



REPORT FOR ACTION

Investment Policy and Practices

Date: January 22, 2021
To: Board of Directors of the Toronto Atmospheric Fund
From: CEO

SUMMARY

The tripartite TAF, City of Toronto and Federation of Canadian Municipalities Funding Agreement sets out the terms and conditions for the \$40M Canada endowment, including the expectations for its investment. TAF's Council-approved Statement of Investment Objectives & Principles (SIOP) already meets most of these, but eleven (11) gaps between the current, published SIOP and the expectations have been identified. It is proposed that seven (7) of these be addressed by amending the SIOP and four (4) of these be addressed by establishing the relevant practice to be undertaken by staff and the Investment Committee.

RECOMMENDATIONS

The CEO recommends that the Board of Directors:

1. Amend the Statement of Investment Objectives & Principles (SIOP) as presented in Attachment 1; and
2. Adopt the investment practices presented in Attachment 2 and direct staff and the Investment Committee to use these in the course of their work.

FINANCIAL IMPACT

None to the City.

DECISION HISTORY

On July 6, 2020, the TAF Board approved a tripartite funding agreement for TAF's Canada endowment, and directed the Chair to execute the agreement (<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2020.TA7.1>). The agreement was fully executed on August 27, 2020. TAF has undertaken to update its investment policy within 12 months of receiving the CA funds to ensure compliance with the LC3 Investment Framework.

At its meeting November 8, 2019, the TAF Board approved amendments to the SIOP, and requested the Chief Executive Officer to work with the Chief Financial Officer and Treasurer to pursue City Council approval for amendments to TAF's Statement of

Objectives and Principles.

(<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2019.TA4.10>)

COMMENTS

TAF's investment policy -- Statement of Investment Objectives & Principles (SIOP) – sets out the governance, roles & responsibilities, investment beliefs, and asset classes and allocations. The Toronto, Ontario and Canada endowments are subject to the SIOP, which is crafted by the Investment Committee and must be approved by the Board and City Council. The Funding Agreement for the Canada endowment set out the core policy expectations and provided up to 12 months for all elements to be met.

Analysis indicates that TAF's current Council-approved Statement of Investment Objectives & Principles (SIOP) already meets most of these, but eleven (11) gaps have been identified. It is proposed that:

- seven (7) of these be addressed by amending the SIOP, including explicit mention of the Canada endowment in addition to the Toronto and Ontario endowments; the valuation method for infrequently traded assets; the scope and responsibility for currency hedging; and statement of prohibited investments. Proposed amendments are shown in tracked changes and highlighted in Attachment 1.
- four (4) of these be addressed by establishing the relevant practice to be undertaken by staff and the Investment Committee. These are set out in Attachment 2.

The Investment Committee and the Federation of Canadian Municipalities are in agreement with the proposed approach and language.

Note that the Board of Directors approved amendments to the SIOP on November 8, 2019 which have not yet been approved by Council. These are shown as tracked changes in Attachment 1 but are not highlighted.

CONTACT

Julia Langer, CEO jlanger@taf.ca

SIGNATURE

Julia Langer
CEO

ATTACHMENTS

1. Proposed amendments to TAF's Statement of Investment Objectives & Principles (SIOP)
2. Proposed Investment Practices