



## Town of Whitby Policy

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<b>Policy Title:</b>	Investment Policy
<b>Policy Number:</b>	F 100
<b>Category:</b>	Finance
<b>Reference:</b>	Municipal Act, 2001 Eligible Investments, Regulation 438/97 and Council Resolutions #106-23 and #46-25
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<b>Point of Contact:</b>	Financial Services Department

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### Policy Statement

It is the policy of The Corporation of the Town of Whitby (the "**Town**") to invest municipal funds in a manner which will provide the highest return within risk tolerances that are appropriate for the Town. Investments must comply with the Municipal Act, 2001, c. 25 (the "**Act**"), Sections 418-420 and Eligible Investments, Related Financial Agreements and Prudent Investment, Ontario Regulation 438/97 (the "**Regulation**") included as Appendix 1.

### Purpose

To provide investment guidelines which govern the investment of the Town's "Money that is Not Required Immediately" ("**MNRI**") and "Money that is Required Immediately" ("**MRI**"). The Investment Policy Statement ("**IPS**") governs the investment of the Town's MNRI and MRI. It is intended, among other things, to direct the Treasurer in the investment of MRI and to direct ONE Joint Investment Board ("**ONE JIB**") in the investment of MNRI pursuant to which the Town authorized the establishment of guidelines for the prudent management of the Town's MNRI pursuant to section 418.1 of the Act.

In addition to the Town's MRI and MNRI, the Town is from time to time entrusted with the management of money and investments for a third-party beneficiary ("**Third-Party Trust Funds**"). The Town's Third-Party Trust Funds are listed in Appendix 2 of this IPS.

There are also source(s) of money in which the Town may have an indirect interest but which the Town currently has no authority to invest. Such source(s) of money, referred

to in this IPS as "**Designated Funds**", are listed in Appendix 2 attached hereto. The Designated Funds and the Restricted Special Assets, listed in Appendix 2 and Appendix 3 of this IPS, are identified in this IPS for the sole purpose of enabling the Town to better see, on an aggregated basis, the various financial assets in which the Town has an interest.

ONE JIB is not responsible for the investment activities or performance of Third-Party Trust Funds, Designated Funds or Restricted Special Assets.

## Scope

The IPS, as outlined, applies to all investment of Working Capital, Reserves, Reserve Funds, sinking funds, trust funds and any new funds created by the Town unless specifically exempted.

The goals of this IPS is to:

- Define and assign responsibilities for investment of MRI and MNRI;
- Direct ONE JIB as to the Town's investment goals and risk tolerance;
- Ensure compliance with the applicable legislation;
- Provide guidance and limitations regarding the investments and their underlying risks;
- Describe the Town's responsibilities with respect to Restricted Special Assets, Third-Party Trust Funds and Designated Funds;
- Establish a basis of evaluating investment performance and the underlying risks; and,
- Establish a reporting standard to Council.

This IPS applies to employees of the Town, to ONE JIB and to the employees of ONE Investment. ONE JIB, the Treasurer, and any agent, sub-investment manager, or advisor providing services to ONE JIB in connection with the investment of the portfolio shall accept and strictly adhere to this IPS.

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## 1. Definitions

The following capitalized terms are defined terms which have the meanings set out below:

**Act:** means the *Municipal Act, 2001*, S.O. 2001, c. 25, as amended from time to time.

**Agent:** means any administrator, custodian, payment servicer, investment counsel, consultant, banker, broker, dealer or other service provider engaged or appointed by ONE JIB and authorized by ONE JIB to exercise any of the functions of ONE JIB pursuant to a written agreement, in the manner and to the extent provided in the Regulation and without limiting the generality of the foregoing, Agent includes ONE Investment, and the Sub-Investment Manager.

**Alternative Assets:** means investments outside traditional investments such as equities, fixed income, and cash which may include, hedge funds, private equity, natural resources, real estate and infrastructure. Alternative investments are

typically less liquid than traditional investments, are appropriate only for allocations with a long investment horizon.

**Asset Class:** means a specific category of assets or investments, such as cash, fixed income, equities, alternative investments, real estate etc.

**Asset Mix (or Asset Allocation):** means the proportion of each Asset Class in a portfolio.

**Authorizing By-law:** means a by-law of the Town that authorizes it to invest its money and investments that it does not require immediately in the OCIO offering of ONE JIB pursuant to section 418.1 of the Act, to approve various documents, the entering into of agreements including a Prudent Effective Date Agreement and the delegation of certain powers and duties to ONE JIB/ONE Investment.

**Benchmark:** means an index that is representative of a specific securities market (e.g. the S&P/TSX Composite Index, the FTSE/TMX 91 Day T-bill Index, etc.) against which investment performance can be compared. Performance benchmarks refer to total return indices in Canadian dollar terms.

**CHUMS Financing Corporation ("CHUMS"):** means a subsidiary of Municipal Finance Officers' Association of Ontario (MFOA) which, in conjunction with Local Authority Services ("LAS"), established ONE Investment.

**CFA Institute:** refers to the global, not-for-profit professional association that administers the Chartered Financial Analyst and the Certificate in Investment Performance Measurement curricula and examination programs worldwide, publishes research, conducts professional development programs, and sets voluntary, ethics-based professional and performance reporting standards for the investment industry.

**Custodian:** means a specialized financial institution that is responsible for safeguarding a municipality's investments and is not engaged in "traditional" commercial or consumer/retail banking. Global custodians hold investments for their clients in multiple jurisdictions around the world, using their own local branches or other local custodian banks ("sub-custodians" or "agent banks").

**Designated Funds:** means source(s) of money in which the Town may have an indirect interest but which the Town currently has no authority to invest. Designated Funds are listed in Appendix 2 of this IPS.

**Diversification:** means a risk management technique that mixes a variety of investment types within a portfolio to help mitigate portfolio risk. A diversified portfolio holds different kinds of investments to improve the risk adjusted returns.

**Derivative:** means a contract between two or more parties whose value is based on an agreed-upon underlying financial asset (e.g. a security) or set of assets

(e.g. an index). Common underlying instruments include bonds, commodities, currencies, interest rates, market indexes, and stocks.

**Environmental, Social and Governance (“ESG”) Investing:** means considering and integrating ESG factors into the investment process, rather than eliminating investments based on ESG factors alone. Integrating ESG information can lead to more comprehensive analysis of a company.

**External Portfolio Managers:** means external third-party investment management firms whose investment offerings are accessed by ONE JIB directly or through services provided to a Pooled Fund. External Portfolio Managers are agents authorized by ONE JIB in accordance with Part II of the Regulation.

**Internal Controls:** means a system of controls that may include authorities, policies, procedures, separation and segregation of duties, compliance checks, performance measurement and attribution, reporting protocols, measures for safekeeping of property and data, and the audit process.

**Investment Plan:** means the investment plan applicable to the MNRI and adopted by ONE JIB under the Regulation, as it may be amended from time to time.

**Investment Policy Statement (“IPS”):** means the investment policy applicable to the Town’s investments adopted and maintained by the Council of the Town for MNRI under the Regulation, and for MRI, as the same may be amended from time to time. The IPS may also apply to the money and investments held by the Town for the benefit of persons other than the Town itself and may make reference to source(s) of money in which the Town may have an indirect interest but which the Town has no authority to invest.

**Joint Investment Board (“JIB”):** means a joint municipal service board that is established under section 202 of the Act by two or more municipalities for the purposes of Part II of the Regulation.

**Legal List Securities:** means the securities and other investments and financial instruments that are included from time to time in Part I of the Regulation.

**Leverage:** means an investment strategy of using borrowed money – specifically, the use of various financial instruments or borrowed capital to increase the potential return of an investment. Typically leverage also tends to increase investment risks.

**Liquidity:** means the ability to turn an investment into cash relatively quickly, without a substantial loss in value. For example, a savings account is more liquid than real estate.

**Local Authority Services (“LAS”):** means an entity which, in conjunction with MFOA/CHUMS, established ONE Investment.

**Local Distribution Corporation (“LDC”)**: means a corporation incorporated under section 142 of the *Electricity Act, 1998*, S.O. 1998, c. 15, Sched. A., as amended.

**Market Value**: means the price at which a security is trading and could presumably be sold. Also known as Fair Value it represents the current value of the investment.

**Maturity**: means the date upon which the principal or stated value of an investment becomes due.

**Money not Required Immediately (“MNRI”)**: means the money that is not required immediately by the Town that will be under the control and management of ONE JIB and as defined in this IPS that will be invested in accordance with the Prudent Investor Standard.

**Money Required Immediately (“MRI”)**: means the money that is required immediately by the Town that remains under the control and management of the Town and, that can be invested in accordance with the Legal List Securities or other applicable legislation.

**Municipal Services Corporation (“MSC”)**: means a corporation established under section 203 of the Act in accordance with the applicable regulation (Ontario Regulation 599/06).

**Outsourced Chief Investment Officer (“OCIO”) Offering**: means the comprehensive investment program made available through ONE Investment as agent for ONE JIB, where a qualified investment manager is engaged 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 terms and conditions set out in the ONE JIB Agreement.

**ONE Investment**: means the not-for-profit corporation established by CHUMS and LAS which provides certain management, administrative and other services to ONE JIB as its agent.

**ONE JIB**: means ONE Joint Investment Board, established by certain founding municipalities under section 202 of the Act as a JIB for purposes of Part II of the Regulation, which is the duly appointed JIB for the Town, as constituted from time to time and which acts in accordance with the Act, the Regulation, the ONE JIB Agreement, including the Terms of Reference, this IPS and the Investment Plan.

**ONE JIB Agreement**: means the agreement effective as of July 2, 2020, entered into in accordance with the requirements of the Regulation, pursuant to which ONE JIB has control and management of the Town’s MNRI.

**Participating Municipality:** 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.

**Pooled Fund:** means a unit trust established under a trust instrument, generally not available to the public, in which institutional, sophisticated or high net worth investors contribute monies that are invested and managed by an External Portfolio Manager. Monies are pooled or combined with monies of other investors.

**Portfolio:** means any collection of funds that are grouped together and available to support the infrastructure needs of the Town.

**Proxy Voting:** means a legal transfer to another party of a shareholder's right to vote thereby allowing shareholders who cannot attend meetings to participate. External Portfolio Managers usually vote proxies on behalf of their clients.

**Prudent Effective Date:** means the mutually agreed-upon date by the Town and ONE Investment on which the prudent investor regime applies to the Town. The Prudent Effective Date shall be on or after ONE JIB approves the Town as a participating municipality.

**Prudent Effective Date Agreement:** means an agreement entered into by the Town and ONE Investment that sets out the day on which the prudent investor regime starts to apply to the Town.

**Prudent Investor Standard:** means the standard that applies when the Town invests money that it does not require immediately under section 418.1 of the Act. It requires the Town to exercise the care, skill, diligence and judgment that a prudent investor would exercise in making such an investment and the standard does not restrict the securities in which the Town can invest. The Prudent Investor Standard applies the standard of prudence to the entire portfolio in respect of the Town's MNRI rather than to individual securities. It identifies the fiduciary's central consideration as the trade-off between risk and return as found in the CFA Institute Standards of Practice Handbook.

**Rebalancing:** means the process of realigning the weightings of a portfolio of assets. Rebalancing involves periodically buying or selling securities in a portfolio to maintain an original or desired level of asset allocation or risk.

**Regulation:** means Ontario Regulation 438/97.

**Restricted Special Assets:** means investments specified by this IPS and held by the Town as of the Prudent Effective Date, where ONE JIB is not able to exercise control. Restricted Special Assets are listed in Appendix 3 of this IPS and are not considered to be MNRI.

**Risk:** means the uncertainty of future investment returns or chance of loss of capital.

**Risk Tolerance:** means the financial ability and willingness to absorb a loss in return for greater potential for gains.

**Safekeeping:** means the holding of assets (e.g. securities) by a financial institution.

**Securities Lending:** means loaning a security to another market participant. The borrower is required to deliver to the lender, as security for the loan, acceptable collateral with value greater than the value of the securities loaned. The Securities Lending program is managed by the Custodian or another appointed agent on behalf of investors. A Securities Lending program is widely used by institutional investors to generate additional marginal returns on the total portfolio.

**Sinking Fund:** means a fund established to fulfil the requirements to make annual contributions in respect of various debenture issues wherein money is to be regularly set aside for the payment of the principal of the debentures at maturity.

**Sinking Fund Required Contributions (Annual Sinking Fund Requirement):** means the amount of money to be set aside each year for deposit into a sinking fund or a retirement fund, as applicable, for each sinking fund and term debenture issue in accordance with the Town's debenture by-laws.

**Sinking Fund Required Earnings:** means the investment earnings needed for the Sinking Fund Contributions to continue to grow to a value sufficient to repay the principal at maturity for each issue of sinking fund and term debentures.

**Sinking Fund Excess Earnings:** means the investment earnings in excess of the required earnings.

**Sub-Investment Manager:** means an asset management firm or investment consultant, acting as a sub-investment manager for ONE JIB that provides investment advice and professional services and is involved in the implementation and operational aspects of the OCIO Offering, and that has full responsibility for the investment and management of a Participating Municipality's MNRI through ONE Investment, based on an IPS approved by the Council of the Town.

**Third-Party Trust Funds:** means money over which the Town exercises both management and policy control but whose assets are not owned by the Town. These funds are governed by a variety of agreements and, in some cases, by legislation. Some funds may have externally mandated investment policies, and some may have investment policies that are determined by the Town. Third-Party Trust Funds are listed in Appendix 2 of this IPS.

**Trust Fund:** means a fund which consists of assets that have been conveyed or assigned to a trustee to be administered as directed by agreement or statute. As



a result, a trustee holds title to the assets for the purpose of providing benefits, and being accountable, to a beneficiary. The Town is the trustee of funds that are to be used for specific purposes by the Town or any related parties.

## **2. Purpose and Legislative Framework**

### **2.1. Governing Legislation**

Investments of MRI will only be made in Legal List Securities in accordance with this IPS and Section 418.1 of the Act. Investments of MNRI are governed by the Prudent Investor Standard in accordance with Section 418.1 of the Act. This standard is similar to that which governs trustees and pension fund administrators and creates a fiduciary responsibility. Prudent investment in compliance with the Act and the Regulation enhances the potential for the Town to earn improved risk-adjusted rates of return.

The Act provides that the Town, and therefore ONE JIB, must consider the following criteria in planning investments of MNRI, in addition to other criteria relevant to the circumstances:

- General economic conditions;
- The possible effect of inflation or deflation;
- The role that each investment plays within the Town's total portfolio of investments;
- The expected total return from income and the appreciation of capital; and
- Needs for liquidity, regularity of income and preservation or appreciation of capital.

Money and investments that the Town holds as Restricted Special Assets, Third-Party Trust Funds or has an interest in as Designated Funds will be subject to applicable legislation and any related agreements or instruments.

### **2.2. Prudent Investor Standard**

For MNRI, the standard to be used by the Town and ONE JIB shall be the Prudent Investor Standard as required by section 418.1 of the Act and Part II of the Regulation in the context of managing the Town's MNRI and investments thereof. Investments shall be made with the care, skill, diligence, and judgment, taking into account the prevailing circumstances, that persons of prudence, discretion and integrity would exercise in the management of investments, considering the necessity of preserving capital as well as the need for income and appreciation of capital. The Act includes a duty to obtain the advice that a prudent investor would obtain under comparable circumstances.

Officers, employees, and investment agents acting in accordance with written procedures and the IPS and exercising due diligence shall take all necessary actions to optimize performance of investments on a portfolio basis, taking

into account the prescribed risk and other parameters set out in this IPS and market factors. The Town's staff acting in accordance with written procedures and this IPS, shall be relieved of personal responsibility for an investment's performance, provided underperformance relative to expectations is reported to Council and the liquidation or sale of investments is carried out in accordance with this IPS.

### **3. Money Required Immediately and Money Not Required Immediately**

#### **3.1. Determination of MNRI and MRI**

Determination of the Town's MNRI is the responsibility of Council. In making the determination, Council may consider:

- the time horizon within which the monies are needed to meet financial obligations;
- the purpose for which the monies have been collected or set aside and are to be used;
- the source of the money; or
- any combination of the foregoing

MNRI will be comprised of money that is to be used to meet financial obligations that become due more than 24 months from the date of receipt of such money by the Town.

For certainty, all money and investments of the Town that have not been identified as MNRI (other than Restricted Special Asset, Third-Party Trust Funds and any Designated Funds referenced in Section 2.1) shall be deemed for purposes of this IPS to be MRI.

Determination of the Town's MNRI and MRI may be modified at any time and from time to time by action of Council and with respect to specific monies by the Treasurer in accordance with the provisions of Section 6.2.

Any changes in this IPS regarding the Town's MNRI and MRI must be communicated immediately in writing to ONE JIB.

#### **3.2. Overview of Portfolios**

The Town's portfolios represent funds required for specific purposes. A high-level description of each of these portfolios and their objectives is provided in Section 5 below. This IPS applies to the following money of the Town, its agencies, boards and commissions including:

- MRI which is invested in Legal List Securities; and/or,
- MNRI which is invested under the Prudent Investor Standard.

## **4. Roles and Responsibilities**

### **4.1. Role of ONE JIB**

ONE JIB has been appointed by the Town in accordance with the requirements of the Act and the Regulation and on the terms and conditions set out in the ONE JIB Agreement (Appendix 4).

ONE JIB exercises control and management of the Town's MNRI and the investments made by it in accordance with the objectives and risk tolerance established in this IPS.

Among the responsibilities of ONE JIB are the following:

- Reviewing this IPS;
- Adopting and maintaining an Investment Plan that complies with this IPS;
- Engaging custodians, administrators and other investment professionals (Agents);
- Allocating the money and investments under its control and management in compliance with this IPS;
- Monitoring the performance of the OCIO Offering and Agents; and,
- Reporting to the Town.

The foregoing is subject to the more detailed terms and conditions contained in the ONE JIB Agreement.

### **4.2. Role of Municipal Staff**

This IPS is approved and adopted by Council with input from the Treasurer, and from ONE JIB with respect to MNRI. MRI of the Town, in addition to any Third-Party Trust Funds, Designated Funds and Restricted Special Assets referenced in Section 2.1, remain under the control and management of the Treasurer.

Consistent with this IPS, the Treasurer is responsible for the implementation of the investment program and the establishment of investment procedures which shall include:

- Investment management of MRI and any Third-Party Trust Funds, Designated Funds and Restricted Special Assets referenced in Section 2.1 by, or under the direction of, the Treasurer;
- The deposit or withdrawal of MNRI, under the explicit delegation of authority regarding MNRI, and the investment thereof, to ONE JIB, which is responsible for the control and management of such funds and investments; and,

- A system of controls exercised by the Treasurer to regulate the activities of subordinate officials.

No person including, without limitation, ONE JIB, may engage in an investment transaction except as provided under the terms of this IPS.

In the management of MRI of the Town, and any Third-Party Trust Funds, Designated Funds and Restricted Special Assets referenced in Section 2.1, the Treasurer may engage one or more agents and service providers. ONE Investment can assist with the investment of the Town's MRI, in Legal List Securities, and with the investment of Third-Party Trust Funds, in accordance with the terms of the applicable trust, if permitted, at the request of the Town.

#### **4.3. Ethics and Conflicts of Interest**

Individuals who are responsible for the Town's MRI Investment Portfolio shall comply with the Town's Conflict of Interest guidelines and any relevant professional codes of conduct (e.g., the Chartered Professional Accountants Code of Professional Conduct).

ONE JIB, in its capacity as a joint municipal service board, in addition to being a local board of each member Municipality is subject to a Code of Conduct as required by the Act. This Code of Conduct applies to the Chair and the other Members of ONE JIB acting in their capacity as Members of ONE JIB.

### **5. Investments**

#### **5.1. MRI**

The Town's MRI as described in this IPS, consists of money that is needed to meet the short-term financial obligations coming due within 24 months from the date of receipt of such money and are controlled and managed by the Treasurer.

For clarification, any debenture or promissory note issued by a LDC to the Town, together with any payments or interest earned thereon, shall be considered MRI.

##### **5.1.1. MRI: Investment Objectives**

The main focus of the investment of MRI is cash management, and the interest income generated by the investments of these monies contribute to municipal revenues. To the extent possible, the Town shall attempt to match its investments with anticipated obligations.

Capital preservation is the paramount objective for MRI investments, and these investments need to be highly liquid. Consequently, only high quality investments that are also Legal List Securities will be held in this portfolio.

The Town may invest in fully liquid money market securities and deposit accounts. The Town aims to maximize returns subject to the constraints set out in Part I of the Regulation, as amended from time to time, with a view to preserving capital and to further manage risk through diversification by issuer and credit quality.

The investment objectives for MRI, ranked in priority, are as follows:

a) Security of Principal

The primary objective for MRI is to ensure the security of principal. To minimize the risk of loss, investments shall be subject to minimum credit ratings and shall be diversified by maturity, type of investment and issuer. Investing activities will be reviewed on a regular basis as actual, revised and forecasted operating and capital plans are completed. Maturity dates should be structured so that investment cash inflows occur when needed.

b) Liquidity Requirements

Liquidity is measured by the ease with which securities can be converted to cash to meet forecast spending. The investments that are eligible under the Regulation possess different features and thus market prices will vary depending on market conditions, as well as the particular features of the type of investment.

To ensure adequate liquidity, the Town's investments shall be diversified by holding securities of various terms to maturity and by various types of investments and issuers and to the extent possible, the term of such investments shall match the forecasted requirements for such monies to meet expenditures.

c) Rate of Return

The Town's money shall be invested to maximize the rate of return within acceptable risk levels while respecting the security of principal, legal constraints and the liquidity needs of each investment portfolio.

The composition of each portfolio, including its term to maturity and type of investments, shall be adjusted within the guidelines of this IPS to take advantage of market opportunities. Such changes shall be made with the periodic interest rate outlook and target portfolio structure approved by the Treasurer.

### **5.1.2. MRI: Eligible Investments**

The investment strategy for MRI focuses on high-quality investments that are identified as Legal List Securities. These investments can be obtained through banks, dealers, and other financial institutions. Investments issued or guaranteed by approved institutions are permissible, provided they are deemed eligible by the Regulation or authorized by subsequent Provincial regulations. Appendix 5 outlines the authorized investments and their respective sector limitations. Additionally, investments will be restricted to securities with a minimum credit rating as determined by an appropriate credit rating agency, as set out in the Regulation and detailed in Appendix 6.

Eligible investments include, but are not limited to, the following offerings by ONE Investment:

- ONE Investment High Interest Savings Account; and
- ONE Investment Canadian Government Bond Portfolio

Investment in the foregoing is subject to the Town entering into the prescribed Agency Agreement with LAS and CHUMS.

## **5.2. MNRI**

The Town's MNRI is described in Section 3.1. In accordance with the ONE JIB Agreement and this IPS, ONE JIB has exclusive control and management of the MNRI and the investments made therewith.

From time to time, the Town may require money immediately to meet financial obligations and may require ONE JIB to liquidate one or more investments in order to generate money to meet those obligations. ONE JIB will select the investment(s) to be liquidated. The timing of such liquidation will be determined by ONE JIB in consultation with the Treasurer.

### **5.2.1. MNRI: Investment Objectives**

In setting the objectives noted below, the Town has taken into account the following considerations:

- Preservation of capital;
- Adequate liquidity that takes into account the needs of financial obligations and reasonably anticipated budgetary requirements;
- Diversification by asset class, market, sector, issuer, credit quality and term to maturity;
- Income and capital appreciation; and,
- Macro risks, such as inflation, economic growth and interest rates.

Investment of MNRI is managed by ONE JIB in a way that balances investment objectives, expected returns, and risk to develop asset allocations that achieve the Town's financial objectives within stated risk tolerances. Investment of MNRI is to be managed by ONE JIB in a way that balances the investment objectives with a level of risk that is appropriate for the Town. The MNRI invested will be broadly diversified to help reduce the volatility of investment returns. Returns have an impact on revenues, as well as a longer-term impact on future years' budgets and should, at a minimum, keep pace with inflation. To the extent possible, the Long-Term Money's investment horizons are aligned with the Town's obligations and cash flow requirements and may consist of liquid and non-liquid securities based on future cash flow requirements.

#### **5.2.2. MNRI: Eligible Investments**

Eligible investments for MNRI include any pooled fund or other collective investment vehicle or institutional investment management product sponsored or managed by ONE Investment for the Prudent Investment Program (OCIO Offering), provided always that the products and the selection of products comply in all material respects with the IPS.

Additionally, nothing in this IPS prevents MNRI from being held in cash, short term money market instruments, or overnight deposits.

#### **5.2.3. MNRI: Sinking Funds**

Sinking Funds are currently not applicable to the Town; however, should any sinking funds be established in the future, they are to be classified as MNRI and will be managed separately by ONE JIB.

#### **5.2.4. Local Distribution Corporation and Municipal Services Corporation Securities**

The direct investment in LDC/MSD shares and/or promissory notes, as listed in Appendix 3, shall be considered to be Restricted Special Assets and shall not be held by ONE JIB as MNRI.

#### **5.2.5. Restricted Special Assets**

With the exception of the Town's investments held in the ONE Investment Legal List Portfolios specified below, all existing assets, listed in Appendix 3 of this IPS and held by the Town on the Prudent Effective Date, shall be considered to be Restricted Special Assets, and shall not be held by ONE JIB as MNRI. The Treasurer may choose to liquidate these investments and determine that the proceeds are MNRI, to be invested as per this IPS and the approved ONE JIB Investment Plan.

For certainty, Restricted Special Assets are not MNRI of the Town, and such assets are not under the control or management of ONE JIB.

The ONE Investment Legal List Portfolio Investments, held by the Town, shall be considered to be MNRI and transferred to ONE JIB to be invested as MNRI, unless deemed by the Town to be MRI.

### **5.3. Third-Party Trust Funds and Designated Funds**

In addition to the Town's own money, the Town is from time to time entrusted with Third-Party Trust Funds, and the responsibilities and obligations with respect thereto may be subject to other legislation and governed by other agreements and instruments. To the extent that there is any conflict or inconsistency between the provisions of this IPS and the terms and conditions contained in such other legislation, agreements or instruments applicable to Third-Party Trust Funds, the latter shall prevail.

The Town's Third-Party Trust Funds and the Designated Funds are listed in Appendix 2.

For certainty, the third-party trust funds and the Designated Funds are not MNRI of the Town, and such monies are not under the control or management of ONE JIB.

### **5.4. Investment Management**

#### **5.4.1. Investment Management of MRI**

The investment of MRI shall be controlled and managed by the Treasurer.

#### **5.4.2. Investment Management of MNRI**

The investment of MNRI shall be controlled and managed by ONE JIB in accordance with this IPS and the ONE JIB Agreement.

The selected Sub-Investment Manager shall enter into an agreement with ONE Investment related to the OCIO Offering, that complies with this IPS and Part II of the Regulation and will provide compliance and performance reports to ONE JIB and One Investment. ONE JIB shall make any investment management changes deemed in the best interest of the Town.

### **5.5. Transition to Prudent Investor Regime / Outsourced Chief Investment Officer ("OCIO") Offering**

Until Prudent Effective Date, the Town will continue to control and manage its MRI, MNRI and investments in Legal List Securities. Some Legal List investments were made with MRI and some with MNRI.

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 this IPS but are, in the opinion of the Chair and Vice-Chair, in the best interests of the Town and are entirely consistent with their fiduciary obligations to the Town.

All MNRI that is not Third-Party Trust Funds, Designated Funds or Restricted Special Assets shall be provided to ONE JIB on the Prudent Effective Date.

## **5.6. Investment Constraints**

### **5.6.1. Environmental, Social and Governance Investing**

The Town supports ESG investing for MRI and MNRI. The Town believes that well-managed companies are those that demonstrate high ethical and environmental standards and respect for their employees, human rights, and the communities in which they do business, and that these actions contribute to long term financial performance.

For the investment of MRI, the Town has chosen to monitor the developments of ESG factors and will reconsider its approach to ESG investing for the MRI Portfolio as and when appropriate to do so.

For the investment of MNRI, ONE JIB is required to explore and consider how the OCIO is implementing responsible investing principles at the time of hiring and during periodic reviews. It may report on results periodically, if requested.

### **5.6.2. Securities Lending**

For investments made with MRI, the Town may engage in the practice of securities lending as provided in Section 418.1 of the Act to enhance returns on the custodial portfolio by lending certain securities to approved borrowers for a fee.

For the investment of MNRI, the Town may invest in pooled funds, and other investment funds that are managed by the Sub-Investment Manager who may engage in Securities Lending if the policies of the OCIO permit such an action.

### **5.6.3. Derivatives**

Derivatives shall not be used for the investment of MRI.

For the investment of MNRI, futures and forwards contracts, options and other derivative instruments may only be used to (a) create an asset mix position that does not leverage the portfolio, (b) replicate the performance of a capital market index, or (c) reduce risk as part of a hedging strategy.

#### **5.6.4. Use of Leverage**

Nothing in this IPS prevents the use of leverage, provided it is prudent to do so. Leverage is inherent in the use of certain types of investment strategies and instruments. Where leverage is employed, ONE JIB (for MNRI) and the Treasurer (for MRI) shall have in place monitoring procedures to manage overall exposure to any counterparty. Leverages should not be exercised for speculative purposes but may be used as a hedging tool.

#### **5.6.5. Pooled Funds**

Investments in open-ended pooled funds, closed-ended pooled funds, limited partnerships and other specialist corporate structures (e.g. LLCs), are permitted provided that the assets of such funds are permissible investments under this IPS, the Regulation, or provided that any non-permitted investments are disclosed by the Sub-Investment Manager. Within pooled funds, the External Portfolio Manager's policies will take precedence over this IPS.

#### **5.6.6. Currency Hedging**

The MRI Investment Portfolio will not utilize currency hedging.

The Town's funding requirements are in Canadian dollars. However, some exposure to foreign currencies in the MNRI Investment Portfolio may be advantageous to provide diversification and potentially enhance returns. Therefore, it shall not be a violation of this IPS for investments in global mandates to be unhedged, in whole or in part, where the diversification benefits embedded in the currency exposure are considered to be beneficial or desirable by ONE JIB.

#### **5.6.7. Alternative Asset Classes**

The applicable legislation does not prevent the direct or indirect placement of the MNRI in Alternative Assets Classes; this IPS permits investments in alternative investments for the purpose of management of MNRI under ONE JIB.

Alternative Asset Classes, such as infrastructure or real estate, may have uncorrelated return characteristics with traditional Asset Classes that may improve diversification within the portfolio, which may lead to better risk adjusted returns. Typically, these investments may not be fully liquid, and are only appropriate for inclusion in portfolios with long investment horizons.

#### **5.6.8. Prohibited Investments**

In no event may investments be made through foreign direct investment in countries subject to Canadian or UN economic sanctions.

### **5.7. Performance Monitoring, Rebalancing and Management**

#### **5.7.1. MRI**

The performance benchmarks may vary from time to time, as decided by the Treasurer, subject to the investment constraints listed in the IPS. The Treasurer shall monitor the performance, rebalance asset mix, and manage MRI funds in a manner that achieves the investment objectives set out in this IPS. The Senior Investment & Financial Analyst will provide regular performance reporting to the Treasurer on the portfolio, as required.

#### **5.7.2. MNRI**

For the investment of MNRI, ONE JIB shall establish parameters for monitoring investments and rebalancing through policy or directly within the investment plan.

Investments are expected to achieve returns at least equal to their benchmarks measured over a rolling five-year period. At minimum, ONE JIB shall provide reporting described in Section 6.7 that shows the Town's holdings, declares compliance with this IPS, and reports on the Sub-Investment Manager's performance.

## **6. Administrative Policies**

### **6.1. Flow of Money and Annual Town Budget**

#### **6.1.1. Transfer to ONE JIB as Part of Annual Review Process**

On an annual basis, as part of the Town's annual review process, the Town shall identify the amount, if any, of MNRI that it holds. Any MNRI not already under the control and management of ONE JIB shall be transferred to ONE JIB as soon as practicable.

#### **6.1.2. Transfer to Town as Part of Annual Review Process**

On an annual basis, as part of the Town's annual review process, ONE JIB shall be notified by the Treasurer as to the amount, if any, required by the Town from the MNRI then under the control and management of ONE JIB for the Town's operational purposes. Such amount shall be deemed to be MRI and shall be returned to the Town in a lump sum or by way of periodic payments, as directed by the Treasurer.

## **6.2. Flow of Money Otherwise than through the Budget Process**

### **6.2.1. Surplus Funds**

The MRI capture revenues received by the Town during each year after the approval of the Town's budget for the year. Any amounts deemed to be MNRI by the Treasurer at any such time during the year shall be transferred to ONE JIB to be under its management and control as MNRI. Amounts so transferred will be recorded annually in the Investment Plan and allocated by ONE JIB in accordance with the Investment Plan.

### **6.2.2. Contingencies**

The Treasurer is authorized to direct ONE JIB to return any amounts determined by the Treasurer to be required to meet expenditures for unexpected contingencies not anticipated by the Town's budget in force for that year, provided however that the aggregate of the amounts to be returned to the Town under this Section 6.2.2 during the year shall not exceed 25% of the MNRI under the control and management of ONE JIB as at the date that the Town approved its budget for the year (the Budgeted MNRI). In determining the Budgeted MNRI for purposes of calculating the 25% limit, any MNRI to be transferred to the control and management of ONE JIB in accordance with that year's Annual Review pursuant to Section 6.1.1 shall be included and any amount to be returned by ONE JIB to the Town pursuant to Section 6.1.2 shall be excluded. ONE Investment should be made aware of material transactions in advance to ensure the orderly sale of securities to fund withdrawals.

## **6.3. Valuation of Investments**

Investments shall be valued according to the values provided by the Custodian(s). For the investment of MNRI, values of unitized vehicles shall be valued according to the unit values published by the Custodian. Other investments shall be valued at their market value when that is available from regular public trading. If a market valuation of an investment is not available, then a fair value shall be supplied by the Sub-Investment Manager to ONE Investment no less frequently than quarterly.

## **6.4. Voting Rights**

The Sub-Investment Manager shall assume the responsibility of exercising voting rights in respect of the Town's MNRI and will report their voting policies to ONE JIB annually. The Town may access these policies at any time.

## **6.5. Internal Controls**

The Treasurer shall establish an annual process of review of all investments made under this IPS. This review will provide internal control by assuring

compliance with governing legislation and with policies and procedures established by the Treasurer. To the extent ONE JIB's input is needed, these requirements will be communicated in advance to ONE JIB.

## **6.6. Custodians**

All investments and assets of the investment portfolios shall be held by a Custodian and any of the Custodian's sub-custodians or nominees. For MNRI, the Custodian shall be acceptable to ONE Investment. For MRI the Custodian shall be acceptable to ONE Investment, if ONE Investment is administering the investment of the Town's MRI; otherwise the Custodian shall be acceptable to the Town.

## **6.7. Reporting**

### **6.7.1. MRI**

For the investment of MRI, the Treasurer shall report at least annually to Council in a form and contain such content as Council may request. The report to Council shall include investment performance during the period covered and any other information as required under the Regulation and that the Treasurer may consider to be pertinent.

### **6.7.2. MNRI**

The Regulation provides that ONE JIB shall submit an investment report to Council in respect of the investment of MNRI at least annually. This report shall include the following.

- Investment performance during the period covered by the report;
- Asset mix of the total portfolio;
- A listing of individual investments held at the fund level at the end of the reporting period showing, where appropriate, book value, market value, realized/unrealized gains/losses and actual income received;
- A list of all transactions including the security name, trade date, and the purchase and/or sale price;
- A statement by the Treasurer as to whether all investments were made in accordance with the IPS and as to whether all investments were made in accordance with the Investment Plan; and
- Any other pertinent information in the opinion of the Treasurer.

All MNRI or MRI invested on behalf of the Town by ONE JIB or with the assistance of ONE Investment shall be held for safekeeping in the name of the Town by a custodian.

## **7. Approval, Subsequent Modifications and Effective Date**

### **7.1. Revocation / Amendment of Previous Investment Policy**

Upon coming into effect, this IPS supersedes previously approved investment policies of the Town.

### **7.2. Modifications to the IPS**

At least annually, Council shall review the IPS and update it, if required. In the course of reviewing the IPS, Council may request comments from the Treasurer with respect to the investment of MRI and from ONE JIB with respect to the investment of MNRI.

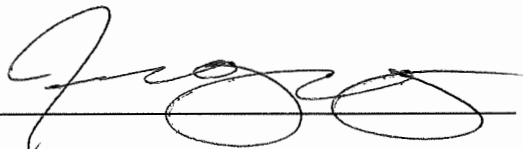
Following the Council's review of the IPS, ONE JIB shall review the Investment Plan and update it, if required.

At a minimum, the annual IPS review will consider:

- the adequacy of funding for capital works;
- the Town's ability to reduce other spending;
- flexibility of the timeframe to payout; and
- sensitivity to loss.

### **7.3. Effective Date**

This IPS is adopted by Council of the Town effective July 2, 2020. The Treasurer is directed to sign a copy of this IPS to evidence approval and to deliver a copy of this IPS to ONE JIB.



Signed by:

Fuwing Wong

Treasurer

2025-03-27

Date

## **Appendices**

<b>Appendix 1</b>	<b>Ontario Regulation 438/97 (Eligible Investments &amp; Prudent Investment)</b>
<b>Appendix 2</b>	<b>Third Party Trust Funds and Designated Funds</b>
<b>Appendix 3</b>	<b>Restricted Special Assets</b>
<b>Appendix 4</b>	<b>ONE JIB Agreement</b>
<b>Appendix 5</b>	<b>Authorized Investments &amp; sector Limitations (MRI Portfolio)</b>
<b>Appendix 6</b>	<b>Dominion Bond Ratings Service Credit Quality</b>

**This Policy is hereby approved by Council Resolution # 46-25 on this 24 day of March, 2025.**

**APPENDIX 1: ONTARIO REGULATION 438/97 was included in the Town of Whitby's Investment Policy but is not included in this ONE JIB Agenda Package.**



## **Appendix 2: Third-Party Trust Funds and Designated Funds**

1. Groveside Cemetery care and maintenance trust funds under the *Funeral, Burial and Cremation Services Act*, 2002 which are to be invested pursuant to the *Trustee Act*.

### **Appendix 3: Restricted Special Assets**

1. The Town's investment in Elexicon Energy Inc. as an exchange of notes and shares for the transfer of assets to the local distribution corporation incorporated under section 142 of the *Electricity Act, 1998*.

**Appendix 4** - ONE JIB Agreement was included in the Town of Whitby's Investment Policy but is not included in this ONE JIB Agenda Package.

## APPENDIX 5: Authorized Investments & Sector Limitations (MRI Portfolio)

Category	Minimum Credit Rating	Maximum Portfolio Share	Institutional Limit per Issuer
Government of Canada	N/A	100%	100%
Provincial Governments	<b>R-1 low, A (low)</b>	50%	25%
Municipalities and local boards	N/A	50%	10%
Schedule I banks	<b>R-1 low, A (low)</b>	100%	100%
Schedule II banks	<b>R-1 middle, AA (low)</b>	50%	15%
Loan or trust corporations	<b>R-1 low, A (low)</b>	10%	5%
Credit unions <sup>(1)</sup>	<b>R-1 low, A (low)</b>	<b>20%</b>	<b>10%</b>
Incorporated under Electricity Act	N/A	15%	5%
ONE Funds HISA	N/A	<b>50%</b>	<b>100%</b>
ONE Funds 'Other' <sup>(2)</sup>	N/A	<b>35%</b>	<b>100%</b>

Notes:

- (1) Increased investment with Credit Unions subject to the requirements set out in subsection (2.0.1). O. Reg. 43/18, s. 4 (2).
- (2) One Funds 'Other' includes the Bond, Universe Corporate Bond, Equity & Money Market Funds.

## APPENDIX 6: Dominion Bond Ratings Service Credit Quality

Commercial Paper and Short Term Debt		Bond and Long Term Debt	
Symbol	Credit Quality	Symbol	Credit Quality
R-1 (high)	Highest	AAA	Highest
R-1 (middle)	Superior	AA	Superior
R-1 (low)	Satisfactory	A	Satisfactory
R-2 (high)	Adequate	BBB	Adequate
R-2 (middle)	Adequate	BB	Speculative
R-2 (low)	Adequate	B	Highly Speculative
R-3 (high)	Speculative	CCC	Very Highly Speculative
R-3 (middle)	Speculative	CC	Very Highly Speculative
R-3 (low)	Speculative	C	Very Highly Speculative
D	In Arrears	D	In Arrears
R	Not rated		

Dominion Bond Rating Service (DBRS) provides ratings on institutional quality. A company having an R-1 rating is a high grade prime credit. It has a very high ability to repay its current liabilities as they become due. The strength of various liquidity ratios is unquestioned and alternative sources of funds to commercial paper profitability has been reasonable and relatively stable with only modest fluctuations. No substantial qualifying negative factors exist and the firm is of sufficient size to be a strong influence in its industry. DBRS also indicates where within the rating classification the company falls (high, middle or low).