Attachment 1

Toronto Investment Board
Investment Plan – Long Term and Sinking Fund Assets

January 1, 2018

APPROVED on this day of , 2018

on behalf of Toronto Investment Board

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Section 1 — Governance

1.01 Purpose

The purpose of this document is to guide the implementation of the Plan from its current asset mix to its target asset mix (Section 2.04 – Asset Mix). This document will also outline the transition from the current to target asset mix, and will then be used to guide the invested assets.

1.02 Limitations

As set by the Council-approved Statement of Investment Policies and Procedures for the City of Toronto Investment funds dated January 1, 2018.

1.03 Legal Authority

Ontario Regulation 360/15 under the City of Toronto Act, 2006.

1.04 Review

The Board will review and update the Investment Plan at least annually.

1.05 Roles and Responsibilities

Toronto Investment Board – Lead Decision Maker
Chief Financial Officer or Treasury Staff – Administer the Plan
RBC Investment and Treasury Services – Custodian of assets
Aon Hewitt – Consultant to the Toronto Investment Board

1.06 Portfolio Overview

a. Long Term Fund

The Long Term Fund will be used to meet the longer-term liabilities of Reserves and Reserve Funds, and other surplus funds not immediately required. The investment horizon will be in line with the nature of the underlying liabilities, currently ten years (approximately).

b. Sinking Fund

The Sinking Fund allows for the orderly repayment of debt issued by the City. The Sinking Fund is comprised of several sub-funds, which have a different required rate of return. As debt is issued by the City, each specific issue is assigned to a sub-fund. The City will then make annual contributions to this sub-fund, based on the expected return.

Section 2 — Investments

2.01 Plan Objective

The City's overall investment objectives as being the following, in order of importance:

- Safety of principal
- Adequate liquidity
- Sufficient diversification
- Capital appreciation

2.02 Return Objective

Each of the portfolios is expected to achieve a gross return at least equal to the defined asset mix and respective composite benchmark (Section 2.04 – Asset Mix) measured over a moving four-year period.

2.03 Rebalancing

The asset mix will be monitored on a quarterly basis. Portfolios will be rebalanced to as close to the target portfolio as is reasonably possible when any one asset class exceeds the minimum or maximum defined range(s). All attempts will be made to manage the asset mix of the portfolio using cash flows. Otherwise rebalancing will be done through open market activity. The Board acknowledges varying market liquidity and expects transactions to be completed as soon as reasonably viable given the plan objective outlined above.

2.04 Recommended Asset Mix

Long Term Fund and Sinking Fund Asset Mix

Assets	Minimum %	Maximum %	Target Mix %	Benchmark Index
Global ACWI Equity	0.0	30.0	20.0	MSCI ACWI (CAD)
Total Equity	**0.0**	**30.0**	**20.0**	MSCI ACWI (CAD)
Canadian Universe Bonds	0.0	100.0	70.0	FTSE TMX Universe Bond Index
Total Fixed Income	**50.0**	**100.0**	**70.0**	**FTSE TMX Universe Bond Index**
Real Estate	0.0	10.0	5.0	
Infrastructure	0.0	10.0	5.0	
Total Real Assets	**0.0**	**15.0**	**10.0**	**Canadian CPI + 5%**
Cash[1]	**0.0**	**5.0**	**0.0**	**FTSE TMX 91-Day T-Bill Index**

[1]Excess cash (over maximum limit) shall be held in the Short Term Fund, not covered by this Investment Plan, until such time that the Investment Board has determined an appropriate allocation for these funds.

2.05 Investment Management Structure

The investment management structure below provides a draft outline following implementation of the Recommended Asset Mix described in Section 2.04.

<table>
<tr><th>Asset Class</th><th>Long Term Fund</th><th>Sinking Fund</th></tr>
<tr><td>All Country World Index Equity[1]</td><td colspan="2">Multi-Factor Passive Manager A
ACWI Manager A
ACWI Manager B
ACWI Manager C</td></tr>
<tr><td>Fixed Income</td><td>Fixed Income Manager A
Fixed Income Manager B
Fixed Income Manager C</td><td>LDI Manager A</td></tr>
<tr><td>Real Assets</td><td colspan="2">Real Assets Manager A
Real Assets Manager B
Real Assets Manager C</td></tr>
</table>

*Italics represent additional mandates that will be considered, but may not be implemented
[1]Represents consolidation of regional (Canadian, US, EAFE and EM) portfolios in Section 2.04 – Asset Mix

2.06 Active and Passive Investment Management

The Investment Board believes that active management provides the best opportunity to meet the objectives of each of the plan while also protecting capital. The Investment Board; however, will consider both active and passive management options in the implementation of the Recommended Asset Mix (Section 2.04). The Investment Board would prefer that any active management strategies considered be ‘fee efficient.’

2.07 Environmental, Social and Governance Factors

The Investment Board should incorporate ESG factors into its investment decision-making through its due diligence processes when choosing Investment Managers. As such, when a prospective investment manager is assessed, or an existing Investment Manager is reviewed, the Investment Board will consider the Investment Manager’s ESG policies. The approach to ESG integration in the investment process will, however, vary both between and within asset classes based upon a number of factors, including the degree of control exercised by the Investment Board, contractual restrictions and the nature of the investment.

Appendix A — Transition Plan

The purpose of the transition plan is to outline how the assets of the Long Term and Sinking Fund will move from its current asset mix to the asset mix set out in Section 2.04 – Recommended Asset Mix.

The Investment Board, in conjunction with its Consultant, will conduct investment manager searches for each of the asset classes identified in Section 2.04 – Recommended Asset Mix. Working with the Investment Board:

- The Consultant will conduct will provide a long list of investment managers for consideration;
- The Investment Board will approve a short list of investment managers for further consideration and due diligence, to be carried about by the Consultant and City staff;
- City staff will provide investment manager recommendations to the Investment Board for approval; and
- Each investment manager mandate will be subject to contract negotiations.

An estimated funding schedule for the transition has been outlined below.

Following contract negotiations:

- Liquidate 10% (~$467 million) of fixed income assets to begin funding equity and real assets

Six months following initial funding:

- Allocate a further 10% (~$467 million) to equity and real assets

Afterwards, as bonds mature and/or cash flows come in:

- Fund remaining 10% (~$467 million) of allocation to equity and real assets

Appendix B — Mandate Letters

To be added