TORONTO

REPORT FOR ACTION

Sinking Fund and Long Term Fund - Performance and Compliance Update for the Fourth Quarter and Full Year of 2020

Date: February 19, 2021
To: Toronto Investment Board
From: Randy LeClair, Director, Capital Markets
Wards: All

SUMMARY

As required by the City's Investment Policy, the purpose of this report is to provide the Toronto Investment Board ("Board") with the following:

1. The performance of the Sinking Fund and Long Term Fund for the fourth quarter and full year of 2020, and

2. Investment Policy and Plan Compliance certificates and reports for the fourth quarter of 2020.

RECOMMENDATIONS

The Director, Capital Markets recommends that:

1. Toronto Investment Board receive this report for information.

FINANCIAL IMPACT

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

DECISION HISTORY

At its meeting on December 16, 17 and 18, 2020, City Council adopted the report City of Toronto Investment Report for the Six Month Period Ending June 30, 2020
http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2020.EX19.8

At its meeting of December 7, 2020, the Toronto Investment Board adopted a report called the Sinking Fund and Long Term Fund - Performance and Compliance Update for the Third Quarter of 2020
http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2020.IB10.2

At its meeting of October 7, 2020, the Toronto Investment Board adopted a report called the Sinking Fund and Long Term Fund - Performance and Compliance Update for the Second Quarter of 2020
http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2020.IB9.2

At its meeting of July 28, 2020, City Council adopted the report City of Toronto Investment Report for the Year 2019 and the Three Month Period Ending March 31, 2020
http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2020.EX15.10

At its meeting of July 8, 2020, the Toronto Investment Board adopted a report called the Sinking Fund and Long Term Fund - Performance and Compliance Update for 2019 and First Quarter of 2020
http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2020.IB7.3

At its meeting of June 29, 2020, City Council adopted the report Investment Policy Update
http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2020.EX14.2

At its meeting of February 19, 2020, City Council adopted the 2020 Capital and Operating Budgets:
http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2020.EX13.2

COMMENTS

Performance Overview and Cash Flows

Sinking Fund (SF)

Activities and Balances:

Seventy percent of Sinking Fund was transferred in-kind to two fixed income investment managers on May 1, 2019. The two fixed income investment managers are Fiera Capital ("Fiera LDI") and Addenda Capital ("Addenda"). During the fourth quarter of 2019, approximately seven percent of the Sinking Fund was transferred (cash) to two global equity pooled fund managers. A third global equity pooled fund manager also started in February 2020 resulting in a total equities exposure of 10% at the fund level. The three global equity pooled fund managers are Oakmark Global Pooled Fund II ("Oakmark"), Pier 21 WorldWide Equity Pool ("Pier 21"), and Fiera Capital Common Contractual Fund ("Fiera CCF").

The fourth and final global equity manager, Legal & General Investment Management ("LGIM") is scheduled to be funded on January 6, 2021.

Table 1 shows the value of the Sinking Fund managed by these five investment managers as at December 31, 2020.

Table 1 - Size of Sinking Fund managed by Fiera LDI, Addenda, Oakmark, Pier 21 and Fiera CCF (Market Value in $millions)

Date	Fiera LDI	Addenda	Oakmark	Pier 21	Fiera CCF	Total
May 1, 2019	$679.8	$679.9	-	-	-	$1,359.7
June 30, 2019	$697.4	$688.2	-	-	-	$1,385.6
Sept. 30, 2019[2]	$506.5	$494.0	-	-	-	$1,000.5
Dec. 31, 2019	$498.7	$489.4	$62.2[1]	$62.0[1]	-	$1,112.3
Mar. 31, 2020	$511.2	$479.8	$44.6	$58.0	$46.6[1]	$1,140.2
June 30, 2020	$549.5	$529.6	$52.0	$66.3	$51.2	$1,248.6
Sept. 30, 2020	$692.4[3]	$695.3[3]	$54.8	$71.3	$55.2	$1,569.0
Dec. 31, 2020[4]	$739.7	$745.6	$75.8	$86.1	$74.1	$1,721.3

[1]$56 million was transferred to each of Oakmark and Pier21,and $54 million was transferred to Fiera CCF

[2]The decline in externally managed assets as at September 30, 2019 was attributable to funds being transferred to meet a debt maturity obligation of $400 million on December 2, 2019.

[3]Asset mix rebalancing: $145 million was transferred to Fiera LDI and $166 million was transferred to Addenda on September 8, 2020.

[4]Asset mix rebalancing: $45 million was transferred to Addenda, $45 million was transferred to Fiera, $15.5 million was transferred to Fiera Capital, $8.5 million was transferred to Oakmark from December 16 to December 18, 2020.

Table 2 - Historical Asset Mix of the Sinking Fund

Asset Class - Sectors	Policy Range	Policy Target	9/30/19 (%)	12/31/19 (%)	3/31/20 (%)	6/30/20 (%)	9/30/20 (%)	12/31/20 (%)
Segregated Sinking Fund Short Term Fund (Internal)	0%-100%	0.0%	34.1%[1]	31.1%	29.5%	37.0%[2]	23.0%	20.0%
Cash & Cash Equivalents (Investment Managers)	0%-5%	0.0%	0.1%	0.1%	0.1%	0.1%	0.2%	0.2%
Government of Canada & Guarantees	0%-100%	30.0%	6.6%	8.0%	9.0%	7.9%	14.6%	13.7%
Provincial (and Guarantees) & Municipal Bonds	0%-100%	30.0%	44.2%	36.4%	35.7%	32.2%	38.5%	40.6%
Corporate Bonds	0%-60%	10.0%	15.0%	16.9%	15.8%	14.3%	14.8%	14.5%
Global Equity Pooled Funds	0%-30%	20.0%	N/A	7.5%	9.9%	8.5%	8.9%	11.0%
Real Assets	0%-15%	10.0%	N/A	N/A	N/A	N/A	N/A	N/A
Total		100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

[1]The increase was due to preparation for debt repayment in December 2019.

[2]The increase was due to new money from sinking fund deposits. The asset mix has been rebalanced by distributing the new money to the investment managers in the beginning of September 2020.

Table 3 - Asset Mix held by Sinking Fund Investment Managers as at December 31, 2020 (Market Value $ millions)

Asset Mix - Sectors	Internal City of Toronto	Fiera LDI	Addenda	Oakmark	Pier 21	Fiera CCF	Total
Segregated Sinking Fund Short Term Fund (Internal)	431.3	-	-	-	-	-	431.3 (20.0%)

Asset Mix - Sectors	Internal City of Toronto	Fiera LDI	Addenda	Oakmark	Pier 21	Fiera CCF	Total
Cash & Cash Equivalents (Investment Managers)	-	2.9	1.9	-	-	-	4.8 (0.2%)
Government of Canada & Guarantees	-	214.7	80.2	-	-	-	294.9 (13.7%)
Provincial (and Guarantees) & Municipal Bonds	-	399.4	475.5	-	-	-	874.9 (40.6%)
Corporate Bonds	-	122.7	188.0	-	-	-	310.7 (14.5%)
Global Equity Pooled Funds	-	-	-	75.8	86.1	74.1	236.0 (11.0 %)
Total	431.3	739.7	745.6	75.8	86.1	74.1	2,152.6 (100.0%)

The Sinking Fund continued to have large cash holdings through 2020. The cash holdings are held in a segregated Short Term fund specifically for the Sinking Fund.

The average weighted fund balance (including segregated cash) for the fourth quarter of 2020 was $2.2 billion in market value. This balance was comprised of 20% segregated short term fund, 69% bonds (of which, 15% are Corporate bonds), and 11% equities.

Excess cash holdings (beyond money put aside for upcoming investments in equities and real assets) was used to rebalance the portfolio asset mix during the fourth quarter of 2020. The fixed income allocation was topped up to close to 70% level as per the target asset mix indicated in the Investment Plan.

Market Return Performance:

As demonstrated in Table 4 below, comparing to the market return benchmarks, the fixed income portion of the Sinking Fund outperformed by 30 basis points during the fourth quarter and underperformed by 160 basis points for 2020, while the global equity outperformed by 180 basis points during the fourth quarter but underperformed by 440 basis points for 2020. The total externally managed Sinking Fund underperformed its market return benchmark by 50 basis points and 160 basis points during the fourth quarter and full year of 2020 respectively. Despite the fact that both asset classes outperformed their respective benchmarks during the fourth quarter of 2020, the overall invested asset underperformance was due to how the fund benchmark return was weighted. The benchmark for the total fund is calculated based on the weighted average return of the target asset mix, the plan is currently transitioning towards the target asset mix and is not fully allocated at the moment. Funds were transferred to the fourth and final global equity pooled fund manager during early January 2021.

For performance breakdown by investment manager, please see Table 5 and 6 below. Further details and discussion on market return performance for each investment manager has been prepared by the investment consultant (Aon) in Attachment 1 and 2.

Table 4 - Sinking Fund (externally managed) Market Return (%)*

As at Dec 31, 2020	**Allocation**	**Performance (%)**	
($ million)	**Market Value**	**Q4, 2020**	**1-year (2020)*** **
Total Sinking Fund	$1,721 (100%)	1.7	10.2
Market Benchmark		2.2	11.8
Value Added - Total		-0.5	-1.6
Fixed Income	$1,485 (86%)	0.5	9.7
LDI Benchmark**		0.2	11.5
Value Added - Fixed Income		0.3	-1.8
Global Equity	$236 (13.7%)	11.6	10.4
Market Benchmark***		9.8	14.8
Value Added - Equity		1.8	-4.4

* From Aon Report - Performance Review and Investment (Q4 Performance)
** Liability Driven Investment (LDI) benchmark is customized based on the sinking fund liability
***Excluded Fiera CCF as full year return is not available since it was funded in February 2020

Table 5 - Fixed Income Market Return Performance of the Sinking Fund managed by Fiera LDI and Addenda*

Fixed Income	**Fiera LDI**	**Addenda**
Total Fund Size (Market Value $millions)	$739.7	$745.6
Portfolio Average term (years)	16.9	15.0
Benchmark Average term (years)	13.2	13.3
Average credit quality	AA	AAL
Q4 Portfolio Return (%)	0.2%	0.7%

Q4 Benchmark Return (%)	0.1%	0.3%
Q4 Value Added* (%)	0.1%	0.4%
2020 Portfolio Return (%)	10.3%	9.3%
2020 Benchmark Return (%)	11.2%	11.9%
2020 Value Added (%)	-0.9%	-2.6%

* From Aon Report - Performance Review and Investment (Q4 Performance)

Table 6 - Global Equity Pooled Funds Market Return Performance of the Sinking Fund managed by Pier 21, Oakmark and Fiera CCF*

	Pier 21	Oakmark	Fiera CCF**
Total Fund Size (Market Value $millions)	$86.1	$75.8	$74.1
Q4 Portfolio Market Return (%)	8.3%	22.3%	5.3%
Q4 Benchmark (%) (MSCI ACWI)	9.8%	9.8%	9.8%
Q4 Value Added (%)	-1.5%	12.5%	-4.5%
2020 Portfolio Return (%)	24.6%	7.9%	
2020 Benchmark Return (%)	14.8%	14.8%	
2020 Value Added (%)	9.8%	-6.9%	

* From Aon Report - Performance Review and Investment (Q4 Performance)
**Full year return is not available yet because it was incepted in February 2020

Book Return Performance:

On a book return basis (excluding unrealized gain and losses), the Sinking Fund earned $9.0 million yielding an annualized return of 2.0% during the fourth quarter and earned $36.2 million yielding 2.2% in the full year 2020. Trading activities generated $0.6 million realized capital losses for the fourth quarter and $2.5 million in realized capital gains for the full year 2020.

Table 7 - Sinking Fund Earned Income ($millions)

Year	Average Fund Balance (Book Value)	Earned Income	Earned Return on Capital (Annualized)
YTD - Dec. 31, 2020	**$1,623.0**	**$36.2**	**2.2%**

Year	Average Fund Balance (Book Value)	Earned Income	Earned Return on Capital (Annualized)
2020 - Q4	$1,824.8	$9.0	2.0%
2020 - Q3	$1,607.1	$10.4	2.6%
2020 - Q2*	$1,546.1	$8.0	2.1%
2020 - Q1*	$1,513.6	$8.8	2.3%
YTD - Dec. 31, 2019	$1,713.8	$83.1	4.9%
2019 - Q4	$1,687.1	$14.2	3.4%
2019 - Q3	$1,875.2	$16.7	3.6%
2019 - Q2	$1,755.2	$39.9	9.4%
2019 - Q1	$1,595.5	$12.3	3.1%

*Due to accounting adjustment on bank interest earned, Q1 was previously reported at $8.9M Earned Income and rate of return of 2.4%. Q2 was previously reported at $8.3M Earned Income and rate of return of 2.2%

Flow of Funds - Sinking Fund

The City of Toronto had no debt maturities in 2020. The City has issued total of $986 million debentures in 2020 with maturities in 2029 ($200 million), 2030 ($100 million), 2039 ($130 million) and 2040 ($306 million), 2049 ($250 million).

In 2021, the City of Toronto has total debt maturities of $650 million, of which $500 million is for 3.5% Sinking Fund, and $150 million is for 5% Sinking Fund.

For details, please refer to Attachment 4 for the flow of funds for the Sinking Funds.

Long Term Fund (LTF)

Activities and Balances:

Seventy percent of Long Term Fund was transferred in-kind to two fixed income investment managers on May 1, 2019. The two fixed income investment managers are Connor, Clark & Lunn Investment Management ("CC&L") and Leith Wheeler Investment Counsel Ltd ("LW").

During the fourth quarter of 2019, approximately seven percent of the Long Term Fund was transferred (cash) to two global equity pooled fund managers, Oakmark Global Pooled Fund II ("Oakmark") and Pier 21 WorldWide Equity Pool ("Pier 21"). Also, an additional $336 million was transferred to CC&L and LW from the excess liquidity in Short Term Fund ($168 million to each manager) to rebalance the asset mix.

The third global equity pooled manager, Fiera Capital Common Contractual Fund ("Fiera CCF"), was added in February 2020 bringing the total equity exposure to over 9%. Then the fourth and final global equity manager, Legal & General Investment Management ("LGIM"), was added in December 2020 bringing the total equity exposure to approximately 20% as at Dec 31, 2020.

Table 8 - Size of Long Term Fund managed by CC&L, LW, Oakmark, Pier 21, Fiera Capital & LGIM (Market Value in $millions)

Date	CC&L	LW	Oakmark	Pier 21	Fiera CCF	LGIM	Total
May 1, 2019	$1,050.2	$1,053.8	-	-	-	-	$2,104.0
June 30, 2019	$1,070.7	$1,074.2	-	-	-	-	$2,144.9
Sept. 30, 2019	$1,082.8	$1,087.2	-	-	-	-	$2,170.0
Dec. 31, 2019*	$1,242.8	$1,248.3	$122.2[1]	$122.8[1]	-	-	$2,736.1
Mar. 31, 2020	$1,262.0	$1,262.0	$87.7	$114.8	$103.6[1]	-	$2,830.1
June 30, 2020	$1,338.8	$1,342.3	$102.3	$131.2	$113.7	-	$3,028.3
Sept. 30, 2020	$1,349.3	$1,348.7	$107.9	$141.2	$122.6	-	$3,069.7
Dec. 31, 2020	$1,362.0	$1,363.4	$131.9	$153.0	$129.1	$384.6[2]	$3,524.0

[1]$360 million cash ($120 million each) was transferred to the management of Oakmark, Pier 21 and Fiera CCF on Nov 1, 2019, Nov 1, 2019, and Feb 24, 2020 respectively
[2]$376 million cash was transferred to the management of LGIM on December 16, 2020

Table 9 - Historical Asset Mix Long-Term Fund

Asset Class - Sectors	Policy Range	Policy Target	9/30/19 (%)	12/31/19 (%)	3/31/20 (%)	6/30/20 (%)	9/30/20 (%)	12/31/20 (%)
Segregated Short Term Fund (Internal)*	0%-100%	0.0%	29.7%	23.7%	20.4%	19.5%	19.3%	9.3%
Cash & Cash Equivalents (Investment Managers)	0%-5%	0.0%	0.4%	0.8%	0.6%	1.5%	0.8%	0.3%

Asset Class - Sectors	Policy Range	Policy Target	9/30/19 (%)	12/31/19 (%)	3/31/20 (%)	6/30/20 (%)	9/30/20 (%)	12/31/20 (%)
Government of Canada & Guarantees	0%-100%	30.0%	8.4%	7.4%	10.1%	7.4%	8.9%	8.6%
Provincial (and Guarantees) & Municipal Bonds	0%-100%	30.0%	36.3%	35.6%	34.9%	36.3%	35.0%	34.1%
Corporate Bonds	0%-60%	10.0%	25.2%	25.8%	24.7%	26.1%	26.2%	27.1%
Global Equity Pooled Funds	0%-30%	20.0%	N/A	6.7%	9.3%	9.2%	9.8%	20.6%
Real Assets	0%-15%	10.0%	N/A	N/A	N/A	N/A	N/A	N/A
		100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

* Total Segregated Short Term Fund includes cash and short-term investments that will be allocated to investment managers of the Long Term Fund.

Table 10 - Asset Mix held by Long-Term Fund Investment Managers as at December 31, 2020 (Market Value $millions)

Asset Mix - Sectors	Internal City of Toronto	CC&L	Leith Wheeler	Oakmark	Pier 21	Fiera CCF	LGIM	Total
Short Term Fund (Internally Managed)	361.5	-	-	-	-	-		361.5 (9.3%)
Cash & Cash Equivalents (Investment Managers)	-	8.8	3.3	-	-	-		12.1 (0.3%)
Government of Canada & Guarantees	-	168.1	166.8	-	-	-		334.9 (8.6%)
Provincial (and Guarantees) & Municipal Bonds	-	658.0	667.5	-	-	-		1,325.5 (34.1%)

Asset Mix - Sectors	Internal City of Toronto	CC&L	Leith Wheeler	Oakmark	Pier 21	Fiera CCF	LGIM	Total
Corporate Bonds	-	527.1	525.8	-	-	-		1,052.9 (27.1%)
Global Pooled Fund Equities	-	-	-	131.9	153.0	129.1	384.6	798.6 (20.6%)
Total	361.5	1,362.0	1,363.4	131.9	153.0	129.1	384.6	3,885.5 (100.0%)

The Long Term Fund reduced its cash and short-term investment holdings significantly after funding LGIM in December 2020. Its current cash holding is mainly reserved for the upcoming investment in real assets. The ending total fund balance (including segregated cash) as at December 31, 2020 was $3.9 billion (market value). This balance is comprised of 9% segregated short term fund, 70% bonds (of which, 27% are Corporate bonds), and 21% equities.

Market Return Performance:

As shown in Table 11 below, compared to the market return benchmarks, the fixed income portion of the LTF outperformed by 40 basis points and 160 basis points during the fourth quarter of 2020 and full year of 2020 respectively, while the global equity portion of the LTF outperformed by 110 basis points but underperformed by 550 basis points during the fourth quarter of 2020 and full year of 2020 respectively.

Overall, the total externally managed Long Term Fund has met its blended market return benchmark during the fourth quarter of 2020 and outperformed by 50 basis for the full year of 2020.

Although both asset classes outperformed their respective benchmarks during the fourth quarter of 2020, the overall invested asset only met the benchmark was due to how the fund benchmark return was weighted. The benchmark for the total fund is calculated based on the weighted average return of the target asset mix, the plan is currently transitioning towards the target asset mix and is not fully allocated at the moment.

For performance breakdown by investment manager, please see Table 12 and 13 below. Further details of performance for each investment manager has been prepared by the investment consultant (Aon) in Attachment 1 and 2.

Table 11 - Market Return (%) for the Long Term Fund (Externally Managed)*

Long Term Fund	Fixed Income	Global Equities Pooled Funds	Total
Total Fund Size (Market Value $millions)	$2,426.0	$798.6	$3,224.6
Q4 Portfolio Return (%)	1.0	10.9	2.5
Q4 Benchmark Return (%)**	0.6	9.8	2.5
Q4 Value Added (%)	**0.4**	**1.1**	**0.0**
2020 Portfolio Return (%)	9.5	9.3	10.3
2020 Benchmark Return (%)**	8.7	14.8	9.8
2020 Value Added (%)	0.8	-5.5	0.5

* From Aon Report - Performance Review and Investment (Q4 Performance)
** FTSE Canada Universe Bond Index and MSCI ACWI Index

Table 12 - Fixed Income Market Return Performance of the Long-Term Fund managed by CC&L and LW**

(Market Value $millions)	Benchmark [1](for Active subfund)	LW - Active subfund	LW - Inactive subfund	CC&L Active subfund	CC&L - Inactive subfund
Total Fund Size	N/A	$1,161.3	$202.1	$1,264.7	$97.3
Portfolio Average term (years)	11.1	10.6	8.0	11.0	8.2
Average credit quality	AA	AA	A	AA	AA
Q4 Portfolio Return (%)	0.6%	0.9%	1.1%	1.0%	0.6%
Q4 Benchmark Return (%)*	N/A	0.6%	N/A	0.6%	N/A
Q4 Value Added (%)	N/A	0.3%	N/A	0.4%	N/A
2020 Portfolio Return (%)	N/A	8.9%	9.0%	10.0%	7.8%
2020 Benchmark Return* (%)	N/A	8.7%	N/A	8.7%	N/A
2020 Value Added	N/A	0.2%	N/A	1.3%	N/A

*FTSE Canada Universe Bond Index
**From Aon Report - Performance Review and Investment (Q4 Performance) and individual manager's reporting

Table 13 - **Global Equity Pooled Funds Market Return Performance of the Long-Term Fund managed by Pier 21, Oakmark, Fiera CCF, and LGIM***

(Market Value $millions)	Pier 21	Oakmark	Fiera CCF**	LGIM**
Total Fund Size	$153.0	$131.9	$129.1	$384.6
Q4 Portfolio Market Return (%)	8.3	22.3	5.3	N/A
Q4 Benchmark (%) (MSCI ACWI)	9.8	9.8	9.8	N/A
Q4 Value Added (%)	-1.5	12.5	-4.5	N/A
2020 Portfolio Return (%)	24.6	7.9		
2020 Benchmark Return (%)	14.8	14.8		
2020 Value Added (%)	9.8	-6.9		

*From Aon Report - Performance Review and Investment (Q4 Performance)
**Full year return is not available yet for Fiera CCF and LGIM because they were funded in February 2020 and December 2020 respectively.

The fixed income portion of the Long Term Fund is under the management of LW and CCL, of which each are separated into an Active sub-fund and an Inactive sub-fund. The Inactive portions are less than 15% and 7% of the assets under management for LW and CCL respectively. The managers are only measured and compensated for the Active sub-funds. The Inactive sub-fund holds the inherited illiquid bonds (mostly municipal bonds). The manager will progressively incorporate the Inactive sub-fund into the Active sub-fund either through bond maturities or liquidation when market conditions are appropriate. The Inactive sub-funds are expected to be fully incorporated into the Active sub-funds by 2021.

Book Return Performance:

On a book return basis, investment managers earned $28.0 million in the Long Term Fund yielding an annualized return of 3.1% during the fourth quarter of 2020 and earned $147.6 million yielding 4.1% in the full year 2020. The trading activities generated $10.7 million in realized capital gains for the fourth quarter and $77.0 million for the full year 2020.

Table 14 - Long Term Fund Earned Income ($millions)

Year	Average Fund Balance (Book Value)	Earned Income	Earned Return on Capital (Annualized)
YTD - Dec. 31, 2020	**$3,592.4**	**$147.6**	**4.1%**
2020 - Q4	$3,659.0	$28.0	3.1%
2020 - Q3	$3,610.8	$46.2	5.2%

Year	Average Fund Balance (Book Value)	Earned Income	Earned Return on Capital (Annualized)
2020 - Q2*	$3,567.8	$40.6	4.6%
2020 - Q1*	$3,531.8	$32.8	3.8%
YTD - Dec. 31, 2019	$2,986.1	$187.9	6.3%
2019 - Q4	$3,246.5	$23.2	2.9%
2019 - Q3	$2,973.1	$38.2	5.2%
2019 - Q2	$2,889.3	$104.3	15.2%
2019 - Q1	$2,835.2	$22.2	3.2%

* Due to accounting adjustment on bank interest earned, Q2 was previously reported at $41.1M (4.7%) and Q1 were previously reported at $33.3M (3.8%)

Earned Income Requirement Update

The amount of forecasted earned investment income from the LTF required by the operating budget for 2020 is estimated at $143.3 million. The gross investment income of $147.6M from the Long Term Fund will be allocated to the Reserve Funds and the operating budget after deducting the Board expenses. Similar to previous years, allocations will be finalized in 2021 after actual results are tabulated and confirmed by the Accounting Services Division. Table 15 shows the remaining investment income to be allocated from the $143.3 million.

Flow of Funds - Long Term Fund

As reported in December 2019, $500 million of deemed excess liquidity was transferred to the Long Term Fund on November 1, 2019 from the Short Term Fund. The $500 million was allocated as per asset mix outlined in the Board approved Investment Plan.

There was an additional $500 million of projected excess available for transfer from the Short Term Fund to the Long Term Fund planned for April 2020. However, due to the current COVID-19 situation, this amount is no longer considered as excess liquidity and, as a result, was not transferred to Long Term Fund. Staff will continue to re-assess the City's liquidity position and advise accordingly.

Investment Policy and Plan Compliance

Council has adopted the updated Investment Policy on June 29, 2020. All investments in the Sinking Fund and Long Term Fund are consistent with the Investment Policy and the Investment Plan for the fourth quarter as of December 31, 2020 (Attachment 3).

CONTACT

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SIGNATURE

Randy LeClair
Director, Capital Markets

ATTACHMENTS

Attachment 1 - Toronto Investment Board - Discussion Guide Q4 2020 (Aon)
Attachment 2 - Performance Review and Investment (Aon) - December 31, 2020
Attachment 3 - Compliance Certificates and Reports (October 2020 - December 2020)
Attachment 4 - Flow of Funds - Sinking Funds