

## Statement of Investment Objectives and Principles

**Date:** June 24, 2021  
**To:** Board of Directors of the Toronto Atmospheric Fund  
**From:** Chief Executive Officer

### SUMMARY

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An update of TAF's Statement of Investment Objectives & Principles (SIOP) is presented in substantively completed form for Board approval, to be finalized with the City of Toronto before seeking Council approval.

### RECOMMENDATIONS

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The Chief Executive Officer recommends that the Board of Directors of the Toronto Atmospheric Fund:

1. Approve the updated Statement of Investment Objectives and Principles, substantially in the form presented in Attachment 1
2. Direct TAF staff to continue working with City staff to finalize the SIOP to both parties' satisfaction; and
3. Request, via the Chief Financial Officer and Treasurer, City Council approval of TAF's Statement of Investment Objectives and Principles

### FINANCIAL IMPACT

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None to the City. The Target Portfolio established in the proposed SIOP has been modelled which indicates the potential for and improved risk/return profile for TAF investments.

### DECISION HISTORY

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At its meeting February 5, 2021, TAF's Board of Directors approved an amended SIOP and requested City Council approval via the City Manager.  
(<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2021.TA10.10>)

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 work with the Chief Financial Officer & Treasurer to pursue City Council approval for amendments. (<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2019.TA4.10>)

None of the above-mentioned amendments to the SIOP have yet been approved by Council. The current version was approved by Council December 2015. (<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2015.EX10.10>)

## COMMENTS

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TAF's investment policy – the Statement of Objectives and Principles (SIOP) – sets out the governance, roles and responsibilities, objectives and beliefs, asset classes and allocations and constraints and prohibitions for investment of TAF's three endowments. The SIOP is crafted by the Investment Committee, with support from TAF's third-party investment advisor, and requires approval from the Board and City Council.

TAF staff (Julia Langer, Tim Stoate, Ian Klesmer) have collaborated with City teams (including City Manager's Office, Corporate Finance, Legal) and Proteus Performance (Ryan Kuruliak) to integrate Board approved amendments, recent Investment Committee input, City expectations, and investment-related in TAF's Relationship Framework with the City of Toronto. A substantively revised SIOP is presented as Attachment 1. Minor grammatical changes and nuances will be required before advancing the policy for Council approval.

While past amendments have been presented to the Board using tracked changes, we have dispensed with this practice as showing the two previously-approved amendments along with some significant new elements would be confusing and not add value. The following provides an orientation to the changes by section:

1. Definitions – new section
2. TAF Mandate – few changes
3. Purpose – few changes
4. TAF Investment Governance
  - Mostly similar, with more reference to relevant documents
  - Investment Committee scope narrowed to exclude Direct Investments and to focus on policy, marketable securities, overall performance, re-balancing
  - New Direct Investment Committee and its responsibilities established including making recommendations on direct investments to the Board; a Bylaw amendment will be required to actually constitute this new Committee

- Establishing and using benchmarks which are acceptable to the City's CFO is specified as a role of both Committees.
  - SIOP development – a new section specifies what must be taken into consideration
5. Investment Objectives and Principles
- Objectives bolstered drawing on text in the Relationship Framework; for consistency the same language will be included in the RF when it is updated
  - Principles – a few editorial changes
6. Asset Class Overview
- Requirement for portfolio risk assessment at least every 5 years
  - Detail added regarding how to deal with exceptions to the asset mix including report to the IC with amount, reason, risk, duration, action to restore conformity
  - Detail added on monitoring and re-balancing the portfolio at 90% of max and 105% of min
  - Asset Allocation table now includes a Target for each asset class.
7. Objectives for each Asset Class
- Cash, Fixed Income, Public Equities – content previously approved by Board maintained
  - Alternatives – new asset class established, replacing but including Private (Pooled) Equities
  - Direct Investments – updated definition, process, considerations and roles for staff and IC
  - Valuation methodology specified for cash and marketable securities as previously approved by Board
8. Constraints and Prohibitions
- New section
  - Use of financial derivatives allows flexibility within specific boundaries
  - Investing in companies for the purpose of managing them only with Council approval
  - No active purchasing of securities on margin or making short sales
  - No investing in funds or making investments that are inconsistent with TAF's mandate

## **CONTACT**

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## **SIGNATURE**

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Julia Langer  
Chief Executive Officer

## **ATTACHMENTS**

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June 2021 Amended Statement of Investment Objectives and Principles