IB4.3

TORONTO

REPORT FOR ACTION WITH CONFIDENTIAL ATTACHMENT

Investment Manager and Investment Plan Update

Date: September 11, 2019
To: Toronto Investment Board
From: Executive Director, Corporate Finance
Wards: All

REASON FOR CONFIDENTIAL INFORMATION

The attachment to this report involves the security of property belonging to the City of Toronto or the Toronto Investment Board.

SUMMARY

This report provides an update on the actions taken by Corporate Finance staff with regards to the selection of investment managers since the last meeting of the Toronto Investment Board (the "Board") on June 12, 2019.

The confidential attachment provides details regarding the negotiations with the global equity investment managers and recommends a course of action.

RECOMMENDATIONS

The Executive Director, Corporate Finance recommends that:

1. The Toronto Investment Board authorize the Chief Financial Officer and Treasurer, in consultation with the City Solicitor, to continue to negotiate agreements with the firms originally selected as investment managers, on terms satisfactory to the City Solicitor and the Chief Financial Officer and Treasurer, and authorize the Chair or Vice-Chair of the Investment Board to execute such agreements on behalf of the Investment Board.

2. In respect of the global equity mandates, the Toronto Investment Board authorize the Chief Financial Officer and Treasurer, in consultation with the City Solicitor, to discontinue negotiations with the previously approved firm identified in Confidential Attachment 1, and to start negotiations with the firm identified as the second recommended firm in Confidential Attachment 1, and to authorize the Chair or Vice-Chair of the Investment Board to execute such agreements on behalf of the Investment Board.

3. The Toronto Investment Board direct that the confidential information contained in Confidential Attachment 1 remain confidential in its entirety, as it contains information that involves the security of property belonging to the City or one of its agencies or corporations.

4. The Toronto Investment Board authorize the release of names of the successful firms upon finalizing agreements with the investment managers, identified in Confidential Attachment 1 of this report.

FINANCIAL IMPACT

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

DECISION HISTORY

At its meeting on June 12, 2019, 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 April 11, 2018.

http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2019.IB3.3

At its meeting on April 11, 2019, 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 November 13, 2018.

http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2019.IB1.4

At its meeting on June 25, 2018, the Toronto Investment Board received a report and presentation from staff and the investment consultant (Aon) regarding the selection of investment managers.

http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2018.IB6.2

COMMENTS

Following the meeting of the Board on June 12, 2019, staff from both Corporate Finance and Legal Services along with external legal counsel continued discussions and review of the documentation with each of the four global equity investment managers.

Two of the global equity investment managers have provided suitable documentation and we are nearing completion of negotiations. Final documents are expected for signature sometime close to the next scheduled Board meeting in September.

As outlined in a previous report, there was one global equity investment manager that would not provide a suitable solution for the US tax situation of their pooled fund. As directed by the board at the last meeting, City staff discontinued negotiations with the initial firm and started negotiations with a new global equity investment manager. Negotiations and documentation review is in progress and moving along quickly.

Unfortunately another global equity investment manager that was initially selected by the Board was unable to meet the City's needs for final documentation. Although this manager was able to provide a solution for the US tax requirement, they were unable to provide assurances that the City requires of all vendors. Discussions with this manager have been discontinued and a replacement firm has been identified in Confidential Attachment 1. It is recommended the Board approve this new global equity investment manager in order to start negotiations.

CONTACT

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SIGNATURE

Joe Farag
Executive Director, Corporate Finance

ATTACHMENTS

Confidential Attachment 1 - Global Equity Manager Review