

ONE Joint Investment Board Statement of Policy			
Policy:	Rebalancing Policy	Date approved: Date of Next Review:	Person Most Responsible: Chief Investment Officer

Purpose statement

The purpose of this policy is to establish the principles governing the rebalancing of Investment Fund Allocation Weights to those established in the Participating Municipality Investment Plans.

The Chief Investment Officer is responsible for the implementation of transactions directed at maintaining Participating Municipality portfolios in a manner compliant with the Investment Plans adopted by ONE JIB. The principles established in this policy are intended to ensure that transactions executed by the Chief Investment Officer with respect to rebalancing are guided by the direction of ONE JIB.

Scope

This is a policy of ONE JIB and applies to the Chief Investment Officer of ONE Investment, whose duties include the investment of Monies Not Required Immediately (MNRI) of Participating Municipalities in accordance with the related Investment Policy Statement and Investment Plan. The scope of the policy is limited to the execution of transactions in respect of Participating Municipality portfolios as it pertains to rebalancing.

Definitions

- **Allocation Weight** means the percentage of a particular Investment Fund or Asset Class in relation to the total holdings in an Outcome. The term should be preceded by a qualifying term such as Asset Class or Investment Fund.
- **Asset Allocation (Asset Mix)** means the proportion of each asset class in a portfolio.
- **Asset Class** means the type of asset category in an investment portfolio. The primary Asset Classes are cash, cash-equivalent instruments, fixed

income, equities, and equity-equivalent securities. These primary Asset Classes can be further subdivided into government and corporate bonds, large and small cap equities and other widely recognized asset categories.

- **Asset Class Allocation Thresholds** mean the lower and upper bound limits applied to the Asset Class Allocation Weights. If the Asset Class Allocation Weights move beyond the Asset Class Allocation Thresholds an Unscheduled Rebalance is triggered.
- **Investment Fund** means a pooled investment vehicle where Participating Municipalities' money is invested.
- **Investment Plan** refers to a document that defines how ONE JIB will invest the MNRI of a Participating Municipalities, as outlined in Ontario Regulation 438/97.
- **Monies Not Required Immediately (MNRI)** means long-term money held by the Participating Municipalities that are delegated to ONE JIB to control and manage. There is no universal definition of MNRI, and it is at the discretion of Participating Municipalities to define MNRI in a way that is appropriate for their circumstances.
- **ONE JIB** refers to the ONE Joint Investment Board that was formed on May 19, 2020 under section 202 of the Municipal Act, as required under Part II of Ontario Regulation 438/97, to manage the investments of Ontario municipalities under the prudent investor regime. ONE JIB has a services agreement with ONE Investment.
- **Outcomes** are a set of investment strategies with varying risk/return characteristics designed to align with the purpose, time horizon, and expected volatility of the associated MNRI. The Outcomes assigned to each Participating Municipality are intended to reflect the needs and circumstances of the municipality.
- **Outcome Framework** means the framework established by ONE JIB for categorizing different types of MNRI by purpose, time horizon, and expected volatility.
- **Participating Municipalities** refer to municipal investors having entered into a ONE JIB Agreement for the investment of MNRI.
- **Rebalancing** means the trading of Investment Funds within Outcomes to align Investment Fund or Asset Class Allocation Weights towards

Investment Fund Target Weights.

- **Scheduled Rebalance** means a regularly scheduled rebalancing process that occurs semi-annually in April and October of each year.
- **Target Weight** means the percentage weight of investment holdings defined in the Outcome Framework that represents the intended Allocation Weights for each Outcome. These Target Weights are intended to provide guidance to the Chief Investment Officer and ONE JIB to evaluate the positioning of Participating Municipality investments and, as appropriate, direct how the Outcomes should be rebalanced.
- **Unscheduled Rebalance** means a rebalance that is triggered when Asset Class Allocation Thresholds are exceeded.

Policy Principles

ONE JIB is responsible for making investment decisions related to the MNRI of Participating Municipalities. The Chief Investment Officer of ONE Investment is authorized to execute trades, as appropriate, to implement ONE JIB decisions and maintain compliance with the Investment Plans. The Chief Investment Officer will manage Participating Municipality portfolio rebalancing in a manner that is consistent with the following principles:

- (1) Rebalancing shall occur in accordance with the Participating Municipality's Investment Policy Statement and Investment Plan.
- (2) ONE Investment shall have a compliance process to monitor Asset Allocation relative to Target Weights.
- (3) Rebalancing shall occur as established in section 9 of the Investment Plan when Asset Class Allocation Thresholds are exceeded (i.e., Unscheduled Rebalance). When an Unscheduled Rebalance is triggered, the Chief Investment Officer will rebalance Investment Funds within the breached Outcomes toward their Target Weights.
- (4) A Scheduled Rebalancing review shall occur semi-annually, in April and October. Should Investment Fund Allocation Weights deviate from their Target Weights by plus or minus 2% in an Outcome, the Chief Investment Officer will rebalance the Investment Funds in that Outcome toward their Target Weights.

- (5) Rebalancing plans and exact timing should account for upcoming material changes that may impact the Investment Plans, such as updates to the Investment Policy Statement or the Municipal Client Questionnaire.
- (6) A Participating Municipality will have its MNRI placed in one or more Outcomes. Rebalancing occurs with respect to the Allocation Weights within each such Outcome and does not involve any additions to, withdrawals from, or transfers between the Outcomes. Rebalancing transactions should be designed to move Allocation Weights towards Target Weights, eliminating significant deviations.
- (7) As appropriate, the size and frequency of trading activities shall be minimized to help reduce the administration and costs of trading.
- (8) Similar Participating Municipality portfolios shall be managed in a consistent manner.
- (9) Money should not remain idle, and as appropriate should be deployed to investment Outcomes in the Participating Municipality's Investment Plan.
- (10) Notwithstanding the specific rules established for rebalancing, the Chief Investment Officer shall exercise judgement and may adjust the approach to rebalancing to obtain more logical or prudent results.
- (11) Any and all transactions will be reviewed and approved by the Chief Compliance Officer prior to execution.

Reporting

Transactions or trades undertaken within the scope of this policy will be disclosed in the Quarterly Investment Report for each Participating Municipality. This information will be made available to ONE JIB for review.

The Chief Investment Officer will provide reports to ONE JIB on a quarterly basis and following any Scheduled and Unscheduled Rebalances, to help ONE JIB evaluate Asset Class or Investment Fund Allocation Weights relative to Target Weights. Additional detail on operational or rebalancing transactions will be provided as requested.

Review

This policy shall be reviewed at least once every three years.