TORONTO

REPORT FOR ACTION WITH CONFIDENTIAL ATTACHMENT

Investment Manager and Investment Plan Update

Date: June 24, 2020
To: Toronto Investment Board
From: Director, Capital Markets
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 Capital Markets staff with regard to the selection of investment managers since the last meeting of the Toronto Investment Board (the "Board") on December 4, 2019. An updated Investment Plan with the name of a new global equity investment manager (Fiera Capital Corporation) is included for review and adoption.

The confidential attachment provides details regarding the negotiations with the global equity investment managers.

This report also recommends the Board delegate authority to the Chief Financial Officer and Treasurer (or designate) to approve the payment of invoices for services completed for the Board. This will include but not be limited to invoices from the investment managers and investment consultant in accordance with the terms of their respective contracts. The Chief Financial Officer and Treasurer will provide a report annually to the Board on such approved invoices, or more frequently as requested.

RECOMMENDATIONS

The Director, Capital Markets recommends that:

1. The Toronto Investment Board adopt the updated Investment Plan as provided in Attachment 1 of this report;

2. The Toronto Investment Board authorize the Chief Financial Officer and Treasurer, in consultation with the City Solicitor, to restart the negotiation of agreements with the firm originally selected as an investment manager and identified in Confidential Attachment 1, 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;

3. The Toronto Investment Board authorize the release of name of the successful firm upon finalizing agreements with the investment manager, identified in Confidential Attachment 1 of this report and the Toronto Investment Board direct that the balance of Confidential Attachment 1 to this report remain confidential 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 delegate authority to authorize the Chief Financial Officer and Treasurer, or her designate, to review and approve for payment, invoices received for services provided to the Board in respect of the investment of the City funds that have been delegated to the Board, including invoices from the investment managers, and investment consulting services, and request the Chief Financial Officer and Treasurer to provide a report annually to the Board on such approved invoices, or more frequently as requested.

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 December 4, 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 September 25, 2019. An updated Investment Plan was also presented.
http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2019.IB5.5

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, 2019.
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 regarding the selection of investment managers.
http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2018.IB6.2

At its meeting held on April 5, 2018, the Toronto Investment Board approved their Investment Plan which included the asset categories and transition plan. The transition plan outlines that the Investment Consultant, in conjunction with City staff, will develop a list of investment managers for the Board's consideration.
http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2018.IB4.5

COMMENTS

Following the meeting of the Board on December 4, 2019, Capital Markets and Legal Services staff, along with external legal counsel, continued discussions and documentation review with the remaining two of the four global equity investment managers that were 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 one global equity manager was completed in February 2020 with the signing of subscription agreements, side letters, and other documents. A separate custodial account has been set-up for this manager. The mandate was funded in late February 2020.

An updated Investment Plan is provided as Attachment 1. It discloses the name of the new global equity manager (Fiera Capital Corporation) along with any necessary updates to the transition plan.

To date, three of the four global equity mandates have been completed and funded. Please refer to Confidential Attachment 1 for an assessment of investment managers in question with respect to the procurement process currently underway.

At its meeting of September 25, 2019, the Investment Board delegated authority to the Chief Financial Officer and Treasurer to negotiate agreements with the global equity mandate managers recommended by Aon Hewitt, and delegated authority to the Chair or the Vice-Chair of the Investment Board to execute such agreements on behalf of the Investment Board.

Authority to restart negotiations with the global equity investment manager identified in Confidential Attachment 1 were initially halted on October 4, 2019 as required by the Board in order to search for other possible options to meet the City's requirements. After reviewing several other managers, as outlined in Confidential Attachment 1, staff are recommending to restart negotiations with the original investment manager.

Payment of Investment Manager (and other) Invoices

The current process for paying investment managers that have been selected by the Board and are currently managing funds on their behalf has become complicated and tedious. For example, given the payments are variable and dependent on asset size which can fluctuate, makes it difficult for the Purchasing & Materials Management Division ("PMMD") to set up a "purchase order" under the current system.

Capital Markets staff consulted with PMMD, Legal Services, and the Accounting Services Division and arrived at feasible options to alleviate this issue. It was decided the most expedient way to process the payment of these invoices would be for the Board to delegate authority to the Chief Financial Officer and Treasurer (or designate) to review and approve the payment in accordance with the terms of the contract for each investment manager.

The Chief Financial Officer and Treasurer would provide an annual report to the Board of all approved invoices, or more frequently as requested by the Board, to provide oversight of these payments.

CONTACT

Randy LeClair, Director, Capital Markets;
Tel: 416-397-4054; Email: Randy.LeClair@toronto.ca

SIGNATURE

Randy LeClair
Director, Capital Markets

ATTACHMENTS

Attachment 1 - Investment Plan
Confidential Attachment 1 - Global Equity Manager Update