



REPORT

To: ONE Joint Investment Board
From: Keith Taylor, Chief Investment Officer, ONE Investment
Date: September 4, 2025
Re: ONE JIB Report on Innisfil's Investment Plan 2025
Report: ONE JIB 2025-034

1. RECOMMENDATIONS

It is recommended that the Board:

1. Receive the Town of Innisfil's Investment Policy Statement (Attachment 1)
2. Receive the Town of Innisfil's Municipal Client Questionnaire (Attachment 2)
3. Approve the Town of Innisfil's proposed Investment Plan (Attachment 3)

2. SUMMARY

The Town of Innisfil has updated its Municipal Client Questionnaire (MCQ), providing information on its MNRI and investment horizons. Council has also revised and approved the Investment Policy Statement (IPS) to include changes related to the ONE JIB-approved model portfolios. The Town did not permit the use of long-term alternative investments in its annual IPS update, so they will not be considered in the investment allocations.

The annual Investment Plan update involved adjustments to reflect major changes in the Town's circumstances, as expenditures on large capital projects approach. The Town's total MNRI is \$62.6 million, of which \$53.3 million is expected to draw down within the next five years, with the remaining MNRI having a much longer investment horizon.

Given the circumstances, needs, and investment horizon associated with Innisfil's reserve balances, it is recommended that a two-investment model be used. The funds expected to be drawn down sooner will be assigned to Model B (20% equity), while the longer-term portion of MNRI, with an investment horizon exceeding 10 years, will be allocated to Model F (60% equity). This will result in a significant change in investment allocations, shifting from the current total equity exposure of 48% (spread across three outcomes) to a combined equity allocation of 26% in two models. This change aligns with the Town's investment horizon and capital forecast timelines as updated during the Investment Plan review. The recommended investment allocations are detailed in the table at the top of the next page.

Asset Classes	20% EQUITY MODEL (B)		60% EQUITY MODEL (F)		Overall Allocation
	Target Weight	Total Invested (\$)	Target Weight	Total Invested (\$)	
Cash & Equivalent	0%	\$0	0%	\$0	0%
Canadian Fixed Income	70%	\$37,316,766	30%	\$2,790,000	64%
Global Fixed Income and Credit	10%	\$5,330,967	10%	\$930,000	10%
Canadian Equities	10%	\$5,330,967	30%	\$2,790,000	13%
Global Equities	10%	\$5,330,967	30%	\$2,790,000	13%
Alternatives	0	\$0	0	\$0	0%
Total	100%	\$53,309,666	100%	\$9,300,000	100%

| 3. BACKGROUND

Innisfil’s annual review of its IPS resulted in changes to reflect the new IPS template now being used

Innisfil completed its annual IPS review on June 25, 2025, updating the IPS with changes suggested in the most recently approved ONE JIB IPS template. The amendments to the IPS included necessary and relevant adjustments as ONE JIB shifts to the model portfolios. Innisfil has decided not to include alternative investments (real estate and infrastructure) as part of its MNRI investments. Innisfil’s council might reconsider this decision in future years.

Investment income can help provide Innisfil with an additional source of revenue

Ontario municipalities face significant pressure to develop new and improved infrastructure for residents, such as recreation facilities, fire halls, roads, and libraries, while avoiding steep increases in property tax rates. Innisfil has major capital projects planned and has benefited from the strong performance of its MNRI invested with ONE JIB. These investment returns will help to offset some of these costs. These investment returns may reduce the need to fully fund these expenses through the tax base.

For the Town of Innisfil, a 1% increase in property taxes would generate an estimated \$961,000 in additional annual revenue. However, this increase alone may not be sufficient to fully cover the rising costs associated with expected capital needs. Investment returns can play a complementary role in supporting the municipality’s ability to meet its capital spending requirements.

Innisfil’s holdings will migrate to ONE JIB’s approved model portfolios

Innisfil’s MNRI is currently held in allocations previously approved by ONE JIB, pending the transition into the model portfolios. As part of this annual review, investments will be

migrated into the model portfolios approved at the ONE JIB meeting in November 2024.

At the November 27, 2024, ONE JIB meeting, ONE JIB approved ten model portfolios, each offering investment allocations that provide a range of risk and return attributes suitable for most Participating Municipalities. Model portfolios will be assigned based on the client's needs, circumstances, and risk tolerances. Due to Innisfil's specific circumstances, two models will be assigned.

The approved model portfolios are designed specifically to meet the diverse needs of Participating Municipalities. For more information about the decisions that led to this report, please refer to the New Products Committee Report ([10-01-24](#)), discussed at the November 27, 2024, ONE JIB meeting.

Innisfil's updated MCQ provides details on the investment horizons associated with municipal reserves

The Treasurer has provided details about the time horizons associated with reserve balances, which have guided the proposed allocations in the Investment Plan. Table 1 below summarizes the key reserves and their expected horizons.

Table 1: MNRI by reserve and time horizon forecast, adapted from Table 3.1 of MCQ

Investment Horizon of MNRI				
Reserves and Reserve Funds	Total MNRI (\$)	Investment Horizon < 5 Years (\$)	Investment Horizon 5-10 Years (\$)	Investment Horizon >10 Years (\$)
Asset Renewal	\$ 53,309,666	\$ 53,309,666		
Operating Reserves	\$ 9,300,000			\$ 9,300,000
Total MNRI	\$ 62,609,666	\$ 53,309,666		\$ 9,300,000

As shown in Table 1, a sizable portion of its MNRI has an investment horizon of less than 5 years. This marks a notable change in the investment horizon associated with MNRI compared to last year's Investment Plan.

Innisfil anticipates a need to withdraw most of its MNRI within the next five years

The analysis provided by the Treasurer indicates that Innisfil expects significant MNRI drawdowns over the next five years. While there is confidence that these drawdowns will happen, the exact timing of when the funds will be needed remains uncertain. It is unlikely that the entire balance of \$53.3 million will be withdrawn within two years, as suggested in the MCQ. As noted by the Treasurer, the MNRI may be drawn down at a much slower rate; the timing of the construction projects (including required payments) is dependent on several factors (internal and external), which are expected to extend the entire process. Table 2 below outlines the expected contributions and withdrawals of MNRI in future

years, based on Table 3.3 of the MCQ and input from the Treasurer.

Table 2: Anticipated Cash Flow Projections, MNRI by year, adapted from Table 3.3 of MCQ.

	Within 5 years	5 to 10 years	10+ years
Anticipated MNRI Drawdowns	\$53,309,666	-	-
Anticipated MNRI Contributions	-	-	-
Net change in MNRI	\$53,309,666	-	-

4. ANALYSIS

Greater clarity on the timing of MNRI drawdowns will be available as Innisfil finalizes its updated capital plan

A review of Innisfil's projected cash flows and future reserve balances was conducted as part of the annual review process. The review showed that the investment horizon for MNRI is becoming significantly shorter, as expected capital expenditures will require the withdrawal of a significant portion of MNRI within the next five years.

Innisfil is currently anticipating that a total of \$53.3 million will be needed within five years, mainly related to two projects aimed at converting rural roads into urban ones. Although the MCQ indicates the withdrawal will be needed within two years, the Treasurer has clarified that this projection was based on the budget and that, from a cash flow perspective, these investments are more likely needed within five years, given the internal and external factors that could easily delay the construction process for the projects.

The Town anticipates having a better understanding of cash flow timing during the 2026 annual review. The Town is currently updating its 2026 financial planning and capital spending forecasts. Not all the spending may require an MNRI drawdown. The expenses are more likely to be spread over the next five years, with some of the costs potentially being debt-financed or funded by other sources. Innisfil does multi-year budgeting, and it is expected that a new financial plan will be finalized in spring 2026.

The approved investment models are under review at the September 4th ONE JIB meeting, which may lead to revisions to the allocations of Models B and D

As the models are reviewed in the September 4th ONE JIB meeting, revisions or modifications to the models may be approved during the meeting. The details of the models in this report and the associated Investment Plan reflect those approved by ONE JIB on November 27, 2024. Any changes to the models being considered by ONE JIB at its September 4, 2025, meeting will supersede the details provided in this report and the attached Investment Plan. The proposed changes to the models do not represent a

significant change to the models' risk profile.

The Investment Plan recommends that Innisfil’s MNRI be invested in two models to better represent the investment horizon of MNRI

For most Participating Municipalities, a single investment model that reflects the average investment horizon can be used to represent the consolidated MNRI. However, with Innisfil’s proposed investment horizons, its case is different.

As approximately 85 percent of the Town’s MNRI is expected to be drawn down within a five-year period, with the remaining balance having an investment horizon more than ten years, maintaining a single investment allocation for the entire MNRI is not recommended. Employing a single model would necessitate repeated revisions to the assigned model portfolio, as large redemptions over the next five years would materially alter the portfolio’s overall time horizon.

To address this, it is recommended that two distinct allocation models be adopted to reflect the materially different investment horizons. The shorter- duration allocation would be structured to satisfy the Town’s anticipated liquidity requirements over the next five years, while the longer- duration allocation would be positioned for growth beyond a ten- year horizon. This approach will ensure that each pool of funds is managed in a manner consistent with its investment objectives, while minimizing the need for ongoing reallocation.

The \$53.3 million expected to be drawn down within five years has been assigned to Model B, with a 20% allocation to equities, while the \$9.3 million with a much longer investment horizon will be assigned to Model F, which has a 60% allocation to equities. The CIO and the Investment Manager have discussed these allocations and agree that they are appropriate for Innisfil’s circumstances and time horizons. Table 3 below provides summary statistics for Models B and F, while Table 4 offers additional details on the investment allocations of the two model portfolios.

Table 3: Summary statistics for proposed models

Summary Statistics	Model F (60% Equity)	Model B (20% Equity)
Long-Term Return	7.0%	5.7%
Annual Downside Risk ¹	-14.4%	-4.9%
Annual Volatility	8.9%	4.0%
Sharpe Ratio	0.40	0.57

Notes:

¹ Annual Downside Risk (CVaR95) 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.

Table 4: Proposed Pooled Fund-Level Allocation - Model B

MODEL B (20% EQUITY)				
Asset Classes	Minimum (%)	Target Weight (\$)	Maximum (%)	Total Invested (\$)
Cash & Equivalent	0	0	10	\$0
Canadian Fixed Income	60	70	80	\$37,316,766
Short-Term bonds		50		26,654,833
Universe Bonds		0		-
Corporate Bonds		0		-
Private Placement Corporate Debt		10		5,330,967
Commercial Mortgage		10		5,330,967
Global Fixed Income and Credit	0	10	20	\$5,330,967
High Yield Bonds		0		-
Global Multi-Asset Credit		10		5,330,967
Global Bonds		0		-
Emerging Markets Bonds		0		-
Canadian Equities	0	10	20	\$5,330,967
Canadian Equities		5		2,665,483
Canadian Low Volatility Equities		5		2,665,483
Global Equities	0	10	20	\$5,330,967
U.S. Equities		2		1,066,193
U.S. Low Volatility Equities		2		1,066,193
International Equities		6		3,198,580
Global Equities		0		-
Global Low Volatility Equities		0		-
Alternatives	0	0	0	\$0
Real Estate		0		-
Infrastructure		0		-
Total		100		\$53,309,666

Table 5: Proposed Pooled Fund-Level Allocation – Model F

MODEL F (60% EQUITY)				
Asset Classes	Minimum (%)	Target Weight (\$)	Maximum (%)	Total Invested (\$)
Cash & Equivalent	0	0	10	\$0
Canadian Fixed Income	20	30	40	\$2,790,000
Short-Term bonds		20		1,860,000
Universe Bonds		0		-
Corporate Bonds		0		-
Private Placement Corporate Debt		0		-
Commercial Mortgage		10		930,000
Global Fixed Income and Credit	0	10	20	\$930,000
High Yield Bonds		0		-
Global Multi-Asset Credit		10		930,000
Global Bonds		0		-
Emerging Markets Bonds		0		-
Canadian Equities	20	30	40	\$2,790,000
Canadian Equities		25		2,325,000
Canadian Low Volatility Equities		5		465,000
Global Equities	20	30	40	\$2,790,000
U.S. Equities		6		558,000
U.S. Low Volatility Equities		6		558,000
International Equities		18		1,674,000
Global Equities		0		-
Global Low Volatility Equities		0		-
Alternatives	0	0	0	\$0
Real Estate		0		-
Infrastructure		0		-
Total		100		\$9,300,000

5. CONCLUSION

Innisfil's overall investment horizon has changed significantly over the last year due to upcoming significant capital spending that will require MNRI drawdowns within the next five years. Although there is some uncertainty about the timing of these drawdowns and their final amounts cannot be precisely determined, the MNRI has been allocated to a more conservative, equity-light allocation in anticipation of these likely drawdowns. About 15% of MNRI, or \$9.3 million, is designated for investments with a horizon beyond ten years, which will be allocated with a higher equity share.

The Chief Investment Officer and Investment Manager propose splitting MNRI into two models: the shorter-term portion in Model B and the longer-term portion in Model F, with equity weights of 20% and 60%, respectively. Currently, the Town's portfolio will not include exposure to long-term alternative investments. This proposed asset mix and fund allocation align with its IPS and MCQ's investment objectives and risk preferences. As a result, the Investment Plan is appropriate for Innisfil's situation and needs, reflecting the specific time horizons of its MNRI.

ATTACHMENTS

Attachment 1: Town of Innisfil's Investment Policy Statement 2025

Attachment 2: Town of Innisfil's Municipal Client Questionnaire 2025

Attachment 3: Town of Innisfil's proposed Investment Plan 2025

Drafted by: Keith Taylor, Chief Investment Officer; Jennifer Hess, Manager Investment Services
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