TORONTO

REPORT FOR ACTION

Investment Manager and Other Updates

Date: February 20, 2023
To: Toronto Investment Board
From: Director, Capital Markets
Wards: All

SUMMARY

This report provides the Toronto Investment Board ("Board") with an update regarding activities involving the investment managers and related parties. It includes changes to the investment manager mandates, contracts, and funding along with other related items.

There was a recent leadership change at the Feira Capital Corporation. These changes are summarized in this report along with the Flash Report from the investment consultant (Aon) in Attachment 1.

The process to hire an Environmental, Social, and Governance (ESG) data service provider is progressing. Legal agreements and other documentation for the service are nearing completion.

An update of the current funding status of Long-Term Fund ("LTF") and Sinking Fund ("SF") is provided in Attachment 2 to this report for the Board's review.

RECOMMENDATIONS

The Director, Capital Markets recommends that:

1. The Toronto Investment Board receive this report for information.

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 16, 2022, the Toronto Investment Board received a report for information from the Director, Capital Markets with regards to various updates to the investment managers and other on-going negotiations.
https://secure.toronto.ca/council/agenda-item.do?item=2023.IB1.3

At its meeting on September 23, 2022, the Toronto Investment Board received a report for information from the Director, Capital Markets with regards to various updates to the investment managers and other on-going negotiations.
http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2022.IB17.3

At its meeting on June 23, 2022, the Toronto Investment Board authorized the Director, Capital Markets to initiate a Request for Proposal on behalf of the Toronto Investment Board for an investment consultant to assist the Board and directed the Director, Capital Markets to report the results of the Request for Proposal along with a recommendation for contract award to the successful investment consulting firm to the Investment Board.
http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2022.IB16.7

At its meeting on June 23, 2022, the Toronto Investment Board authorized the Chair or the Vice Chair of the Investment Board, to execute amended agreements for the Fiera Capital Common Contractual Fund on behalf of the Investment Board.
http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2022.IB16.3

At its meeting on December 13, 2021, the Toronto Investment Board awarded contracts for investment management services. The Board also authorized the Chief Financial Officer and Treasurer, in consultation with the City Solicitor, to negotiate agreements with the firms selected as investment managers, on terms satisfactory to City Solicitor and the Chief Financial Officer and Treasurer, and authorized the Chair or the Vice Chair of the Investment Board to execute such agreements on behalf of the Investment Board.
http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2021.IB14.4

At its meeting on September 9, 2021, the Toronto Investment Board authorized the Director, Capital Markets, to initiate a non-competitive procurement to retain the recommended third-party information provider to provide metrics in the area of assessing Environmental, Social, and Governance 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 Environmental, Social, and Governance factors.
http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2021.IB13.5

At its meeting on March 9, 2021, Toronto Investment Board adopted a report that updated the Investment Plan to update the performance benchmark for two investment managers. With regards to the Board's Investment Custodian, it was agreed that a competitive review of the investment custodian will be started at the end of 2021. http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2021.IB11.3

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.
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

Leadership Change at Fiera Capital

As of January 23, 2023, Jean-Guy Desjardins, Executive Chairman, succeeded Jean-Phillippe Lemay as Chief Executive Officer of Fiera Capital Corporation. Desjardins committed to the new role for at least three years in addition to his duties as Executive Chairman. Desjardins will lead the execution of the firm's strategic plan.

Desjardins founded Fiera Capital in 2003 and is an experienced leader with a long tenure at Fiera Capital. As such, it is expected that his management style will be familiar to most at the firm.

Although there were other changes at the Executive Director level, it is understood that the changes will have limited impact on Fiera's underlying investment strategies and there have been no changes to the underlying portfolio management teams or the respective investment processes. The Board's investment consultant (Aon), recommends to take no action specifically regarding this matter, and expects no changes to any of their ratings for Fiera's funds. Further details regarding the leadership update can be found in Attachment 1 of this report.

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

The procurement of an ESG data service provider approved by the Board remains in the final stage of review. The legal review of the final agreement by both parties has taken longer than anticipated due to items of definition and terminology related to the scope of the service and reporting license. Capital Markets and Legal staff are working to have these details resolved as soon as possible.

Current Asset Mix and Rebalancing

There were no additional contributions or withdrawals to the fund in the fourth quarter as of December 31, 2022.

The Current Funding Status of Long-Term Fund ("LTF") and Sinking Fund ("SF") as at February 10, 2023 is shown in Attachment 2. 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.

CONTACT

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SIGNATURE

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Director, Capital Markets

ATTACHMENTS

Attachment 1 - Aon Flash Report - Fiera Capital CEO Change
Attachment 2 **-** Current Funding Status of the LTF and the SF