

Asset Mix - Historical Background Review

Date: May 27, 2023

To: Toronto Investment Board

From: Director, Capital Markets

Wards: All

SUMMARY

At its meeting on March 9, 2023, the Toronto Investment Board ("Board") discussed the background of the current Asset Mix contained in the current Council-adopted Investment Policy (Attachment 1).

The Investment Consultant (Aon) suggested providing a historical background review of the work completed on Asset Mix since the creation of the Toronto Investment Board ("Board") in 2017. Attachment 2 provides a summary of the multiple reviews and the results to date. Full reports and presentations can be found by following the links in the Decision History section below.

RECOMMENDATIONS

The Director, Capital Markets recommends that:

1. 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 September 23, 2022, the Toronto Investment Board received a report entitled Scenario Analysis for Long Term Strategy. The report included a confidential attachment that provided a scenario analysis that was presented by the Investment Consultant (Aon).

<https://secure.toronto.ca/council/agenda-item.do?item=2022.IB17.6>

At its meeting on June 15, 2022, City Council received a report entitled Investment Returns for the Year 2021. Attachment 1 to that report provided the City of Toronto Investment Policy and Procedures for review. The report with attachments was adopted without changes.

<https://secure.toronto.ca/council/agenda-item.do?item=2022.EX33.6>

At its meeting on March 9, 2021, the Toronto Investment Board received a report that provided an update regarding the risk and return profile of the current asset mix in light of the current market conditions as a result of events that happened during 2020 relating to COVID-19. The Toronto Investment Board requested the Investment Consultant, in consultation with relevant City staff to compile information to help inform a conversation at the next meeting of the Toronto Investment Board on a potential asset mix study and report to the next meeting of the Board.

<https://secure.toronto.ca/council/agenda-item.do?item=2021.IB11.5>

At its meeting on April 5, 2018, the newly hired Investment Consultant (Aon) provided a presentation entitled Investment Plan Consideration in which the results from Morneau Shepell were reviewed and suggestions to modify the Investment Policy were considered and adopted.

<https://secure.toronto.ca/council/agenda-item.do?item=2018.IB4.5>

At its meeting on November 13, 2017, the Toronto Investment Board received a presentation from Morneau Shepell regarding the Asset Mix potential outcomes including the risk and return profile along with reviewing the draft City of Toronto Investment Policy and Procedures.

<https://secure.toronto.ca/council/agenda-item.do?item=2017.IB1.6>

COMMENTS

The Asset Mix is a key driver of the risk and returns of any portfolio. The City of Toronto Investment Policy and Procedures (Attachment 1) contain the Asset Mix for the two main portfolios managed by the Board, namely the Long Term Fund and the Sinking Fund. Any changes to the Asset Mix (or other items in the Investment Policy) must be approved by City Council.

Following a discussion by Board members at the previous meeting, the Investment Consultant (Aon) suggested a historical background review of the work completed on the Asset Mix. The review would outline the evolution of the current mix along with providing the risk/return features during the review period. Attachment 2 provides a

presentation from Aon that reviews the work completed since the inception of the Board in 2017.

Links to the initial study completed by Morneau Shepell in 2017 along with further reviews by Aon in 2018, 2021 and 2022 can be found in the Decision History of this report.

CONTACT

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SIGNATURE

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ATTACHMENTS

Attachment 1 - City of Toronto Investment Policy and Procedures - June 2022 (EX33.6)

Attachment 2 - Asset Mix Strategy Review – Introduction (Aon)