

Governance Review Updates

Date: February 1, 2022
To: Board of Directors of the Toronto Atmospheric Fund
From: Chief Executive Officer

SUMMARY

TAF and City colleagues have been working to develop a suite of proposed updates to TAF's Relationship Framework, Operating By-law and Statement of Investment Objectives and Principles (SIOP). The goal of the updates is to better reflect and accommodate TAF's operations given our significant growth and evolution since the documents were last amended. TAF and City staff will present a status update on the governance review process and seek the Board's direction on key governance matters under discussion.

In the interim, a request for City Council to update the SIOP to include an "Alternative Investments" asset class was advanced, with TAF providing the City with written assurance that investment activities undertaken by TAF pursuant to that amendment will not introduce any new risk for the City of Toronto until the full governance package is advanced for Council approval.

RECOMMENDATIONS

The Chief Executive Officer Recommends that:

1. The Board of Directors of the Toronto Atmospheric Fund receive this report for information.

FINANCIAL IMPACT

None to the City.

DECISION HISTORY

At its July 9, 2021 meeting, the TAF Board adopted amendments to the Statement of Investment Objectives and Principles and requested Council's approval via the Chief Financial Officer and Treasurer.

(<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2021.TA13.4>)

TAF's [Relationship Framework](#) with the City of Toronto was adopted June 2006 and amended and restated by City Council at its meeting May 7, 2013.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2013.EX31.6>

TAF's [Bylaw #1](#) was adopted October 31, 1995 and amended March 24, 2003.

COMMENTS

It has been determined that updates to the SIOF should be done in conjunction with updates to the City-TAF Relationship Framework and TAF By-law to reflect the growth of TAF's endowment and the evolution of its capacity and activities; TAF and City staff are working towards a package in June. Meanwhile, the Investment Committee has identified a lack of options for addressing anticipated risks associated with the equity market and inflation. In response to this time-sensitive concern, Councillors Layton and Carroll advanced a Member's Motion requesting City Council approval amendments to the SIOF to introduce an "alternative investments" asset class, with a corresponding asset mix range, target and constraints, as adopted by the Board in July 2021 (<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2022.MM39.2>). At the time of this report Council had not met; staff will provide an update on the item at the Board meeting.

Under the Toronto Atmospheric Fund Act, the Chief Financial Officer and Treasurer's (CFO/T) role is one of oversight of financial processes, while the Toronto Atmospheric Fund Board is responsible for making decisions regarding the management of the Fund and its investments and is accountable for those decisions. As requested, TAF has provided the City of Toronto with written assurance that investment activities undertaken by TAF pursuant to this amendment will not introduce any new risks for the City of Toronto; see Attachment 1. TAF undertook due diligence related to this amendment and the assurance provided including: consultation with TAF's Solicitor regarding the City's liability under the TAF Act, TAF/Toronto/Ontario Transfer Payment Agreement and TAF/Toronto/FCM Funding Agreement; determination that maximum exposure to this asset class based on current target portfolio and existing Private Equity allocations would be \$5 million; perspectives from TAF's third-party investment advisor regarding best practice approaches for institutional investors; and determination that current and required compliance and accountability mechanisms would not be affected.

CONTACT

Julia Langer, Chief Executive Officer

SIGNATURE

Julia Langer
Chief Executive Officer

ATTACHMENTS

1. Letter from TAF's Chair to Mayor John Tory