



Attachment 1

MONEY NOT REQUIRED IMMEDIATELY (“MNRI”) - SUMMARY

A municipality that invests under section 418.1 of the *Municipal Act, 2001* (“**Act**”) through ONE JIB is required to transfer control and management of its money that it does not require immediately to ONE JIB so long as it determines its MNRI in accordance with the rules, conditions and procedures set out in O. Reg. 438/97 (“**Regulation**”) on the Prudent Effective Date. That date is agreed upon by the municipality and ONE Investment, as the agent of ONE JIB, pursuant to a Prudent Effective Date Agreement.

Section 418.1 of the Act only refers to money. It does not expressly address how a municipality must treat investments that it has already made and holds prior to the Prudent Effective Date. That question is addressed by the Regulation that requires a municipality to give control and management of its “investments” as well as its money to its investment board or joint investment board. “Investments” over which a municipality must give control and management to ONE JIB include securities acquired with MNRI by the municipality at the time of acquisition provided that any proceeds from the investments themselves are not required immediately on the Prudent Effective Date.

It follows from this that, subject to the comments below regarding Restricted Special Assets, money and investments of a municipality that are determined by the municipality as not required immediately constitute MNRI.

How Does Council determine its MNRI?

Money/Cash

There is no definition of MNRI in the Act or the Regulation. It is up to a municipal council to determine its MNRI. The Act does state that MNRI includes money in a reserve fund (in addition to money in a sinking and retirement fund). However, the determination of MNRI is primarily based on the time horizon within which the money is required to meet the municipality’s financial obligations. 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 or any combination of those factors can be considered by a municipal council in determining its MNRI.

In determining its MNRI a municipality can:

1. determine, based on its experience, a reasonable timeframe within which the municipality will in fact need money to meet its financial obligations regardless of what fund or source it comes from (to date Participating Municipalities have been using 24 to 36 months as a benchmark);
2. determine whether the money that *is required immediately* i.e., within the 24-to-36-month timeframe, should be taken from any particular source or fund; and
3. transfer the balance of the Participating Municipality’s money/cash to ONE JIB as MNRI.



Investments that do not constitute money/cash are subject to ONE JIB's In-Kind Securities Policy and are dealt with below.

Investments (In-Kind Securities)

A. General

A municipality may have **fixed income** and/or equity securities invested under section 418 of the Act (i.e. the Legal List) before the Prudent Effective Date that it considers to be MNRI and that it wishes to transfer to ONE JIB *in specie* instead of liquidating such securities and then remitting the cash proceeds for investment in accordance with its IPS (and its Investment Plan). **These securities would be subject to ONE JIB's In-Kind Securities Policy.**

Fixed income securities that are held in a sinking fund established by the Participating Municipality would be subject to the provisions of a Securities Acceptance Plan¹. They would be liquidated at an appropriate time acceptable to ONE JIB and the proceeds would be invested by ONE JIB in accordance with the Participating Municipality's IPS (and its Investment Plan). In the case of equities, they would be liquidated on or before a date to be agreed upon by the Participating Municipality and ONE JIB pursuant to a **Securities Acceptance Plan. The proceeds would be treated in the same way as **fixed income security proceeds.****

B. Restricted Special Assets (that are not MNRI)

The purpose of the prudent investment regime is to give an additional financial tool to municipalities to generate revenues by investing in any security if they follow the rules, conditions and procedures in the Act and the Regulation. The ONE Prudent Investment Offering is an investment vehicle in respect of which ONE JIB is a fiduciary. As such, ONE JIB is obligated to maximize risk-adjusted returns on MNRI. It is not consistent with ONE JIB's fiduciary obligation to accept control and management of securities over which it has no actual control and management either because of the nature of the security or because of restrictions that municipalities impose in respect of such securities. Some examples of securities over which ONE JIB may not be able to exercise control and management include guaranteed investment securities ("GICs**"), principal protected notes ("**PPNs**"), municipal debentures, including debentures issued by the investing municipalities ("**Municipal Debt**") and securities issued by corporations incorporated under section 142 of the *Electricity Act, 1998* ("**LDCs**"). Because of ONE JIB's inability to actually exercise control and management over these types of securities, it would be unable to fulfill its**

¹ "Securities Acceptance Plan" means a written agreement between a Participating Municipality and ONE JIB that is entered into when a Participating Municipality's MNRI is transferred to the ONE Prudent Investment Offering, 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 ONE JIB's In-Kind Securities Policy.



fiduciary obligation if it were to accept such securities as MNRI. Accordingly, ONE JIB encourages the councils of Participating Municipalities with GIC, PPN, Municipal Debt and LDC securities that they want to include in their IPSs to characterize such securities as **Restricted Special Assets** that do not constitute MNRI because the critical elements of control and management by ONE JIB are not possible. The control and management of Restricted Special Assets would remain with the Participating Municipalities. As a consequence of Participating Municipalities characterizing their GIC, PPN, Municipal Debt and LDC securities as Restricted Special Assets, ONE JIB can increase the efficiency of its ONE Prudent Investment Offering because ONE JIB has no obligations, such as reporting obligations, relating to these types of securities. While control and management of Restricted Special Assets remain with the Participating Municipalities, at any time they may decide to liquidate such securities and transfer the cash proceeds to ONE JIB as MNRI.

The comments in respect of Restricted Special Assets do not apply to In-Kind Securities held in sinking funds of Participating Municipalities.