

Corporate Policy

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Effective Date 06/05/2023

SECTION:	FINANCIAL SERVICES
DEPARTMENT/DIVISION:	CORPORATE SERVICES & LONG-TERM CARE (FINANCIAL SERVICES)
SUBJECT:	INVESTMENT POLICY STATEMENT

POLICY STATEMENT

It is the policy of The Corporation of the City of Thunder Bay to govern the management of the Corporation's investment portfolio.

PURPOSE

To establish a formal written Investment Policy Statement that summarizes and defines the investment objectives, risk tolerance and liquidity needs and investment horizon for the City's investment portfolio.

OVERVIEW

Municipalities that are subject to the *Municipal Act, 2001* (the "**Act**") have no general power to invest money. Such powers must be found either in express provisions of the Act or by necessary implication.

Historically, municipalities that are subject to the Act had very limited express investment powers under section 418 of the Act. Section 418 continues to apply to all municipalities that are subject to the Act unless they elect to pass a by-law pursuant to the new section 418.1. Section 418 of the Act provides that "money that is not required immediately" can only be invested in securities prescribed by the Province in O. Reg. 438/97 (the "**Regulation**"). These prescribed securities are generally referred to as the "Legal List Securities" and are included in Part I of the Regulation.

Effective January 1, 2019, the new section 418.1 of the Act came into force. Section 418.1 provides that "money that is not required immediately" can be invested under that section in any security, provided that in making the investment the municipality exercises the care, skill, diligence and judgment that a prudent investor would exercise in making the investment. If a municipality elects to pass a by-law under section 418.1, the effect will be that its "money that is not required immediately" must be invested in accordance with the prudent investor regime. The rules, conditions and procedures that apply to investments under section 418.1 are set out in Part II of the Regulation.

Investing "money that is not required immediately" (MNRI) in Legal List Securities or in accordance with the prudent investor regime are mutually exclusive alternatives. That is to say, section 418 does not apply to a municipality that has adopted the prudent investor regime under section 418.1.

Every municipality, regardless of whether section 418 or 418.1 applies to it, has MNRI and also money that is required immediately (MRI). Municipalities retain the management and control of their MRI. The Act does not include any express provisions that deal with the investment of MRI. However, it is consistent with prudent practice to invest such money until it is actually spent, in order to preserve the capital value of that money. Accordingly, it is necessarily implied that a municipality has the power to invest such money on a short-term basis. Because the Act is silent as to how municipalities are to deal with MRI and because of the historical investment powers under the Act, a conservative approach is to invest MRI in appropriate Legal List Securities.

Municipalities that elect to pass a by-law pursuant to the new section 418.1 include in their investment policy (i) the basis upon which they distinguish between MNRI and MRI, and (ii) principles governing the investment of each category of money. This Investment Policy Statement (IPS) is intended to respond to the foregoing requirements.

1. GLOSSARY AND 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, portfolio manager, 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.

Asset Class: An asset class is 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. Asset classes include bank deposits, money market securities, bonds and equities, among other things.

Authorizing By-law: means a by-law of a Founding Municipality which authorizes: (i) the entering into of the Initial Formation Agreement; (ii) the establishment of ONE JIB; (iii) the approval of the Client Questionnaire and the adoption of the IPS; and (iv) the entering into of the ONE JIB Agreement.

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.

CFA Institute: refers to the global, not-for-profit professional association that administers the Chartered Financial Analyst (CFA) and the Certificate in Investment Performance Measurement (CIPM) 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.

City: means The Corporation of the City of Thunder Bay.

Credit Risk: means the possibility of a loss resulting from a borrower's failure to repay a loan or meet contractual obligations. That is, the risk that a lender may not receive the owed principal and interest.

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").

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

Interest Rate Risk: refers to the possibility that the value of a bond or other fixed- income investment will suffer as the result of a change in interest rates. Interest rate risk can be managed to help improve investment outcomes.

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 Long-Term Money investments 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 Municipality's investments adopted and maintained by the Council of the Municipality for Long-Term Money under the Regulation, and for Short-Term Money, as the same may be amended from time to time. The IPS may also apply to the money and investments held by the Municipality for the benefit of persons other than the Municipality itself and may make reference to source(s) of money in which the Municipality may have an indirect interest but which the Municipality has no authority to invest.

JIB: is short for Joint Investment Board and 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.

Local Distribution Corporation or LDC: means a corporation incorporated under section 142 of the *Electricity Act, 1998*.

Long-Term Money: means money that the municipality has defined as long-term and characterized as money that is not required immediately by the Municipality as described in section 5.2. Monies that are Long-Term Money will be invested in accordance with the Prudent Investor Standard.

Modern Portfolio Theory: means a theory of portfolio management that looks towards the portfolio as a whole, rather than towards the prudence of each investment in the portfolio. This is found in the CFA Institute Standards of Practice Handbook.

Municipality: means The Corporation of the City of Thunder Bay.

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 Municipality, 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 March 2, 2022, entered into in accordance with the requirements of the Regulation, pursuant to which ONE JIB has control and management of the Municipality's Long-Term Money.

Outcome: in the context of the municipality's IPS the word 'outcome' is used interchangeably with 'solutions'. Investment outcomes are a set of investment allocations with varying risk/return characteristics. The outcomes assigned to each investor are intended to reflect the needs and circumstances of the municipality. MNRI may be invested into several outcomes based on the characteristics of the municipality's accounts/reserves and its saving and spending needs.

ONE JIB's Outcome Framework: a set of Investment Outcomes designed by ONE JIB to categorize the potential goals of investing MNRI. Each Outcome has a unique Asset Allocation with risk/return characteristics that are aligned with the intended use of the money assigned to the outcome.

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 required for specific purposes.

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 date on which the prudent investor regime applies to the Municipality.

Prudent Investor Standard: means the standard that applies when the Municipality invests money that it does not require immediately under section 418.1 of the Act. It requires the Municipality 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 Municipality can invest. The Prudent Investor Standard makes use of Modern Portfolio Theory and applies the standard of prudence to the entire portfolio in respect of the Municipality's Long-Term Money 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.

Regulation: means Ontario Regulation 438/97.

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.

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.

Short-Term Money: means money that is required immediately by the Municipality as described in section 5.1 and which remains under the control and management of the Municipality. The money can be invested in appropriate Legal List Securities.

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 Municipality'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.

Tbaytel: means the Municipal Service Board, established by The Corporation of the City of Thunder Bay By-law #257-2004, to govern, control, maintain, operate and manage the City's provision of telecommunication services.

Treasurer: means the position of City Treasurer.

2. PURPOSE AND LEGISLATIVE FRAMEWORK

2.1 Purpose of Policy

This IPS governs the investment of the Municipality'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 by implementing the Authorizing By-law 10/2022 pursuant to which the Municipality authorized the establishment of guidelines for the prudent management of the Municipality's MNRI pursuant to section 418.1 of the Act.

In addition to the Municipality's MRI and MNRI, the Municipality is from time to time entrusted with the management of money and investments for a third-party beneficiary ("third-party trust funds").

There are also source(s) of money in which the Municipality may have a direct or indirect interest but which the Municipality currently has no authority to invest. Such source(s) of money, referred to in this IPS as "designated funds", are listed in Schedule A attached hereto. The designated funds are identified in this IPS for the sole purpose of enabling the Municipality to better see, on an aggregated basis, the various financial assets in which the Municipality has an interest. The Municipality is not responsible for the investment activities or performance of designated funds. Designated funds listed in Schedule A are not considered by the Municipality to be MNRI and are in no way subject to the control or management of ONE JIB.

The goals of this IPS are to:

- Define and assign responsibilities for investment of MRI and MNRI;
- Describe the Municipality's responsibilities with respect to third-party trust funds and designated funds
- Ensure compliance with the applicable legislation;
- Direct ONE JIB as to the Municipality's investment goals and risk tolerance;
- Provide guidance and limitations regarding the investments and their underlying risks;
- 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 Municipality, to ONE JIB and to the employees of ONE Investment. ONE JIB, the Treasurer, and any agent or advisor providing services to ONE JIB in connection with the investment of the portfolio shall accept and strictly adhere to this IPS.

2.2 Governing Legislation

Investments of MRI will, in accordance with this IPS, only be made in Legal List Securities.

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 Municipality to earn improved risk-adjusted rates of return.

Money and investments that the Municipality holds as third-party trust funds or has an interest in as designated funds will be subject to applicable legislation and any related agreements or instruments.

The Act provides that the Municipality, 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 Municipality'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.

2.3 Prudent Investor Standard

For MNRI, the standard to be used by the Municipality 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 Municipality'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.

3. MONEY REQUIRED IMMEDIATELY AND MONEY NOT REQUIRED IMMEDIATELY

3.1 Determination of MNRI and MRI

Determination of the Municipality'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

There is no widely accepted definition of MRI or MNRI and no guidance is provided in the applicable legislation. Some, like the Toronto Investment board, have used a time-based definition (funds needed within 18 months) as their definition. The municipality has the responsibility to define the basis of MNRI in a way that is most appropriate for their circumstances.

The Municipality has defined MRI as monies required within 18 months.

For certainty, all money and investments of the Municipality that have not been identified as MNRI (other than 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 Municipality's MNRI and MRI may be modified at any time and from time to time by action of Council and with respect to specific money by the Treasurer in accordance with the provisions of Section 6.2.

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

3.2 Overview of Portfolios

The Municipality'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 Municipality, 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 Municipality 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 D).

ONE JIB exercises control and management of the Municipality'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 External Portfolio Managers, Custodians, administrators and other investment professionals (Agents);
- Allocating the money and investments under its control and management among External Portfolio Managers
- Monitoring the performance of the Agents; and,
- Reporting to the Municipality.

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 Municipality, and any third-party trust funds 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 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 municipal staff.

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 Municipality, and any third-party trust funds 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 Municipality'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 Municipality.

4.3 Ethics and Conflicts of Interest

Individuals who are responsible for The Corporation of the City of Thunder Bay's Short-Term Portfolio shall comply with the City of Thunder Bay's Employee Code of Conduct and the relevant sections of the CPA 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 Municipal Act, 2001 (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. INVESTMENT

5.1 MRI: Short-Term Money

The Municipality's MRI is described in this IPS as Short-Term Money. Short-Term Money consists of money that is needed to meet the short-term financial obligations of the Municipality and are controlled and managed by the Treasurer.

5.1.1 Short-Term Moneys: Investment Objectives

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

Capital preservation is the paramount objective for short-term investments, and these investments need to be highly liquid. Consequently, only high quality, short-term investments that are also Legal List Securities will be held in this portfolio. The Municipality may invest in fully liquid money market securities and deposit accounts. The Municipality 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.

5.1.2 Short-Term Money: Eligible Investments

Short Term Money may be invested in high quality, short-term investments that are also Legal List Securities available from banks, dealers and other financial institutions. Investments issued or guaranteed by approved institutions will be permitted by this Policy, as deemed eligible by Ontario Regulation 438/97 or as authorized by subsequent provincial regulations. Investments

will be limited to securities issues maintaining a minimum credit rating by an appropriate credit rating agency.

Eligible investments include the following offerings by ONE Investment:

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

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

For MRI, the Municipality has established a High Interest Savings Account (“HISA”) with the ONE Investment Program that can be utilized for the management of cash flows. The City will communicate on-going cash management requirements with ONE Investment. The cash management will take into consideration the current interest rate environment and the impact of potential realized gains or losses in the Portfolio.

5.2 MNRI: Long-Term Money

The Municipality’s MNRI is described in Section 3.1 as Long-Term money. In accordance with the ONE JIB Agreement and this IPS, ONE JIB has exclusive control and management of the Long-Term Money and the investments made therewith.

From time to time, the Municipality 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 Long-Term Money: Investment Objectives

In setting the objectives noted below, the Municipality 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.

The municipality’s Investment objectives for its Long-Term money (MNRI) can be achieved via allocations to the Outcomes defined within the ONE JIB’s Outcome Framework. Table 1 provides a summary of this framework.

Table 1:

Outcome Category	Outcome Strategy	Objective	Risk Tolerance, Liquidity	Investment Horizon
Cash	Cash	Preservation of Capital	Low risk; high liquidity	< 3 years
Stable Return	Stable Return	Income Generation; To generate returns to fund recurring needs	Moderate risk with emphasis on growth and stable returns, regular liquidity	> 5 years (Perpetual)
Contingency	Contingency	Contributions for unexpected and infrequent events	Higher risk; emphasis on longer-term capital growth with some liquidity	> 5 years (Perpetual)
	Asset Mgt Reserves	Contributions to generate returns to fund asset management reserves	Higher risk; emphasis on longer-term capital growth; low liquidity	> 10 years (Perpetual)
Target Date	Target Date 3-5 yrs	Preservation of capital	Low risk; high liquidity	3 – 5 years
	Target Date 5-10 yrs	Contributions toward capital projects, mitigate inflation impacts and meet target funding requirements	Moderate risk, liquid	5 – 10 years
	Target Date 10+ yrs	Contributions toward capital projects, mitigate inflation impacts and meet target funding requirements	Higher risk, emphasis on long-term inflation-adjusted growth	> 10 years

Investment of long-term money 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 municipality. The MNRI invested with ONE JIB 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 Municipality's obligations and cash flow requirements and may consist of liquid and non-liquid securities based on future cash flow requirements.

5.2.2 Long-Term Money: Eligible Investments

Eligible investments for Long-Term Money 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 (Prudent Investment 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 Long-Term Money from being held in cash, short term money market instruments, or overnight deposits.

5.2.3 *Long-Term Money: Sinking Funds*

The Municipality does not hold any sinking funds.

5.2.4 *Long-Term Money: Local Distribution Corporation (LDC) Securities*

The Thunder Bay Hydro Corporation is wholly owned by the City and provides regulated and unregulated electric utility services and complimentary commercial services. Thunder Bay Hydro Corporation includes its majority-owned subsidiary SYNERGY NORTH Corporation and its wholly-owned subsidiaries Thunder Bay Hydro Utility Services Inc. and Thunder Bay Hydro Renewable Power Incorporated. The investment in Thunder Bay Hydro Corporation included in the City's 2021 Consolidated Financial Statements is \$109.3 million. Included in this investment is a promissory note of \$26.5 million.

The LDC shares and the promissory note are considered restricted, special assets and remain in the custody of the City. The LDC shares and the promissory note are to be viewed as separate standalone investments with the subject matter expertise and administrative functions remaining under the purview of the City. Council retains direct, de facto control of the LDC shares and the promissory note and ONE JIB shall adhere to all terms and conditions as directed. More specifically, Council controls all acquisition and disposition decisions related to current and future LDC assets. Any voting related to the LDC shares will be undertaken solely by the City.

The investment in the LDC shares and the promissory note will not be included in calculations regarding asset mix/allocations or other constraints that apply to the Long-Term Money.

ONE JIB is prohibited from selling, transferring, assigning or pledging either the LDC shares or the promissory note without the authority of the Municipality.

5.2.5 *Long-Term Money:*

The Municipality does not hold any other Long-Term Funds.

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

In addition to the Municipality's own money, the Municipality is from time to time entrusted with third-party trust funds, and the Municipality's 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 Municipality's third-party trust funds and the designated funds are listed in Schedule A. For certainty, the third-party trust funds and the designated funds are not MNRI of the Municipality, and such monies are not under the control or management of ONE JIB.

5.4 Investment Management

5.4.1 *Investment Management of Short-Term Money*

The investment of Short-Term Funds shall be controlled and managed by the Treasurer.

5.4.2 *Investment Management of Long-Term Money*

The investment of Long-Term Money shall be controlled and managed by ONE JIB in accordance with this IPS.

Competent External Portfolio Managers shall be appointed by ONE JIB, and they shall enter into an agreement with ONE Investment that complies with this IPS and Part II of the Regulation and provide compliance and performance reports. In accordance with the applicable regulatory requirements, ONE JIB shall make any External Portfolio Manager changes deemed in the best interest of the Municipality. For each External Portfolio Manager, ONE Investment shall agree on a set of operational guidelines including constraints, discretion limits, diversification and quality standards, and performance expectations, which are documented in each External Portfolio Manager's guidelines.

5.5 Transition to Prudent Investor Regime

Until the Prudent Effective Date, the Municipality 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.

Upon and after the Prudent Effective Date, the control and management of money and investments that are determined to be not required immediately shall be given to ONE JIB. Nothing in this IPS requires that such investments need be liquidated or disposed of. It is not contrary to this IPS for investments that the Municipality does not require immediately to be held, and to continue to be held by, ONE JIB in instruments such as term deposits, guaranteed investment certificates or principal protected notes issued by a financial institution. They can be held to maturity and invested upon receipt of cash proceeds.

Management of third-party trust funds and any designated funds is not directly affected by the Prudent Effective Date.

5.6 Investment Constraints

5.6.1 *Environmental, Social and Governance (ESG) Investing*

The Corporation of the City of Thunder Bay supports ESG investing for Short-Term and Long-Term Money. The City 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 Long-Term Money, ONE JIB is required to explore how External Portfolio Managers are 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 the investment of Short-Term Money securities lending is **NOT** permitted.

For the investment of Long-Term Money, the Municipality may invest in pooled funds, and other investment funds that are managed by an External Portfolio Manager who may engage in Securities Lending if the policies of the External Portfolio Manager permit such an action.

5.6.3 *Derivatives*

Derivatives may not be used for speculative purposes. They may be used for the investment of Long-Term Money where they are fully covered by a backing asset, e.g., as for currency or other hedging, to change portfolio duration or in covered call strategies.

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. Leverage is not a strategy currently employed by ONE JIB but may be considered at a later date.

5.6.5 *Pooled Funds*

All investment strategies may be pursued directly through holdings of corporate and government issuers and indirectly via pooled funds and investment funds or any combination thereof. The investment strategies may also include allocations to cash or short-term investment vehicles.

5.6.6 *Currency Hedging*

The Short-Term Portfolio will not utilize currency hedging.

The Municipality's funding requirements are in Canadian dollars. However, some exposure to foreign currencies in the Long-Term 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 Prohibited Investments

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

5.7 Performance Monitoring, Rebalancing and Management

5.7.1 Short-Term Money

The Municipality holds a High Interest Savings Account (“HISA”) with the ONE Investment Program that can be utilized for the management of cash flows. The City will communicate on-going cash management requirements with ONE Investment. The cash management will take into consideration the current interest rate environment and the impact of potential realized gains or losses in the Portfolio. Refer to the Investment Policy for Short-Term Funds outlined in Appendix II.

5.7.2 Long-Term Money

For the investment of Long-Term Funds, each account’s asset mix will be monitored on a periodic basis by ONE JIB. Should the asset mixes deviate outside the ranges set out in the Investment Plan, the account will be rebalanced as soon as practicable taking into consideration variations in market liquidity and the investment objectives. Cash inflows /outflows will be used to rebalance as much as possible. If they are insufficient, investments will be sold in a commercially reasonable manner and reallocated as required.

For the investment of Long-Term Money, 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 Municipality’s holdings, declares compliance with this IPS, and shows External Portfolio Manager performance.

6. ADMINISTRATIVE POLICIES

6.1 Flow of Money and Annual Municipal Budget

6.1.1 Transfer to ONE JIB as Part of Annual Review Process

On an annual basis, as part of the Municipality’s Annual Review process, the Municipality shall identify the amount, if any, of Long-Term Money that it holds. Any Long-Term Money 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 Municipality as Part of Annual Review Process*

On an annual basis, ONE JIB shall be notified by the Treasurer as to the amount, if any, required by the Municipality from the Long-Term Money then under the control and management of ONE JIB for the Municipality's operational purposes. Such amount shall be deemed to be Short-Term Money and shall be returned to the Municipality 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 Short-Term Funds capture revenues received by the Municipality during each year after the approval of the Municipality'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 Long-Term Funds. 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 Municipality's budget in force for that year, provided however that the aggregate of the amounts to be returned to the Municipality under this Section 6.2.2 during the year shall not exceed 25% of the Long-Term Money under the control and management of ONE JIB as at the date that the Municipality approved its budget for the year (the Budgeted Long-Term Money). In determining the Budgeted Long-Term Money for purposes of calculating the 25% limit, any Long-Term Money 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 Municipality pursuant to Section 6.1.2 shall be excluded.

6.3 *Valuation of Investments*

Investments shall be valued according to the values provided by the Custodian(s). For the investment of Long-Term Money, 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 External Portfolio Manager to the Custodian no less frequently than quarterly.

6.4 *Voting Rights*

Subject to the provisions of Section 5.2.4 with respect to LDC securities, where External Portfolio Managers have been appointed, such External Portfolio

Managers shall assume the responsibility of exercising voting rights and will report their voting policies to ONE JIB annually. The Municipality 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 Long-Term Money, the Custodian shall be acceptable to ONE Investment. For Short-Term Money the Custodian shall be acceptable to ONE Investment if ONE Investment is administering the investment of the Municipality's Short-Term Money, otherwise the Custodian shall be acceptable to the Municipality.

6.7 Reporting

6.7.1 Short-Term Money

For the investment of Short-Term Money, the Treasurer shall report at least annually to Council, the report to be 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 required under the Regulation and that the Treasurer may consider to be pertinent.

6.7.2 Long-Term Money

The Regulation provides that ONE JIB shall submit an investment report to Council in respect of the investment of Long-Term Money 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 securities invested on behalf of the Municipality by ONE JIB or with the assistance of ONE Investment shall be held for safekeeping in the name of the Municipality by a Custodian.

7. SUBSEQUENT MODIFICATIONS AND EFFECTIVE DATE

7.1 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 Short-Term Money and from ONE JIB with respect to the investment of Long-Term Money.

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 Municipality's ability to reduce other spending;
- flexibility of the timeframe to payout; and
- sensitivity to loss.

7.2 Effective Date

This policy will be effective on the date of Council ratification.

SCHEDULE A**THIRD-PARTY TRUST FUNDS AND DESIGNATED FUNDS****Third-Party Trust Funds**

The Corporation of the City of Thunder Bay holds Trust Funds as outlined in the Trust Funds Financial Statements for the year ended December 31st audited by external auditors annually. Included are care and maintenance trust funds under the *Funeral, Burial and Cremation Services Act, 2002* which are to be invested pursuant to the *Trustee Act*.

Designated Funds

The Municipality holds the following designated fund.

Tbaytel

REFERENCES

Section 418, Municipal Act 2001

Ontario Regulation 438/97 and Ontario Regulation 655/05, as amended.

Report R 6/2022

***APPENDIX I: ONE JIB AGREEMENT
(AVAILABLE FOR VIEWING IN THE OFFICE OF THE CITY CLERK – BY-LAW 10/2022)***

Appendix II: Investment Policy for Short-Term Money

APPROVED BY:	City Council	Date:	June 5, 2023
Replacing/Amending:	Report 6/2022 - 02/07/2022		
Originating Department:	Corporate Services and Long Term Care (Financial Services)		
Contact:	Director – Financial Services		
Departmental Procedural Manual:	N/A		
Affected Departments:	N/A		