MNRI has a relatively long investment horizon, with some near-term drawdowns anticipated. The treasurer expects to resume contributing to MNRI after 2030 and feels that an allocation that includes the opportunity for longer-term growth is appropriate. The CIO and OCIO have discussed the allocation and recommend that an allocation designed for a medium-term investment horizon is most suitable. The proposed allocation, model E, which has 50% exposure to equities, is appropriate considering the municipality’s circumstances. For any withdrawals needed during the year, investments will be sold to maintain the allocation weights associated with Model E. This process may also include rebalancing the portfolio to ensure it aligns with the target asset allocation. Table 3 below provides some summary statistics of model E and Table 4 further details Neebing’s investment allocations.

Table 3: Summary statistics for Model E

Summary Statistics	Model E	Notes:
Long-Term Return	6.8%	<p>¹ Annual Downside Risk (CVaR95) represents the expected loss during the worst 5% of return outcomes.</p> <p>Hypothetical performance analyses are for illustrative purposes only and there is no guarantee that hypothetical returns or projections will be realized.</p>
Annual Downside Risk ¹	-12.2%	
Annual Volatility	7.6%	
Sharpe Ratio	0.44	

Table 4: Proposed Pooled Fund-Level Allocation

MID TERM 50% EQUITY MODEL (E)				
Asset Classes	Minimum (%)	Target Weight	Maximum (%)	Total Invested (\$)
Cash & Equivalent	0	0	10	\$0
Canadian Fixed Income	25	35	45	\$1,004,079
Short-Term bonds		20		\$573,759
Universe Bonds		0		\$0
Corporate Bonds		0		\$0
Private Placement Corporate Debt		5		\$143,440
Commercial Mortgage		10		\$286,880
Global Fixed Income and Credit	0	15	25	\$430,319
High Yield Bonds		0		\$0
Global Multi-Asset Credit		15		\$430,319
Global Bonds		0		\$0
Emerging Markets Bonds		0		\$0
Canadian Equities	15	25	35	\$717,199
Canadian Equities		15		\$430,319
Canadian Low Volatility Equities		10		\$286,880
Global Equities	15	25	35	\$717,199
U.S. Equities		5		\$143,440
U.S. Low Volatility Equities		5		\$143,440
International Equities		15		\$430,319
Global Equities		0		\$0
Global Low Volatility Equities		0		\$0
Alternatives	0	0	0	\$0
Real Estate		0		\$0
Infrastructure		0		\$0
Total		100		\$2,868,796

5. CONCLUSION

Needing has a long investment horizon with an anticipated need to draw down MNRI over

the next few years. The Investment Plan contemplates a drawdown of \$213,000 that may happen near the end of 2025. Neebing's MNRI will be transitioned into the OCIO Offering by the end of March with a 50% allocation to equities (Model E). The proposed asset mix and fund allocations reflect the investment objectives and risk preferences expressed in its IPS and MCQ. As a result, the Investment Plan is appropriate for Neebing's circumstances and needs and reflects the time horizons of its MNRI.

ATTACHMENTS

Attachment 1: Municipality of Neebing's Investment Policy Statement 2025

Attachment 2: Municipality of Neebing's Municipal Client Questionnaire 2025

Attachment 3: Municipality of Neebing's proposed Investment Plan 2025

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