TORONTO

REPORT FOR ACTION

Investment Manager and Other Updates

Date: February 22, 2021
To: Toronto Investment Board
From: Director, Capital Markets
Wards: All

SUMMARY

This report provides an update on the actions taken with regards to the funding of investment managers since the last meeting of the Toronto Investment Board ("Board") on December 7, 2020. An updated Investment Plan, with the details of funding the new global equity investment manager, is included for review and adoption. Details of a re-balancing in the Sinking Fund is also provided.

Other items in this report include an update on the Request for Proposal (RFP) for an ESG Data provider, and an update on the status of the custodian review.

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.

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 7, 2020, 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 October 7, 2020. As of the meeting date,

all Equity and Fixed Income mandates set out in the Investment Plan have been signed and completed. With regards to a review of the custodial agreement, the Director, Capital Markets would provide another update to the Board as soon as more information is obtained.
http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2020.IB10.3

At its meeting on October 7, 2020, 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 July 8, 2020. The Toronto Investment Board also requested the Director, Capital Markets to review the custodial agreement and report back with an update.
http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2020.IB9.3

At its meeting on July 8, 2020, 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 December 4, 2019. The Board approved an updated Investment Plan outlined in Attachment 1 to the report, which discloses the name of the external equity manager successfully contracted.
http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2020.IB7.4

At its meetings on October 7, 2020, the Toronto Investment Board authorized the Director, Capital Markets to initiate a Request for Proposal (RFP) for a third-party information provider that could provide metrics in the area of assessing Environmental, Social, and Governance (ESG) performance which would facilitate a response to the City Council request to the Toronto Investment Board and the Chief Financial Officer and Treasurer to develop a process to monitor and report on whether or not external investment firms hired by the City are compliant with the terms of the Investment Policy with respect to ESG factors.
http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2020.IB9.5

At its meetings on June 29 and June 30, 2020, City Council approved the amendments to the City Council-approved Investment Policy related to ESG. City Council also requested the Toronto Investment Board and the Chief Financial Officer and Treasurer to develop an ESG process, to incorporate ESG factors into its investment decision making, and to consider and incorporate internationally-recognized best practices for ESG when considering any changes to the Investment Policy.
http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2020.EX14.2

COMMENTS

Global Equity and Fixed Income Mandates

As of January 2021, all Equity and Fixed Income mandates set out in the Investment Plan have been completed. The most recently signed investment manager, Legal and General Investment Management (LGIM), has received initial funding.

Investment Manager Funding and Rebalancing

Since the last meeting of the Board on December 7, 2020, transfers totaling $708.6 million were made within the fund ($376 million from Cash to the Long Term Fund; and $332.6 million from Cash to the Sinking Fund). Table 1 below details the transfers completed. An updated Investment Plan in Attachment 1 reflects this funding for LGIM.

Table 1
Transfers since last Board meeting (Dec. 7, 2020)

From	To	Investment Manager	Amount	Purpose
Cash	Long Term Fund	LGIM (Global Equity)	$376 million	Initial Funding
Cash	Sinking Fund	LGIM (Global Equity)	$210 million	Initial Funding
		Fiera (Fixed Income)	$45 million	Rebalancing
		Addenda (Fixed Income)	$45 million	Rebalancing
		PIER21 (Global Equity)	$8.6 million	Rebalancing
		Fiera Oakmark (Global Equity)	$8.50 million	Rebalancing
		Fiera Capital (Global Equity)	$15.5 million	Rebalancing

Investment Plan Update - Global Equity Benchmarks

Another change in the Investment Plan (Attachment 1) shows that both LGIM and Fiera Global Equity CCF will be using the MSCI World Index as the performance benchmark as both of these investment managers only invest in developed countries equity markets and avoid emerging markets that are included in the MSCI ACWI Index. The Long Term and Sinking Fund global equity composite, as an aggregate, is still benchmarked against the MSCI ACWI Index as is required by the Council-approved Investment Policy.

Current Funding Status of Long-Term Fund (LTF) and Sinking Fund (SF)

Attachment 2 shows the Current Funding Status of the Long-Term Fund (LTF) and the Sinking Fund (SF) as at February 12, 2021. This document shows the market value of the current allocation by asset category and also categorizes each of these by investment manager in each portfolio. This attachment also includes the available cash for each portfolio.

Environmental, Social, and Governance (ESG) Update - Data Provider

Over the past several months staff from Capital Markets Division (CMD) and Purchasing & Material Management Division (PMMD) have been gathering requirements and developing a Request for Proposal (RFP) for an ESG Data provider that will meet the

Board's and City Council's request to develop a process to monitor whether or not external investment firms hired by the City are compliant with the terms of the Investment Policy governing Environmental, Social, and Governance Factors. The RFP is near completion and is expected to be released shortly.

Investment Custodian Update

Over the past two years, the LTF and SF has been in transition with the signing and completion of eight Investment Managers, with a portion of Real Assets investment managers expected to be signed during 2021. This year will mark the first full year that the Toronto Investment Board will have all Fixed Income and Equity investment managers funded, with approximately 90% of total funds invested, 10% of which was completed between December 2020 and February 2021.

Due to timing and nature of the transition period, it was determined that a full representation of custodial fees and operational requirements has not been experienced to date. Therefore a competitive review of the investment custodian will be started at the end of 2021, at which time a more accurate assessment of the investment custodian's fees and operational requirements can be made.

CONTACT

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SIGNATURE

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ATTACHMENTS

Attachment 1 - Investment Plan Update - February 12 2021
Attachment 2 - Current Funding Status of the LTF and the SF as at February 12, 2021