REPORT FOR ACTION

Investment Manager Update

Date: March 28, 2019
To: Toronto Investment Board
From: Executive Director, Corporate Finance
Wards: All

SUMMARY

This report provides an update on the actions taken by Corporate Finance staff with regard to the selection of investment managers since the last meeting of the Toronto Investment Board (the "Board") on November 13, 2018.

RECOMMENDATIONS

The Executive Director, Corporate Finance recommends that:

1. The Toronto Investment Board receive this report for information.

FINANCIAL IMPACT

There are no financial impact to the City's operating or capital budgets as a result of this report.

DECISION HISTORY

At its meeting on November 13, 2018, the Toronto Investment Board received a report which provided a brief update on the actions taken by staff and the investment consultant (Aon) with regard to the selection of investment managers since the last meeting of the Toronto Investment Board on September 6, 2018.

http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2018.IB8.2

COMMENTS

Following the meeting of the Board on November 13, 2018, staff from both Corporate Finance and Legal Services along with external legal counsel continued discussions and review of the documentation with each of the eight investment managers. These investment managers were previously recommended to and approved by the Board at its meeting on June 25, 2018.

Fixed Income Mandates

The fixed income documentation is substantially completed with all four managers signing the Investment Management Agreements (IMAs). The Chair of the Board is scheduled to sign these four IMAs on April 3, 2019. Separate custodial accounts have been set-up for each of these managers. The transfer of the securities to these accounts will occur in May 2019.

An updated Investment Plan will be provided by Aon at the next scheduled Board meeting and will disclose the names of the external fixed income managers along with any necessary updates to the transition plan.

Global Equity Mandates

As outlined in a previous report, additional work was required in order for the City to make a representation to the investment management firms that it is a non-taxable entity. This is a requirement primarily for the global equity mandates that have large U.S. holdings where a withholding tax is charged at source for taxable investors. Related to this, some of the documentation also stipulates the client type (e.g. pension and charitable organizations) allowed in various recommended structures.

In order to make this representation, the City has retained a tax consultant recommended by external legal counsel that specializes in the U.S. tax code. This review is near completion. It is expected document signing will take place in May 2019 with the initial funding of these mandates in June 2019.

Investment Plan

An updated Investment Plan will be provided by Aon at the next scheduled Board meeting and will disclose the names of the external managers along with any necessary updates to the transition plan.

Custodian

In preparation for the transition to the new investment managers, Corporate Finance staff has also reviewed custody and securities lending arrangements with the Royal Bank of Canada Investor & Treasury Services ("RBC ITS"). All have agreed that a more comprehensive review is necessary and will most likely be completed after the transition to the new investment managers in 2020. More importantly, staff are now using the compliance reporting module with RBC ITS. This was completed so staff can monitor, through a third party source, compliance with the investment guidelines set within the Council-approved Investment Policy and the Board's Investment Plan.

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SIGNATURE

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