REPORT FOR ACTION

Investment Manager Update

Date: November 15, 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 September 25, 2019.

RECOMMENDATIONS

The Executive Director, Corporate Finance recommends that:

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

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 September 25, 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 June 12, 2019.
http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2019.IB4.3

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 September 25, 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 that were previously recommended to and approved by the Board at its meetings on June 25, 2018, June 12, 2019, and September 25, 2019.

Global Equity Mandate

Documentation with two of the four global equity managers is now completed with the signing of subscription agreements, side letters, and other documents. Separate custodial accounts have been set-up for each of these managers. These two mandates were funded on November 1, 2019.

Negotiations with the manager identified in the confidential attachment at the Board meeting on September 25th were concluded on October 4th as outlined in the Board Decision as the manager could not meet the requirements of the City. As discussed, the investment consultant to the Board (Aon) has identified another manager as a replacement.

Negotiations with the final two global equity managers are on-going and are expected to conclude before the next meeting of the Board in early 2020.

Surplus Funds Transferred from the Short Term Fund (STF) to the Long Term Fund (LTF)

As reported at the previous meeting of the Board, surplus cash in the amount of $500 million from the Short Term Fund was determined to be not immediately required. This amount was identified during the third quarter of 2019 and a target date of November 1 was established for transfer. The funds will be allocated proportionately to each manager as outlined in the Investment Plan.

Approximately 70% of these funds were be allocated equally between two fixed income managers that are managing this portion of the LTF, namely Leith Wheeler (LW) and Connor, Clark, & Lunn (CC&L). The transfer was completed on November 1, 2019.

Due to the initial funding of the two global equity managers that occurred on November 1, the additional amount of the surplus cash from the STF be transferred on December 1, 2019.

Table 1 - Initial Funding and Additional Transfers

Manager/Sub-Advisor	November 1, 2019 (Amount - $millions)	December 1, 2019 (Amount - $millions)
CC&L (Fixed Income)	$168 (additional from STF)	0
LW (Fixed Income)	$168 (additional from STF)	0
Pier 21/C Worldwide	$150 (initial funding - from multiple funds - LTF & SF)	$31.05 (additional from STF)
Fiera/Harris Associates	$150 (initial funding - from multiple funds - LTF & SF)	$31.05 (additional from STF)

Attachment 1 provides the current status of funding as at November 1, 2019 for both the LTF and the SF.

Investment Plan

The updated Investment Plan has been provided by Aon as (Attachment 2) it discloses the names of the external Global Equity managers in accordance with the Board's direction.

CONTACT

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SIGNATURE

Joe Farag
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ATTACHMENTS

Attachment 1 - Current Funding Status of the LTF and SF
Attachment 2 - Updated Investment Plan