



## Attachment 2

Status: Draft Feb 5, 2025

ONE Joint Investment Board Policy Statement			
<b>Policy:</b>	In-Kind Securities	<b>Date Approved:</b> September 4, 2024	<b>Person Most Responsible:</b> Chief Investment Officer
		<b>Date of Next Review:</b>	

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### Purpose Statement

The purpose of this policy is to establish the principles governing the treatment of In-Kind Securities received from Participating Municipalities as part of their money and investments not required immediately.

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### Scope

This policy is applicable to all In-Kind Securities that Participating Municipalities have included or may include in their MNRI and that have been or will be transferred to ONE JIB's control and management pursuant to section 418.1 of the *Municipal Act, 2001* (Act).

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### Definitions

- **In-Kind Securities** means assets/securities, other than cash, including both **fixed income** and equity securities, that are invested under section 418 of the Act (i.e. the Legal List) before the relevant municipality becomes a Participating Municipality. In certain cases, Participating Municipalities may transfer such securities to ONE JIB pursuant to section 418.1 of the Act instead of liquidating first and then remitting cash proceeds.
- **Money Not Required Immediately (MNRI)** means money and investments that are not required immediately by a Participating Municipality, the control and management of which is given to ONE JIB. There is no universal definition of MNRI, and it is at the discretion of each Participating Municipality to determine its MNRI in a way that is appropriate for its circumstances and is consistent with this policy. A Participating Municipality's council must determine its MNRI.



- **ONE Prudent Investment Offering** means the comprehensive investment program made available through ONE JIB/ONE Investment pursuant to which a duly qualified investment manager, who is an External Portfolio Manager referred to as a “Sub-Investment Manager”, is engaged by ONE Investment to advise a Participating Municipality with regard to the investment of the Participating Municipality’s MNRI and to invest and manage such MNRI in accordance with the Investment Plan approved by ONE JIB and the Investment Management Agreement.
- **Participating Municipalities** means from time to time each of the municipalities for whom ONE JIB acts as the JIB under the terms of the ONE JIB Agreement.
- **Proceeds from securities** means any distributions as well as proceeds received at maturity or on redemption or other disposition.
- **Restricted Special Asset (RSA)** means a security which the Participating Municipality wishes to maintain but over which ONE JIB cannot exercise control or management because of restrictions imposed by the Participating Municipality or by the nature of the security. Such securities include, but are not limited to, the Participating Municipality’s own debentures, debentures of other municipalities, securities of local distribution corporations (“LDCs”), investments in guaranteed investment certificates (“GIC”), and principal protected notes (“PPN”). RSAs shall not be included as MNRI that is to be transferred to ONE JIB.
- **Securities Acceptance Plan** means a plan customarily forming an appendix to an Investment Plan that identifies the In-Kind Securities that ONE JIB will accept when a Participating Municipality joins the board.
- **Sub-Investment Manager** means the portfolio manager retained by ONE JIB, to provide discretionary investment management services for those assets of the Participating Municipalities that ONE JIB places with the Sub-Investment Manager from time to time, and such earnings, profits, increments and accruals thereon as may occur from time to time.

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### Policy Statement

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The control and management of MNRI is ONE JIB’s fiduciary obligation. That obligation must include the real ability to control and manage the securities, including the monitoring and control of performance. Securities that preclude ONE JIB from monitoring and controlling performance are considered to be **RSAs as defined above and shall not be included as MNRI that is transferred to ONE JIB.**



There are three types of In-Kind Securities: (1) those the Participating Municipality wishes to retain under its control, which constitute Restricted Special Assets and do not form part of MNRI; (2) those that can be immediately converted to cash and invested by the Sub-Investment Manager when the Participating Municipality joins ONE JIB; and (3) those that can be converted to cash and invested by the Sub-Investment Manager within a time period acceptable to ONE JIB after the Participating Municipality joins ONE JIB or are part of a sinking fund identified in a Securities Acceptance Plan.

Sinking fund investments are considered to be MNRI. They represent a special case because under the Act they are earmarked for repayment of specific debenture debt of a Participating Municipality. Sinking funds are subject to specific requirements to maintain the value of such funds, to be certified annually by a municipal auditor, and must be sufficient to repay the specific debenture debt at maturity.

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### Securities Acceptance Plan

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Prior to a Participating Municipality's MNRI being transferred to ONE JIB, In-Kind Securities held by the Participating Municipality will be dealt with in a manner consistent with this policy, based on discussions between the Sub-Investment Manager and the Participating Municipality. In-Kind Securities that cannot be disposed of pursuant to a Securities Acceptance Plan will be classified as Restricted Special Assets and will not be accepted as MNRI. A template for a Securities Acceptance Plan can be found in Appendix 1.

In-Kind Securities from current Participating Municipalities held by ONE JIB as of December 31, 2024 will be assessed in light of this policy for potential grandfathering. Those that cannot be invested within a period of time acceptable to ONE JIB will be returned to the Participating Municipality as Restricted Special Assets.

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### Governance

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When a municipality decides to invest through ONE JIB under section 418.1 of the Act, it must transfer control and management of its MNRI to ONE JIB. Consequently, ONE JIB has a fiduciary obligation that includes monitoring the performance of any In-Kind Securities transferred to ONE JIB as MNRI. Where an In-Kind Security is not capable of being valued in real time, monitoring will largely be based on historical investment value.

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### Reporting

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The CIO will report quarterly to ONE JIB on the holding of In-Kind Securities up until implementation of any Securities Acceptance Plan, including the following information:



- List of In-Kind Securities held;
- In-Kind Securities performance;
- Expected date of liquidation
- List of In-Kind Securities sold (pursuant to a Securities Acceptance Plan).

### **Review**

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This policy may be amended from time to time and shall be reviewed every three years.



## APPENDIX 1

### Securities Acceptance Plan

This appendix provides a list of the In-Kind Securities making up the Securities Acceptance Plan (SAP), including where applicable: (i) a description of the types of In-Kind Securities that will be transferred to ONE JIB and the proposed [DATE(s)] by which they will be sold and the proceeds will be invested in the OCIO Offering, and (ii) in the case of current Participating Municipalities, the [DATE] on which the In-Kind Securities, which do not constitute MNRI, will be returned to the Participating Municipality for its control and management.

During the transition to the OCIO Offering, the Chair and Vice-Chair of ONE JIB have discretionary power to approve temporary investments recommended by the Sub-Investment Manager that may not be expressly described in the Participating Municipality's Investment Plan or the Investment Policy Statement but which are, in the opinion of the Chair and Vice-Chair, in the best interests of the Participating Municipality and are entirely consistent with their fiduciary obligations to the Participating Municipality.

This SAP, the specific details of which are set out in Schedule A hereto, is hereby agreed to and accepted by [Participating Municipality] as evidenced by the signature of the Treasurer of the Participating Municipality effective [DATE]. The Treasurer is authorized to sign a copy of this SAP to evidence acceptance and approval and to deliver a copy of this SAP to ONE JIB/ONE Investment through ONE JIB's Secretary.

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Signed by: [Name], Treasurer of [Participating Municipality]

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Date



## SCHEDULE A

[list relevant In-Kind Securities, including details where applicable: (i) a description of the types of In-Kind Securities that will be sold and the proposed [DATE(s)] by which they will be sold and the proceeds will be invested in the ONE Prudent Investment Offering ; and (ii) the [DATE] on which the In-Kind Securities, which do not constitute MNRI, will be returned to the Participating Municipality for its control and management.