



# REPORT

To: ONE Joint Investment Board  
From: Judy Dezell, Co-President/Co-CEO, ONE Investment  
Date: February 25, 2025  
Re: ONE JIB In-Kind Securities Policy Review  
Report: ONE JIB 2025-003

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## 1. RECOMMENDATIONS

It is recommended that the Board:

1. Approve the amendments to the MNRI Summary document and the ONE JIB In-Kind Securities Policy as shown in Attachments 1 and 2.

## 2. SUMMARY

ONE Investment is recommending revisions to ONE JIB's In-Kind Securities Policy to reflect that on a going forward basis, prospective municipalities must know that if ONE JIB cannot manage and control in-kind securities, such securities should be characterized by council as Restricted Special Assets, not MNRI.

With changes to the In-Kind Securities Policy, ONE Investment is also recommending edits to the companion guidance document to reflect the policy changes.

## 3. BACKGROUND

### **Participating Municipalities have transferred control and management of in-kind securities to ONE JIB**

Transfer of the control and management of in-kind securities (as part of MNRI) has been a common practice for municipalities as they join the Prudent Investment Program. This has meant that the CIO needed to be able to track performance, reinvest income and any proceeds from repayment of capital in accordance with the municipality's approved ONE JIB Investment Plan. As ONE JIB continues to grow assets under management, a policy was put in place to address the types of securities ONE JIB can receive and are available for investment as MNRI. The policy provides guidance for ONE staff in working with prospective municipalities. It also provides clear direction on what to do with in-kind securities for PH&N Institutional as the Sub-Investment Manager when dealing with Participating Municipalities.

## **Proceeds and income from in-kind securities, if accepted as MNRI, come under the control and management of ONE JIB**

For in-kind securities to form part of the MNRI under the control and management of ONE JIB, proceeds from these securities (any distributions as well as proceeds received at maturity or on redemption or other disposition) should ultimately be invested in the ONE Prudent Investment Offering pooled funds.

The policy is designed to establish principles governing the treatment of in-kind securities from Participating Municipalities consistent with the relevant ONE JIB approved Investment Plans. It provides clarity with respect to any disposition of in-kind securities, if appropriate, prior to maturity. Such direction is documented in a Securities Acceptance Plan agreed to by the municipal treasurer. The current policy was adopted by ONE JIB in September 2024.

After a few months of working with the policy, ONE Investment has identified the need for additional changes to the policy that will not only guide the transition of existing Participating Municipalities to the OCIO business model, but also let prospective municipalities know that if ONE JIB cannot manage and control in-kind securities, such securities should be characterized by council as restricted special assets, as opposed to MNRI. Examples include principal protected notes, guaranteed investment certificates, local distribution company securities and 'own debt' securities.

## **4. ANALYSIS**

### **MNRI is not a defined term in legislation, so a guidance document has been developed to help municipalities determine MNRI**

Without a legislative definition of MNRI, the responsibility for defining MNRI becomes that of the municipality before finalizing the amount that will be transferred to ONE JIB for control and management. Currently, most Participating Municipalities have relied on a time-based concept to define MNRI ranging from 18 months to three years. However, other factors such as the source of the money and the purpose for which monies have been collected or set aside and are to be used, the extent to which control over the asset can be freely given to ONE JIB, or any combination of those factors can be considered by a municipal council in determining its MNRI.

To help municipalities define MNRI, ONE Investment has worked with WeirFoulds LLP to develop a guidance document, Attachment 1, for potential Participating Municipalities. The guidance document outlines the different criteria that could be considered in identifying money required immediately, MNRI and restricted special assets. Restricted special assets are securities held by a municipality which if transferred to ONE JIB would not allow ONE JIB true control and management of the security.

The summary document presented to ONE JIB in September 2024 only mentioned local distribution company shares and municipal debt as examples of in-kind securities. Staff have identified other securities that should also be considered restricted special assets. Consequently, the summary document has been revised with additional examples of

restricted special assets such as guaranteed investment certificates (GIC) and principal protected notes (PPNs). The language has also been modified to indicate the list of examples is not exhaustive and may evolve over time.

### **ONE JIB has a fiduciary obligation to control and manage MNRI of Participating Municipalities**

The revised In-Kind Securities Policy, Attachment 2, continues to state that the control and management of MNRI is ONE JIB's fiduciary obligation. That obligation must include the ability to control and manage the securities, including the monitoring and control of performance. Securities that preclude ONE JIB from monitoring and controlling performance should not be included as MNRI and should be identified by the municipality as restricted special assets.

Revisions to the policy are designed to describe clearly the securities ONE JIB will agree to control and manage within the new OCIO business model. To achieve this, new terms are introduced in the policy such as Restricted Special Assets, Securities Acceptance Plan and Sub-Investment Manager.

The policy now acknowledges the three types of in-kind securities. First is Restricted Special Assets – the policy is clear these will not be accepted by ONE JIB and will remain in the control and management of either the prospective municipality or in the case of an existing Participating Municipality they will be returned to the municipality during the transition to the OCIO business model. The second type of in-kind securities are those that can immediately be converted to cash for investment by PH&N Institutional as the Sub-Investment Manager. The third type of in-kind security ONE JIB will accept are those that have an agreed timeline for ONE JIB to hold before being liquidated for the cash to be invested by the Sub-Investment Manager based on an agreed Securities Acceptance Plan.

As the Prudent Investment Offering is attracting larger municipalities, the policy also needs to recognize the existence of sinking funds. The policy acknowledges that sinking funds are MNRI as per the *Municipal Act, 2001*.

### **A Securities Acceptance Plan will be used to facilitate the efficient transition from the current practice and for specific in-kind securities ONE JIB accepts**

Participating Municipalities always retain the ability to define money required immediately, MNRI and restricted special assets. When a Participating Municipality's MNRI is transferred to the OCIO business model then, subject to concurrence from the municipal treasurer, it is expected that in-kind securities will be assessed by the Sub-Investment Manager and dealt with in a manner consistent with the In-Kind Securities Policy. (This may include disposition to enable the Sub-Investment Manager to invest the proceeds.) Or the Participating Municipality may determine that the in-kind securities are restricted special assets or possibly money required immediately. Any securities that are being held for future disposition will be fully documented and shared with ONE JIB through a Securities Acceptance Plan.

In the case of new participating municipalities, the Securities Acceptance Plan will outline for ONE JIB, the municipality and the Sub-Investment Manager the timeline for ONE JIB to hold the securities before they are cashed.

**There will be quarterly reporting to ONE JIB on in-kind securities subject to Securities Acceptance Plans**

The policy remains in large part unchanged with respect to the CIO reporting quarterly to ONE JIB on the holding of in-kind securities up until implementation of any Securities Acceptance Plan. The only change made was to include the expected date of liquidation to reflect the potential for either a Participating Municipality or a prospective municipality to agree to ONE JIB holding something for a period of time until it is liquidated.

**5. CONCLUSION**

As ONE JIB continues to grow assets under management, having a clear policy on in-kind securities which may form part of MNRI is important to fully meet ONE JIB's fiduciary duties, guide prospective municipalities in identifying MNRI and provide clear direction to the Sub-Investment Manager when ONE JIB accepts a Participating Municipality's in-kind securities.

**ATTACHMENTS**

Attachment 1: ONE Investment Guidance Document on MNRI

Attachment 2: ONE JIB In-Kind Securities Policy

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Approved by: Judy Dezell and Donna Herridge, Co-Presidents/CEOs, ONE Investment