



REPORT

To: ONE Joint Investment Board
From: Judy Dezell, Co-President/Co-CEO, ONE Investment
Date: May 29, 2025
Re: ONE JIB Policies – 2025 Review
Report: ONE JIB 2025-023

1. RECOMMENDATIONS

It is recommended that the Board:

1. Approve, as amended, the Responsible Investing Policy and Withdrawals of MNRI Policy.
2. Approve the Fund Deviation Policy and Principles of Good Benchmarks Policy.

2. SUMMARY

- The ONE JIB Withdrawals of MNRI Policy was just reviewed last year. 2025 has marked the first time the policy has been used. Staff have identified some changes necessary after using the policy.
- As ONE Investment has transitioned to a new business model, it has identified gaps in Prudent Investment Offering policies and procedures that should be addressed.
- The proposed new Fund Deviation Policy is designed to recognize that within the approved funds there are alternative investments that are closed funds that take time to enter.
- The Principles of Good Benchmarks Policy is designed to provide clarity to the Sub-Investment Manager (PH&N Institutional) of ONE JIB's expectations of benchmarks used for each of the funds.
- The Compliance manual is being revised due to the new business model. It will include new procedures around reviewing ONE JIB approved model portfolios and how funds will be added or removed from the Investment Management Agreement (IMA).

3. BACKGROUND

ONE JIB has built a set of policies that require regular review

The investment industry is focused on compliance. ONE Investment and ONE JIB are no exception. The Compliance Manual developed by ONE Investment is an example of this focus. It is also a living document that identifies the policies that need to be in place. Good

governance practice establishes a regular review cycle for policies and helps identify gaps to be filled.

ONE JIB accepted Audit Committee's recommended changes to policies in 2024

In 2024, in preparation for the move to the OCIO business model, staff reviewed ONE JIB policies – at that time changes were first brought forward to the Audit Committee, then to ONE JIB. All recommended changes were approved by ONE JIB. For Spring 2025, another review of ONE Investment and ONE JIB related policies was completed by the Audit Committee. The Audit Committee is supportive of staff recommendations for changes to the Withdrawals of MNRI Policy.

The Prudent Investment Offering change in business model has triggered a review to identify gaps in policies and procedures

Planning for the transition to the OCIO business model approach for the Prudent Investment Offering has been ongoing for over a year. The original 11 Participating Municipalities were flawlessly and fully moved over to PH&N Institutional the week of March 3, 2025. Now that the transition is complete and based on questions being received from ONE JIB members on the new business model, staff have started to identify potential gaps in the policies of ONE JIB and the Prudent Investment Offering along with the internal procedures. The Compliance Manual is being fully reviewed and will first go to the Audit Committee in May 2025 with some new procedures for the new business model.

4. ANALYSIS

Responsible investing should remain a priority for ONE Investment and ONE JIB

Prior to the return of Donald Trump as the U.S. President, ESG and responsible investing were experiencing very strong public backlash in the United States (US). The focus of the current US administration has accelerated the decline of ESG focus, which implicitly also embeds diversity, equity and inclusion (DEI) initiatives. Canada's commitment to maintaining sovereignty is reflected in its ongoing dedication to DEI initiatives, Indigenous reconciliation and principled approaches on matters such as responsible investing.

Moreover, currently the policy is predicated on the United Nations Principles of Responsible Investing (UNPRI) and Chartered Financial Analyst (CFA) Institute language around responsible investing, which has not changed. Finally, the purpose of the policy initially was to address questions ONE Investment was receiving around fossil fuel investments. The policy helps ONE explicitly address those concerns. Staff will continue to monitor the UNPRI and CFA Institute for changes to positions, but for now the only change staff are recommending is to move the policy review to every three years.

Practical experience with the Withdrawals of MNRI Policy is prompting suggested changes

The Withdrawals of MNRI Policy was reviewed in 2024, but in the first quarter of 2025 it was used for the first time by two municipalities to make unplanned withdrawals. Upon a

close read of the policy, it was not clear whether the Chief Investment Officer would need to bring a new Investment Plan to ONE JIB as a result. It makes better sense to have flexibility on this and instead acknowledge a new Investment Plan may be required, but also using a pro-rata approach to raising cash is also a reasonable approach. Further, with the transition to the OCIO business model it makes sense to update the policy now. The changes recommended to the policy reflect the approved model portfolios that ONE JIB has instead of the Outcomes Framework along with edits to process to offer clarity.

The Fund Deviation Policy is about recognizing the nature of accessing alternative investments

With the transition to the OCIO business model, ONE JIB has moved from five different funds for Participating Municipalities to 35 with the option to employ even more fund options if desired. Within the current 35 funds, some are considered alternatives that have certain entry points that may not align with the ONE JIB approved Investment Plans. PH&N Institutional, as the Sub-Investment Manager, will instead place funds in a temporary spot until the desired fund becomes available. The policy is designed to acknowledge this and clarify that this is not considered out of balance or non-compliant.

Benchmarks should not just be about making the fund manager look good

During the February 25, 2025 meeting of ONE JIB, there were several questions about the benchmarks that had been selected by the fund manager. While Participating Municipalities are just 15 of the many investors in each of the 35 funds, we don't have the ability to demand specific benchmarks, but what we can do is influence decisions about benchmarks, including secondary benchmarks. That is the intention of the Principles of Good Benchmarks Policy. It is something ONE JIB can point to when discussing benchmarks selected by fund managers.

The policy was drafted based on the CFA Society's perspective of the principles of good benchmarks to be in keeping with standard investment industry expectations.

New procedures within the Compliance Manual will provide clarity for staff and PH&N Institutional

As ONE JIB's agent, ONE Investment has the responsibility for engaging PH&N Institutional, which it has done through signing the IMA. In PH&N Institutional's context, ONE Investment is the customer. In ONE Investment's context, we work collaboratively with ONE JIB on all aspects of the Prudent Investment Offering including the development of model portfolios to implement ONE JIB approved Investment Plans and what funds will be included in the IMA. The Compliance Manual will spell out procedures for both reviewing and altering the model portfolios and how funds will be added or removed from the IMA. Once the Compliance Manual has been reviewed by the Audit Committee, ONE JIB will be informed of the procedures.

5. CONCLUSION

ONE JIB has developed a robust policy framework. Maintaining current policies strengthens the compliance and governance framework. Good policies also provide clarity to ONE staff in executing their duties.

ATTACHMENTS

Attachment 1: Responsible Investing Policy

Attachment 2: Withdrawals of MNRI Policy

Attachment 3: Fund Deviation Policy

Attachment 4: Principles of Good Benchmarks Policy

Drafted by: Judy Dezell, Co-President/CEO, ONE Investment

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