REPORT FOR ACTION

# Sinking Fund and Long Term Fund - Performance and Compliance Update for the First Quarter of 2021

**Date:** May 17, 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 first quarter of 2021.

2. Investment Policy and Plan Compliance certificates and reports for the first quarter of 2021.


## 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 March 9, 2021, City Council adopted the report City of Toronto Investment Report for the Fourth Quarter and Full Year of 2020
http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2021.IB11.2

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:**

The fourth and final global equity pooled fund manager, Legal & General Investment Management ("LGIM") was funded on January 6, 2021. As a result, total equities exposure has increased to approximately twenty percent aligning with the target asset mix prescribed in the Investment Plan. In addition, $52 million was transferred to the Fixed Income asset managers on April 30, 2021 to rebalance the fund asset mix to align with the target asset mix. For more details on the historical funding to investment managers, please refer to Attachment 1.

Table 1, 2 and 3 below show the balances and asset mix of the Sinking Fund managed by these six investment managers as at March 31, 2021.

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

| Date | Fiera LDI | Addenda | Oakmark | Pier 21 | Fiera CCF[4] | LGIM | Total |
|---|---|---|---|---|---|---|---|
| May 1, 2019 (initial funding) | $679.8 | $679.9 | - | - | - | - | $1,359.7 |
| Dec. 31, 2019[1] | $498.7 | $489.4 | $62.2 | $62.0 | - | - | $1,112.3 |
| Dec. 31, 2020[2] | $739.7 | $745.6 | $75.8 | $86.1 | $74.1 | - | $1,721.3 |
| Mar. 31, 2021 | $675.7 | $679.7 | $83.0 | $86.9 | $73.2 | $220.1[3] | $1,818.6 |

[1]The decline in externally managed assets was due to the debt repayment in 2019.

[2]Asset mix rebalancing: $145 million was transferred to Fiera LDI and $166 million was transferred to Addenda on September 8, 2020. Also, $45 million was transferred to Addenda, $45 million was transferred to Fiera, $15.5 million was transferred to Fiera Capital, and $8.5 million was transferred to Oakmark in December 2020.

[3] $210 million was transferred to LGIM on January 6, 2021.

[4] Fiera CCF (Contractual Common Fund) is also known as Fiera Global Focused Equity on Aon's report

## Table 2 - Historical Asset Mix of the Sinking Fund

| Asset Class - Sectors | Policy Range | Policy Target | 12/31/19 (%) | 12/31/20 (%) | 3/31/21 (%) |
|---|---|---|---|---|---|
| Segregated Sinking Fund Short Term Fund (Internal) | 0%-100% | 0.0% | 31.1% | 20.0% | 12.3% |
| Cash & Cash Equivalents (Investment Managers) | 0%-5% | 0.0% | 0.1% | 0.2% | 0.4% |
| Government of Canada & Guarantees | 0%-100% | 30.0% | 8.0% | 13.7% | 13.8% |
| Provincial (and Guarantees) & Municipal Bonds | 0%-100% | 30.0% | 36.4% | 40.6% | 37.3% |
| Corporate Bonds | 0%-60% | 10.0% | 16.9% | 14.5% | 13.9% |
| Global Equity Pooled Funds | 0%-30% | 20.0% | 7.5% | 11.0%[1] | 22.3%[2] |
| Real Assets | 0%-15% | 10.0% | N/A | N/A | N/A |
| Total | | 100.0% | 100.0% | 100.0% | 100.0% |

1 The increase was due to the funding to a new investment manager, Fiera Capital CCF.

[2] The increase was due to the funding to a new investment manager, Legal & General Investment Management.

**Table 3 - Asset Mix held by Sinking Fund Investment Managers as at March 31, 2021 (Market Value $ millions)**

| Asset Mix - Sectors | Internal City of Toronto | Fiera LDI | Addenda | Oakmark | Pier 21 | Fiera CCF | LGIM | Total |
|---|---|---|---|---|---|---|---|---|
| Segregated Sinking Fund Short Term Fund (Internal) | 254.7 | - | - | - | - | - | | 254.7 (12.3%) |
| Cash & Cash Equivalents (Investment Managers) | - | 1.2 | 6.3 | - | - | - | - | 7.5 (0.4%) |
| Government of Canada & Guarantees | - | 188.4 | 97.7 | - | - | - | - | 286.1 (13.8%) |
| Provincial (and Guarantees) & Municipal Bonds | - | 370.3 | 402.3 | - | - | - | | 772.6 (37.3%) |
| Corporate Bonds | - | 115.7 | 173.4 | - | - | - | | 289.1 (13.9%) |
| Global Equity Pooled Funds | - | - | - | 83.0 | 86.9 | 73.2 | 220.2 | 463.3 (22.3%) |
| Total | 254.7 | 675.6 | 679.7 | 83.0 | 86.9 | 73.2 | 220.2 | 2,073.3 (100.0%) |

The cash holdings in the Sinking Fund was reduced significantly during the first quarter of 2021 due to the funding of the fourth and final global equity pooled fund manager. In addition, $52 million was transferred to the Fixed Income asset managers in April 2021 to rebalance the fund asset mix to align with the target asset mix. The remaining cash holdings are for future investment in real assets and upcoming debt repayment. 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 first quarter of 2021 was $2.1 billion in market value. This balance was comprised of 12% segregated short term fund, 65% bonds (of which, 14% are Corporate bonds), and 22% global equities.

**Market Return Performance:**

As demonstrated in Table 4 below, during the first quarter of 2021, the fixed income portion of the Sinking Fund outperformed the benchmark by 20 basis points and the global equity outperformed the benchmark by 50 basis points. The total externally managed Sinking Fund underperformed its market return benchmark by 40 basis points.

Despite the fact that both asset classes outperformed their respective benchmarks during the first quarter of 2021, the overall invested asset underperformance was due to how the overall fund blended benchmark return was weighted. The blended benchmark for the total fund is calculated based on the weighted average return of the target asset mix including real assets, the plan is currently transitioning towards the target asset mix and is not fully allocated at this point.

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 2A and 2B.

**Table 4 - Sinking Fund (externally managed) Market Return (%)**[1]

| As at Mar 31, 2021 | **Allocation** | **Performance (%)** | |
|---|---|---|---|
| **($ million)** | **Market Value** | **Q1, 2021** | **1-year** |
| Total Sinking Fund | $1,818.6 (100%) | -5.9% | 5.9% |
| Blended Benchmark - Total Fund | | -5.5% | 5.9% |
| **Value Added - Total** | | **-0.4%** | **0.0%** |
| Fixed Income | $1,355.3 (74.5%) | -8.8% | -0.2% |
| LDI Benchmark[2] | | -9.0% | -2.1% |
| **Value Added - Fixed Income** | | **0.2%** | **1.9%** |
| Global Equity[3] | $463.3 (25.5%) | 3.8% | 40.9% |
| Market Benchmark (MSCI ACWI) | | 3.3% | 37.8% |
| **Value Added - Equity** | | **0.5%** | **3.1%** |

[1] From Aon Report - Performance Review and Investment (Q1 2021 Performance)
[2] Liability Driven Investment (LDI) benchmark is customized based on the sinking fund liability
[3]LGIM was added in January 2021, thus returns provided are only for a partial quarter

### Table 5 - Fixed Income Market Return Performance of the Sinking Fund managed by Fiera LDI and Addenda[1]

| Fixed Income | Fiera LDI | Addenda |
|---|---|---|
| Total Fund Size (Market Value $millions) | $675.7 | $679.7 |
| Portfolio Average term (years) | 16.2 | 13.6 |
| Benchmark Average term (years) | 12.3 | 12.1 |
| Average credit quality | AA | AAL |
| Q1 2021 Portfolio Return (%) | -8.7% | -8.8% |
| Q1 2021 Benchmark Return (%) | -9.0% | -9.0% |
| **Q1 2021 Value Added (%)** | 0.3% | 0.2% |
| 1-year Portfolio Return (%) | -1.7% | 1.6% |
| 1-year Benchmark Return (%) | -2.2% | -2.0% |
| **1-year Value Added (%)** | 0.5% | 3.6% |

[1]From Aon Report - Performance Review and Investment (Q1 2021 Performance)

### Table 6 - Global Equity Pooled Funds Market Return Performance of the Sinking Fund managed by Pier 21, Oakmark, Fiera CCF, and LGIM[1]

| | Pier 21 | Oakmark | Fiera CCF | LGIM[2] |
|---|---|---|---|---|
| Total Fund Size (Market Value $millions) | $86.9 | $83.0 | $73.2 | $220.2 |
| Q1 2021 Portfolio Market Return (%) | 0.9% | 9.6% | -1.2% | 4.8% |
| Q1 2021 Benchmark (%) (MSCI ACWI)[3] | 3.3% | 3.3% | 3.6% | 3.6% |
| **Q1 2021 Value Added (%)** | **-2.4%** | **6.3%** | **-4.8%** | **1.2%** |
| 1-year Portfolio Return (%) | 34.5% | 64.9% | 23.1% | |
| 1-year Benchmark Return (%) | 37.8% | 37.8% | 36.7% | |
| **1-year Value Added (%)** | **-3.3%** | **27.1%** | **-13.6%** | |

[1] From Aon Report - Performance Review and Investment (Q1 2021 Performance).

[2] One year return is not available since LGIM was funded in Q1 2021.

[3] Both LGIM and Fiera CCF use the MSCI World Index as the performance benchmark because they do not invest in emerging markets that are included in the MSCI ACWI Index. The Sinking Fund global equity composite, as an aggregate, is still benchmarked against the MSCI ACWI Index

## Book Return Performance:

On a book return basis (excluding unrealized gain and losses), the Sinking Fund earned $8.3 million yielding an annualized return of 1.5% during the first quarter of 2021. Trading activities generated $0.3 million realized capital losses for the first quarter of 2021.

### Table 7 - Sinking Fund Earned Income ($millions)

| Year | Average Fund Balance (Book Value) | Earned Income | Earned Return on Capital (Annualized) |
|---|---:|---:|---:|
| Q1 2021 | $2,258.8 | $8.3 | 1.5% |
| YTD - Dec. 31, 2020[1] | $1,648.0 | $39.3 | 2.4% |
| YTD - Dec. 31, 2019 | $1,713.8 | $83.1 | 4.9% |

[1]Previously reported at $1,623M average fund balance and $36.2M (2.2%) earned income. Adjusted figures to reflect accounting accrual and interest adjustments.

## Flow of Funds - Sinking Fund

The City of Toronto has $650 million debt maturities in 2021, of which $500 million is for 3.5% Sinking Fund, and $150 million is for 5% Sinking Fund. The City has not issued debentures during the first quarter of 2021.

In 2022, the City of Toronto will have no debt maturities.

## Long Term Fund (LTF)

Activities and Balances:

The fourth and final global equity pooled fund manager, Legal & General Investment Management ("LGIM") was funded in December 2020. As a result, total equities exposure has increased to approximately twenty percent aligning with the Investment Plan. For more details on the historical funding to investment managers, please refer to Attachment 1.

Table 8, 9 and 10 below show the balances and asset mix of the Long Term Fund managed by these six investment managers as at March 31, 2021.

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

| Date | CC&L[3] | LW[3] | 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 |
| Mar. 31, 2021 | $1,298.0 | $1,294.5 | $144.6 | $154.4 | $127.6 | $401.4 | $3,420.5 |

[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

[3]Connor, Clark & Lunn Investment Management ("CC&L") and Leith Wheeler Investment Counsel Ltd ("LW")

## Table 9 - Historical Asset Mix Long-Term Fund

| Asset Class - Sectors | Policy Range | Policy Target | 12/31/19 (%) | 12/31/20 (%) | 3/31/21 (%) |
|---|---|---|---|---|---|
| Segregated Short Term Fund (Internal)* | 0%-100% | 0.0% | 23.7% | 9.3% | 9.6% |
| Cash & Cash Equivalents (Investment Managers) | 0%-5% | 0.0% | 0.8% | 0.3% | 0.8% |
| Government of Canada & Guarantees | 0%-100% | 30.0% | 7.4% | 8.6% | 10.4% |
| Provincial (and Guarantees) & Municipal Bonds | 0%-100% | 30.0% | 35.6% | 34.1% | 30.3% |
| Corporate Bonds | 0%-60% | 10.0% | 25.8% | 27.1% | 27.0% |
| Global Equity Pooled Funds | 0%-30% | 20.0% | 6.7% | 20.6% | 21.9% |
| Real Assets | 0%-15% | 10.0% | N/A | N/A | N./A |
| **Total** | | **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 March 31, 2021 (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) | 362.4 | - | - | - | - | - | - | 362.4 (9.6%) |
| Cash & Cash Equivalents (Investment Managers) | - | 29.2 | 2.2 | - | - | - | - | 31.4 (0.8%) |
| Government of Canada & Guarantees | - | 232.5 | 162.9 | - | - | - | - | 395.4 (10.4%) |
| Provincial (and Guarantees) & Municipal Bonds | - | 523.2 | 622.5 | - | - | - | - | 1,145.7 (30.3%) |
| Corporate Bonds | - | 513.1 | 507.0 | - | - | - | - | 1,020.1 (27.0%) |
| Global Pooled Fund Equities | - | - | - | 144.6 | 154.3 | 127.6 | 401.4 | 827.9 (21.9%) |
| **Total** | **362.4** | **1,298.0** | **1,294.5** | **144.6** | **154.4** | **127.6** | **401.4** | **3,782.9 (100.0%)** |

The Long Term Fund ("LTF") reduced its cash and short-term investment holdings significantly after funding LGIM in December 2020. Its current cash holding is mainly for the upcoming investment in real assets. The ending total fund balance (including segregated cash) as at March 31, 2021 was $3.8 billion (market value). This balance is comprised of 10% segregated short term fund, 68% bonds (of which, 27% are Corporate bonds), and 22% 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 20 basis points during the first quarter of 2021, while the global equity portion of the LTF outperformed by 40 basis during the first quarter of 2021. Overall, the total externally managed Long Term Fund has underperformed its benchmark by 20 basis for the first quarter of 2021.

Although both asset classes outperformed their respective benchmarks during the first quarter of 2021, the overall underperformance was due to how the overall fund's blended benchmark return was weighted. The blended benchmark for the total fund is calculated based on the weighted average return of the target asset mix including real assets, the plan is currently transitioning towards the target asset mix and is not fully allocated at this point.

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 2A and 2B.

**Table 11 - Market Return (%) for the Long Term Fund (Externally Managed)**[1]

| **As at Mar 31, 2021** | **Allocation** | **Performance (%)** | |
|---|---|---|---|
| **($ million)** | **Market Value** | **Q1, 2021** | **1-year** |
| Total Fund Size | $3,420.5 (100%) | -2.8% | 8.8% |
| Blended Benchmark - Total Fund | | -2.6% | 8.6% |
| **Value Added - Total** | | **-0.2%** | **0.2%** |
| Fixed Income | $2,592.5 (75.8%) | -4.8% | 3.2% |
| Benchmark Return[2] | | -5.0% | 1.6% |
| **Value Added - Fixed Income** | | **0.2%** | **1.6%** |
| Global Equity | $828.0 (24.2%) | 3.7% | 39.7% |
| Benchmark Return[3] | | 3.3% | 37.8% |
| **Value Added - Equity** | | **0.4%** | **1.9%** |

1 From Aon Report - Performance Review and Investment (Q1 2021 Performance)
2 FTSE Canada Universe Bond Index
3 MSCI ACWI Index

**Table 12 - Fixed Income Market Return Performance of the Long-Term Fund managed by CC&L and LW[2]**

| (Market Value $millions) | LW - Active subfund | LW - Inactive subfund | CC&L Active subfund | CC&L - Inactive subfund |
|---|---|---|---|---|
| Total Fund Size as at March 31, 2021 | $1,130.1 | $164.4 | $1,207.3 | $90.7 |
| Portfolio Average term (years) | 10.3 | 8.3 | 10.2 | 7.9 |
| Benchmark Average term (years) | 10.6 | N/A | 10.6 | N/A |
| Portfolio Average Credit Quality | AA | A | AA | AA |
| Benchmark Average Credit Quality | AA | N/A | AA | N/A |
| Q1 2021 Portfolio Return (%) | -4.9% | -4.0% | -4.8% | -3.8% |
| Q1 2021 Benchmark Return (%)[1] | -5.0% | N/A | -5.0% | N/A |
| **Q1 2021 Value Added (%)** | 0.1% | N/A | 0.2% | N/A |
| 1-year Portfolio Return (%) | 2.8% | 1.7% | 3.4% | 0.8% |
| 1-year Benchmark Return[1] (%) | 1.6% | N/A | 1.6% | N/A |
| **1-year Value Added** | 1.2% | N/A | 1.8% | N/A |

[1]FTSE Canada Universe Bond Index

[2]From Aon Report - Performance Review and Investment (Q1 2021 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**[1]

| (Market Value $millions) | Pier 21 | Oakmark | Fiera CCF | LGIM[2] |
|---|---|---|---|---|
| Total Fund Size | $154.4 | $144.6 | $127.6 | $401.4 |
| Q1 2021 Portfolio Market Return (%) | 0.9 | 9.6 | -1.2 | 4.4 |
| Q1 2021 Benchmark (%) (MSCI ACWI)[3] | 3.3 | 3.3 | 3.6 | 3.6 |
| **Q1 2021 Value Added (%)** | -2.4 | 6.3 | -4.8 | 0.8 |
| 1-year Portfolio Return (%) | 34.5 | 64.9 | 23.1 | |
| 1-year Benchmark Return (%) | 37.8 | 37.8 | 36.7 | |
| **1-year Value Added (%)** | -3.3 | 27.1 | -13.6 | |

[1]From Aon Report - Performance Review and Investment (Q1 Performance)

[2]One year return is not available yet since LGIM was funded in December 2020.

[3] Both LGIM and Fiera CCF use the MSCI World Index as the performance benchmark because they do not invest in emerging markets that are included in the MSCI ACWI Index. The Long Term Fund global equity composite, as an aggregate, is still benchmarked against the MSCI ACWI Index

The fixed income portion of the Long Term Fund is under the management of Connor, Clark & Lunn Investment Management ("CC&L") and Leith Wheeler Investment Counsel Ltd ("LW"), of which each are separated into an Active sub-fund and an Inactive sub-fund. The Inactive portions are less than 13% and 8% 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 $13.4 million in the Long Term Fund yielding an annualized return of 1.5% during the first quarter of 2021. The trading activities generated $0.8 million in realized capital losses for the first quarter of 2021.

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

| Year | Average Fund Balance (Book Value) | Earned Income | Earned Return on Capital (Annualized) |
|---|---|---|---|
| Q1, 2021 | $3,674.6 | $13.4 | 1.5% |
| YTD - Dec. 31, 2020 | $3,592.4 | $147.6 | 4.1% |
| YTD - Dec. 31, 2019 | $2,986.1 | $187.9 | 6.3% |

## Earned Income Requirement Update

The amount of forecasted earned investment income from the LTF required by the operating budget for 2021 is estimated at $127.7 million. The gross investment income of $15M 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 2022 after actual results are tabulated and confirmed by the Accounting Services Division.

## 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 first quarter as of March 31, 2021 (Attachment 3).

## CONTACT

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

Betsy Yeung, Manager, Investments;
Tel: 416-392-6302; Email: Betsy.Yeung@toronto.ca

## SIGNATURE

Randy LeClair
Director, Capital Markets

## ATTACHMENTS

Attachment 1 - Historical Funding to Investment Managers
Attachment 2A - Toronto Investment Board - Discussion Guide Q1 2021 (Aon)
Attachment 2B - Performance Review and Investment - March 31, 2021 (Aon)
Attachment 3 - Compliance Certificates and Reports (January 2021 - March 2021)