

# Attachment 1

## OCIO Consideration and Approval Chronology: 2022-2024, including ONE JIB and ONE Investment Relationship

*Note: Highlighted text notes a link available in the Appendix to the document.*

### **LAS and CHUMS work together as ONE Investment**

CHUMS and LAS have worked together to offer the ONE Investment *Program* since the 1990s (formerly called the ONE Funds).

In 2018, CHUMS and LAS jointly formed ONE Investment, a not-for-profit corporation. This corporation, among other things, supplies management, administrative and other services required by ONE JIB in the discharge of its duties and responsibilities.

In November 2018, ONE Investment obtained an **exemption from the Ontario Securities Commission** to provide investment advice to municipalities. The exemption has laid the foundation for ONE JIB and everything that has followed since. It's our "secret sauce" - we provide advice that is in the best interest of the municipality, not our business.

ONE Investment is a management company co-created by CHUMS and LAS to act as their agent in the management of the ONE Investment Programs (including OCIO). Its annual expenses match annual revenue, and any net revenue is ultimately that of CHUMS and LAS, and used to fulfill their respective not-for-profit objects.

### **Role of ONE JIB**

Under the guidance of ONE Investment, the ONE Joint Investment Board (ONE JIB) was established by six '**Founding Municipalities**' as a Joint Investment Board under the *Municipal Act* (the Act), and the *Eligible Investment Regulation* (O. Reg 438/97).

The Founding Municipalities of ONE JIB entered into the Initial Formation Agreement. The Agreement provides that ONE JIB will invest under section 418.1 of the Act on behalf of the Founding Municipalities, and that ONE JIB will also invest under that agreement on behalf of other Ontario municipalities from time to time (each municipality, including each Founding Municipality is a "**Participating Municipality**", collectively the "**Participating Municipalities**")

### **Role of ONE Investment**

Under Section 22 of O. Reg 438/97, ONE JIB may authorize an agent to exercise any of its functions to the same extent that a prudent investor would.

ONE JIB has appointed ONE Investment as its agent, via a written agreement, to carry out the investment functions. This is recognised in the ONE JIB Services Agreement. Notwithstanding this appointment, ONE JIB confirms that it will always be responsible to the Participating Municipalities.

In the ONE JIB Agreement, each Participating Municipality acknowledges that any fees and expenses payable, shall be paid to ONE Investment, who has been authorized by ONE JIB, LAS and CHUMS to collect all such fees and expenses.

### **PH&N Institutional (PH&N)**

PH&N was selected by ONE Investment through a competitive RFP process in 2023. The RFP process was facilitated by Eckler Ltd.

As ONE JIB's agent, ONE Investment negotiated and signed an Investment Management Agreement with PH&N in December 2023 that guides the outsourced chief investment officer (OCIO) sub-investment manager function.

Fund fulfilment and investment decision-making is delegated to PH&N as part of its relationship with ONE Investment (as ONE JIB's agent) to implement ONE JIB approved decisions.

PH&N works with ONE's Chief Investment Officer to understand the long-term needs of the municipality and translate that into an appropriate asset mix that respects the municipality's risk tolerance and the approved ONE JIB Investment Plan.

## **CHRONOLOGY**

### **RFP Evaluation (2022-early 2023)**

- Eckler Ltd. was retained by ONE Investment to support an invitation-based RFP process for select OCIO providers.
- ONE Investment established an RFP Evaluation Committee to interview four companies, one of which was PH&N, in early 2023.
- The Evaluation Committee included individuals from Peel Region/ONE Investment Board (Julie Pittini), York Region (Flamino Carelli), and two representatives from ONE JIB (Jim Giles and Christine Tessier), along with ONE Investment staff.

### **ONE Board of Directors – April 2023**

- Staff advised that an OCIO partner was identified through a competitive RFP process. Principles around governance fees were approved by the Board.
- The Board directed staff to seek consensus from ONE JIB, as well as CHUMS and LAS Boards, as ONE Investment acts as the agent for these organizations.
  - o Support was received from ONE JIB, and both LAS and CHUMS Boards.

### **ONE JIB – June 2023**

- Endorsed the use of an OCIO for a Large Municipal Offering (or OCIO Offering).
- Authorized the Chair of ONE JIB to write to ONE Investment's Board Chair to endorse the principles for fees related to the OCIO Offering, including that it should be priced to be a sustainable business line.

### **New Products Committee (Committee of ONE JIB) – June 2023**

- met with PH&N as the successful RFP respondent for OCIO services for ONE and recommended to ONE JIB that the committee work with ONE Investment to develop the OCIO Offering.

### **ONE Board of Directors – June 2023**

- The Board received the ONE JIB letter and directed staff to negotiate a contract with PH&N to provide an OCIO service for ONE Investment.

### **ONE JIB – July 2023**

- The Board directed the New Products Committee to work with ONE Investment to continue developing an OCIO Offering as part of the Committee's workplan.

### **ONE Board of Directors – October 2023**

- The Board received a Management Report noting that ONE's OCIO Offering is progressing with ongoing negotiation with PH&N.

### **Investment Management Agreement Signed – December 2023**

- Signed by ONE Investment (as ONE JIB agent) with PH&N
  - o Revised in April 2024 to address management fee inconsistency and to improve aggregated fund balance discounts for ONE.

### **ONE JIB – Feb 2024**

*Update report (ONE JIB 2024-003) received by ONE JIB confirming that:*

- PH&N will not assume any of the responsibilities ONE JIB has through the Act, including the fiduciary responsibility to control and manage municipal money not required immediately (MNRI).
- ONE JIB will continue to work with municipalities to define their objectives through the municipal council approved Investment Policy Statement and ONE JIB approved Investment Plan. PH&N will take that direction and identify investment strategies, undertake quantitative analysis including allocation studies and, once the strategy is implemented, adapt the strategy to the evolving market.
- ONE Investment, through the Chief Investment Officer, will remain the key contact for municipalities.

*ONE JIB Report 2024-015, from WeirFoulds LLP was approved.*

- It proposed changes to Schedule D to the ONE JIB Agreement, in the "Fees and Expenses", to include descriptions of the fees to be paid by Participating Municipalities who invest under the OCIO Offering – both Investment Management Fee and Governance Fee.
- The Investment Management Agreement with PH&N outlines the fees that will be charged by PH&N (Investment Management Fee)

- Schedule D of the ONE JIB Agreement was adapted to include the details of the ONE's Governance Fees - fees that cover ONE Investment's administrative cost to provide the prudent investment offering.

#### **New Products Committee - March 2024**

- The Committee requested ONE Investment to work with the OCIO to develop model portfolios suitable for most municipalities and individually tailored solutions where appropriate, each comprised of allocations to PH&N funds, and to report back.
- The list of available PH&N funds were discussed.

#### **Audit Committee – April 4, 2024**

- Received an update that the New Products Committee is collaborating with ONE Investment, based on ONE JIB instruction, to construct model portfolios to be used as a framework within the OCIO Offering.
- Staff advised that following the launch of the OCIO Offering and onboarding of first municipality in Q3, ONE Investment will focus on creating a plan to transition the 11 Participating Municipalities to the OCIO Offering, with a concurrent examination of procedures and policies.
- RBC Investor Services (RBC IS) was selected as custodian under the OCIO Offering

#### **ONE Board of Directors – April 12, 2024**

- Approved the engagement of RBC Investor Services (RBC IS) for custodial services offered under the OCIO Offering. ONE Investment acts as ONE JIB's agent for this decision.
  - o Consensus was received from ONE JIB at May 29, 2024, meeting

#### **Special ONE JIB Meeting on April 22, 2024**

- ONE JIB received a report and discussed the business rationale for the change to an OCIO offering.
- The Board approved the New Products Committee recommendation to direct ONE Investment to work with the OCIO to develop model portfolios suitable for most municipalities and individually tailored solutions where appropriate, each comprised of allocations to PH&N funds.
- Short list of funds was presented by PH&N, with an explanatory document made available via the resource library.

#### **July 2024 – Durham Region joins**

- Regional Municipality of Durham became the first municipality to onboard in a bespoke fashion under the OCIO model. Their enrollment included three waves of funds in Q3 and Q4 2024, and Q1 2025.
- PH&N's role in the OCIO is formalized with the approval of Durham's Investment Plan:

“ONE Investment has engaged PH&N Institutional to provide OCIO services. PH&N Institutional will be involved in the implementation of the Investment Plan, ongoing monitoring and reporting of investments and will provide ancillary services to support the OCIO Offering...”

### ONE JIB Meeting – September 2024

- The Board received an OCIO update and directed ONE Investment staff to bring a business transformation plan (re transition of 11 Participating Municipalities) to the next ONE JIB meeting.

### New Products Committee – October 2024

- Recommended for ONE JIB approval model investment portfolios for all PI investors and fund fulfilment strategies.

### ONE JIB Meeting - November 2024

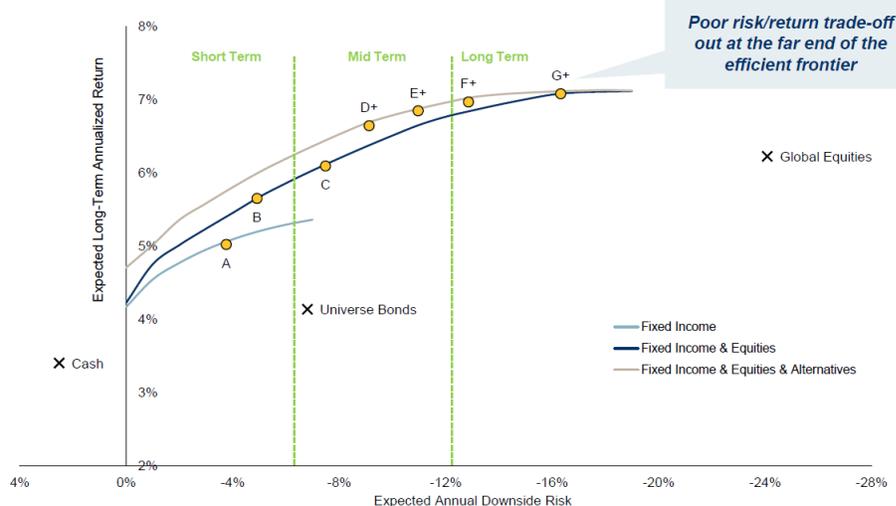
- ONE JIB approved the Transition Plan for the current 11 Participating Municipalities to OCIO by the end of Q1 2025.
- Approved an OCIO Compliance Monitoring Policy and Policy for Reviewing the External Sub-Investment Manager.
- Rescinded (at the time of wind down of existing ONE Prudent Investment Funds) the External Fund Manager Review Policy, Outcomes Framework Policy, ONE JIB Distribution Policy, ONE JIB Rebalancing Policy and the ONE JIB Currency Hedging Policy, as they are not required under an OCIO arrangement.
- Approved a policy to govern the review of the Sub-Manger. This policy provides framework for review of the Sub-Manager. The policy clarifies that ONE JIB can terminate the manager under certain circumstances, however the policy also notes that:
  - o **ONE Investment** is the entity that is responsible for the creation, administration and compliance associated with the investment products available for the Participating Municipalities. ONE JIB authorizes and empowers ONE Investment to direct the day-to-day operations of the Prudent Investment Program, subject to the supervision and overriding authority of ONE JIB.
- ONE JIB received the New Products Committee Report from the October meeting, and approved the following 6 recommendations in the Committee Report, as amended:

1. **Rescind the Outcomes Framework Policy** that guided all ONE JIB investment decisions with the 5 ONE Investment Funds, at the time of wind down of the 5 existing ONE Prudent Investment Funds.

**2. Approve the model portfolios comprised of PH&N funds to be used under the OCIO model, but with the removal of model G+.**

## Efficient Frontier Analysis

With model portfolios



**3. Approve PH&N's proposed constraints (as shown below)**

– from slide 6 of the ONE Investment Portfolio Modeling presentation.

## Modelling constraints

- Minimum allocation to core fixed income and money market securities of 20%
- Maximum 25% allocation to any one of money market securities, universe corporate bonds and global sovereign bonds
- Maximum 15% allocation to any one of high yield bonds, emerging market debt, multi-asset global credit
- Maximum 5% allocation to any one of private placement corporate debt and commercial mortgages when 100% fixed income
- Maximum 10% allocation to any one of private placement corporate debt and commercial mortgages when including equities and alternatives
- Maximum 50% allocation to domestic equities (as a % of total equities)
- Maximum 50% allocation to low volatility equities (as a % of traditional equity counterpart)
- Maximum 5% allocation to any one of real estate and infrastructure

#### 4. Approve PH&N's allocations and the use of risk/return metrics for the Modeled Portfolios with and without alternatives (as shown below)

-from slides 8 and 10 of the ONE Investment Portfolio Modeling presentation.

### Modeled portfolios – modelled risk & return<sup>1</sup>

No allocation to Alternatives

Modeled Expectations <sup>1</sup>	A	B	C	D	E	F	G
Long-Term Return	5.0%	5.7%	6.1%	6.4%	6.8%	7.0%	7.1%
Annual Downside Risk <sup>2</sup>	-3.8%	-4.9%	-7.5%	-9.6%	-12.2%	-14.4%	-16.2%
Annual Volatility	3.3%	4.0%	5.2%	6.3%	7.6%	8.9%	10.0%
Sharpe Ratio	0.49	0.57	0.51	0.48	0.44	0.40	0.37
<b>Fixed Income</b>	<b>100%</b>	<b>80%</b>	<b>70%</b>	<b>60%</b>	<b>50%</b>	<b>40%</b>	<b>30%</b>
Canadian Money Market	0%	0%	0%	0%	0%	0%	0%
Short-Term Bonds and Mortgages	50%	50%	35%	25%	20%	20%	20%
Corporate Bonds	20%	0%	0%	0%	0%	0%	0%
Private Placement Corporate Debt	5%	10%	10%	10%	5%	0%	0%
Commercial Mortgages*	5%	10%	10%	10%	10%	10%	10%
High Yield Bonds	5%	0%	0%	0%	0%	0%	0%
Global Multi-Asset Credit	15%	10%	15%	15%	15%	10%	0%
<b>Equities</b>	<b>0%</b>	<b>20%</b>	<b>30%</b>	<b>40%</b>	<b>50%</b>	<b>60%</b>	<b>70%</b>
Canadian Equities	0%	5%	7%	10%	15%	25%	35%
Canadian Low Volatility Equities	0%	5%	7%	10%	10%	5%	0%
U.S. Equities	0%	2%	4%	5%	5%	6%	7%
U.S. Low Volatility Equities	0%	2%	4%	5%	5%	6%	7%
International Equities	0%	6%	8%	10%	15%	18%	21%
<b>Alternatives</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>
Canadian Core Real Estate*	0%	0%	0%	0%	0%	0%	0%
Global Infrastructure*	0%	0%	0%	0%	0%	0%	0%

<sup>1</sup> Refer to appendix for modeling assumptions and disclosures.

<sup>2</sup> CVaR95 which represents the expected loss during the worst 5% of return outcomes.

Hypothetical performance analyses are for illustrative purposes only and there is no guarantee that hypothetical returns or projections will be realized

RBC Global Asset Management  
PH&N Institutional

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### Modeled portfolios – modelled risk & return<sup>1</sup>

Detailed allocations and risk/return metrics

Modeled Expectations <sup>1</sup>	A	B	C	D+	E+	F+	G+
Long-Term Return	5.0%	5.7%	6.1%	6.6%	6.9%	7.0%	7.1%
Annual Downside Risk <sup>2</sup>	-3.8%	-4.9%	-7.5%	-9.1%	-11.0%	-12.9%	-16.3%
Annual Volatility	3.3%	4.0%	5.2%	6.3%	7.3%	8.3%	10.3%
Sharpe Ratio	0.49	0.57	0.51	0.52	0.47	0.43	0.36
<b>Fixed Income</b>	<b>100%</b>	<b>80%</b>	<b>70%</b>	<b>50%</b>	<b>40%</b>	<b>30%</b>	<b>20%</b>
Canadian Money Market	0%	0%	0%	0%	0%	0%	0%
Short-Term Bonds and Mortgages	50%	50%	35%	20%	20%	20%	20%
Corporate Bonds	20%	0%	0%	0%	0%	0%	0%
Private Placement Corporate Debt	5%	10%	10%	5%	0%	0%	0%
Commercial Mortgages*	5%	10%	10%	10%	10%	10%	0%
High Yield Bonds	5%	0%	0%	0%	0%	0%	0%
Global Multi-Asset Credit	15%	10%	15%	15%	10%	0%	0%
<b>Equities</b>	<b>0%</b>	<b>20%</b>	<b>30%</b>	<b>40%</b>	<b>50%</b>	<b>60%</b>	<b>70%</b>
Canadian Equities	0%	5%	7%	10%	15%	20%	35%
Canadian Low Volatility Equities	0%	5%	7%	10%	10%	10%	0%
U.S. Equities	0%	2%	4%	5%	5%	12%	15%
U.S. Low Volatility Equities	0%	2%	4%	5%	5%	0%	0%
International Equities	0%	6%	8%	10%	15%	18%	20%
<b>Alternatives</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>10%</b>	<b>10%</b>	<b>10%</b>	<b>10%</b>
Canadian Core Real Estate*	0%	0%	0%	5%	5%	5%	5%
Global Infrastructure*	0%	0%	0%	5%	5%	5%	5%

<sup>1</sup> Refer to appendix for modeling assumptions and disclosures.

<sup>2</sup> CVaR95 which represents the expected loss during the worst 5% of return outcomes.

Hypothetical performance analyses are for illustrative purposes only and there is no guarantee that hypothetical returns or projections will be realized

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PH&N Institutional

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**5. Approve the Fund fulfillment as shown below**

-from slides 17 and 18 of the ONE Investment Portfolio Modeling presentation and the Investment Management Agreement (IMA).

Fund fulfillment			
Risk exposure	Approved Fund(s)	Characteristics	Target
<b>Fixed Income</b>			
Canadian Money Market	PH&N Canadian Money Market Fund	Money market	
Canadian Short-Term Bonds	PH&N Short Term Bond & Mortgage Fund	Short-term fixed income	100%
	RBC Vision Fossil Fuel Free Short Term Bond Fund	Short-term fixed income ex. fossil fuel	0%
Canadian Universe Bonds	PH&N Bond Fund	Canadian universe bonds	
	RBC Vision Bond Fund	Canadian universe bonds w/ ESG focus	
	RBC Vision Fossil Fuel Free Bond Fund	Canadian universe bonds ex. fossil fuel	
	PH&N Enhanced Total Return Bond Fund	Canadian universe bonds w/ HY, Mtgs.	
Canadian Corporate Bonds	PH&N Corporate Bond Trust	Investment grade corporate bonds	
Private Placement Corporate Debt	PH&N Private Placement Corporate Debt Fund	Private credit	100%
	PH&N Mortgage Pension Trust*	Conventional	0%
Commercial Mortgages	RBC Commercial Mortgage Fund	Conventional Conventional plus High yield	100%
High Yield Bonds	RBC High Yield Bond Fund	U.S focus	50%
	PH&N High Yield Bond Fund	Canadian focus	50%
Global Multi-Asset Credit	BlueBay Total Return Credit Fund	Global high yield, financial capital bonds, structured credit, global convertible bonds, EM hard currency debt, EM local currency debt, opportunistic, investment grade bonds.	100%
Global Bonds	RBC Global Bond Fund	Investment grade global bonds	
Emerging Market Bonds	RBC Emerging Markets Bond Fund	Emerging market bonds	
RBC Global Asset Management PH&N Institutional			

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Risk exposure	Approved Fund(s)	Characteristics	Target
<b>Equities</b>			
Canadian Equities	PH&N Canadian Equity Value Fund	Value	33%
	PH&N Canadian Equity Fund	Growth	33%
	RBC QUBE Canadian Equity Fund	Quantitative	33%
	RBC Vision Canadian Equity Fund	ESG tilt (exclusions)	0%
Canadian Low Volatility Equities	RBC QUBE Low Volatility Canadian Equity Fund	Quantitative low volatility	100%
	RBC Vision QUBE Fossil Fuel Free Low Volatility Canadian Equity Fund	Quantitative low volatility excl. fossil fuel	0%
U.S. Equities	PH&N U.S. Equity Fund	Core	50%
	RBC QUBE U.S. Equity Fund	Quantitative	50%
U.S. Low Volatility Equities	RBC QUBE Low Volatility U.S. Equity Fund	Quantitative low volatility	100%
International Equities	RBC International Equity Fund	Core	50%
	PH&N Overseas Equity Fund	Concentrated	50%
Global Equities	RBC Global Equity Focus Fund	Concentrated	
	RBC Global Equity Leaders Fund	Concentrated (large cap focus)	
	RBC Vision Global Equity Fund	ESG tilt (exclusions)	
	RBC Vision Fossil Fuel Free Global Equity Fund	Concentrated excl. fossil fuel	
	RBC QUBE Low Volatility Global Equity Fund	Quantitative low volatility	
	RBC QUBE Global Equity Fund	Quantitative	
<b>Alternatives</b>			
Real Estate	RBC Canadian Core Real Estate Fund	Canadian commercial real estate	100%
Infrastructure	RBC Global Infrastructure Fund	Global infrastructure	100%
RBC Global Asset Management PH&N Institutional			

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**6. The Board, with input from PH&N, will conduct a review of the Constraints, Allocations and Fund Fulfillment in 2025.**

- Any changes or replacements in the list of funds would come through this process. Changes to allocations would also be considered here.
- Would come to ONE JIB for review, and ONE Investment Board as an information item.

**Effective April 1, 2025, ONE Investment has fully transitioned the Prudent Investment Offering to the OCIO business model.**

## APPENDIX

### OCIO-PHN ONE JIB Approval Chronology - Links

*Note: Please login to ONE JIB Dashboard to access the links below.*

Title	Link
Exemption from the Ontario Securities Commission	<a href="#">Exemption</a>
Eligible Investment Regulation (O. Reg 438/97)	<a href="#">Regulation</a>
ONE JIB Services Agreement	<a href="#">Agreement</a>
ONE Joint Investment Board - June 2023 Meeting	<a href="#">Agenda</a> <a href="#">Minutes</a>
New Products Committee (Committee of ONE JIB) – June 2023 Meeting	<a href="#">Agenda</a> <a href="#">Minutes</a>
ONE Joint Investment Board - July 2023 Meeting	<a href="#">Agenda</a> <a href="#">Minutes</a>
Investment Management Agreement (signed) - December 2023	<a href="#">Agreement</a>
ONE Joint Investment Board – February 2024 Meeting	<a href="#">Agenda</a> <a href="#">Minutes</a>
New Products Committee (Committee of ONE JIB) – March 2024 Meeting	<a href="#">Agenda</a> <a href="#">Minutes</a>
List of Available PH&N Institutional Funds	<a href="#">List of Funds</a>
ONE Joint Investment Special Meeting – April 22, 2024	<a href="#">Agenda</a> <a href="#">Minutes</a>
Regional Municipality of Durham’s Investment Plan	<a href="#">Investment Plan</a>
ONE Joint Investment Special Meeting – September 2024	<a href="#">Agenda</a> <a href="#">Minutes</a>
New Products Committee (Committee of ONE JIB) – October 2024 Meeting	<a href="#">Agenda</a> <a href="#">Minutes</a>
ONE Joint Investment Meeting – November 2024	<a href="#">Agenda</a> <a href="#">Minutes</a>