

Prudent Investor: Update & Next Steps

February 2018

Investment options expanding

- New regulations will expand municipal investment options:
 - Rather than a “legal list” of investments set out by the province, qualifying municipalities can invest in any security as long as portfolio is “prudent” for their circumstances.
- This ‘prudent investor standard’ is already used for pension funds and trusts.
- Allows greater choice, flexibility and diversity in portfolio.
- Can better manage risk based on local needs.

Local impact

- Municipalities must have \$100 million in investments or \$50 million in assets to qualify for new standard.
 - City of Toronto given standard earlier.
 - About 40 more municipalities will qualify on their own.
 - Municipalities will also be able to join/pool investments to qualify as a group.
- A by-law agreeing to invest with the new standard will be required.
- A Council-approved investment policy will guide all activity.
- Final regulation is still to come (Q1 2018)
 - Will detail governance, structures, etc.
 - Draft regulation released November 2017

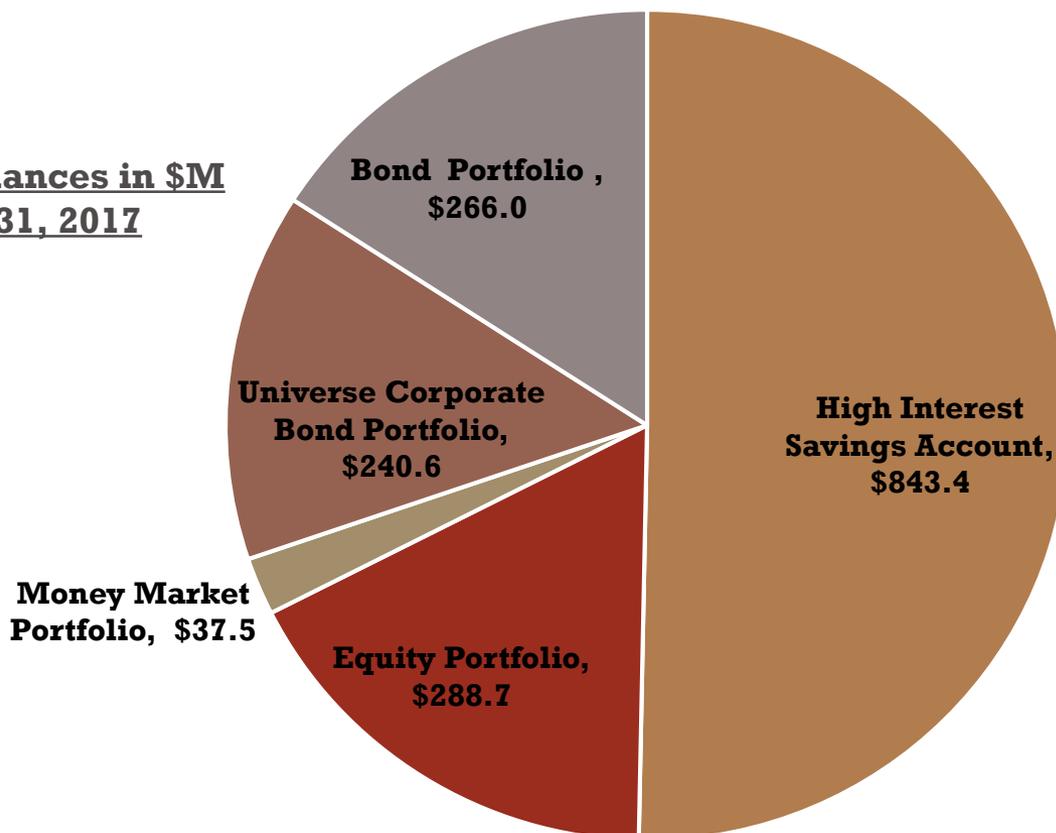
ONE Investment is getting ready

- ONE Investment has been advocating for this change for a decade
- A new ONE business model will give all municipalities access to the new standard through a pooled arrangement
 - ONE Investment Advisory Board created with outside external experts, esp. those with pension experience
 - Work is underway with advisors and portfolio managers
- Current investment products will continue to be available
- E-newsletter is keeping municipalities updated and providing investment industry insights

ONE Investment Program overview

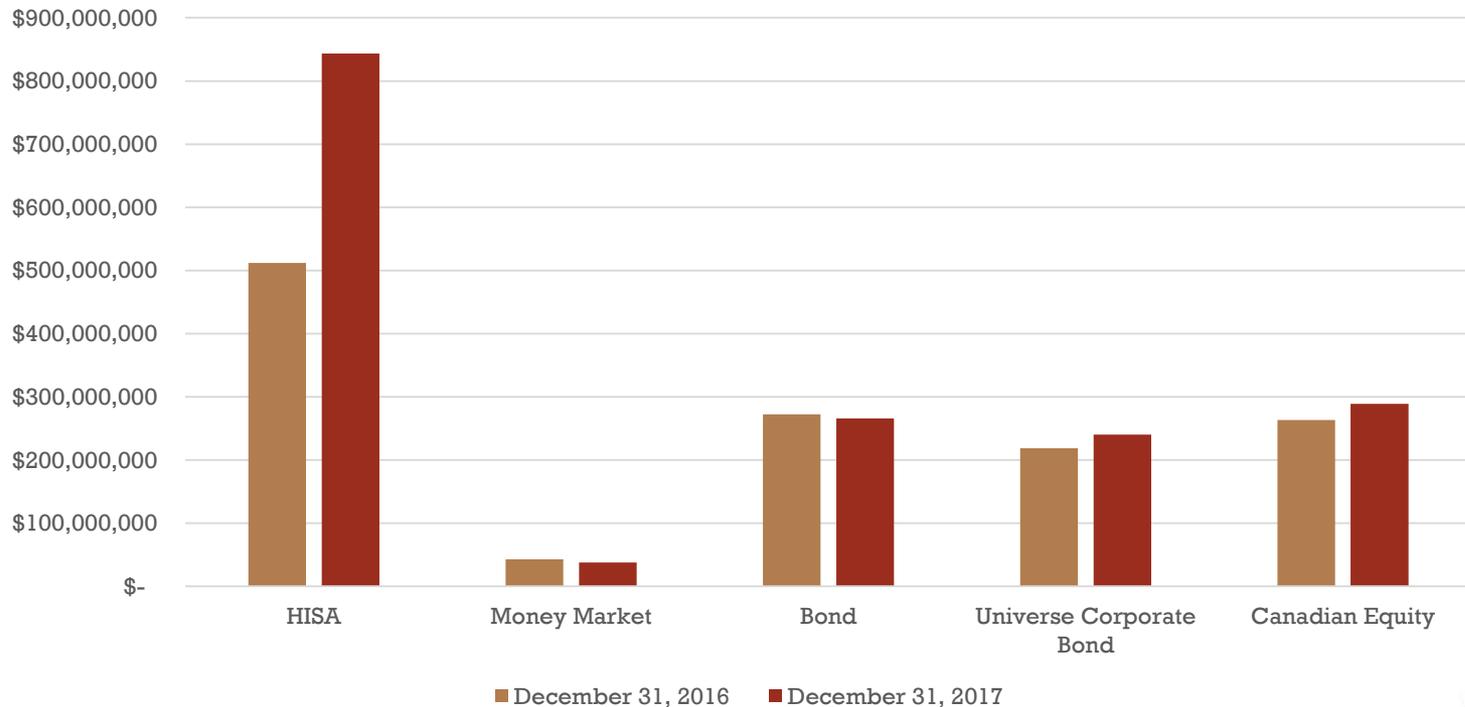
- **Five investment programs to meet short- and long-term financial needs**

Portfolio Balances in \$M
at Dec. 31, 2017



ONE Investment Program overview

- **148 municipal and public sector investors**
- **Balance: \$1.67 Billion in 2017, up 28% from 2016**
- **Growth fueled by HISA – up 65% from 2016**



2017 Highlights

- HISA is based on Bank Prime Rate Less 1.535%.
- At December 31st, 2017 HISA rate of return offering was 1.665% for all deposits, with access to funds at anytime.
- Equity portfolio provided 10.02% one-year total return, surpassing indices like the S&P/TSX Composite.
- Rising interest rates continue to reduce returns in bonds markets.

Next Steps

- No immediate action/decision needed.
- Review Asset Management Plans to inform long-term financing strategy.
- Review current portfolio, investment policies and objectives:
 - What funds would be available for investing?
 - What timeframe does the municipality need the money?