TORONTO

REPORT FOR ACTION

Investment Manager and Other Updates

Date: September 7, 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.

Further to the announcement at the last Board meeting regarding the Fiera Capital Corporation ("Fiera") decision to close the Fiera Global Equity Common Contractual Fund ("Fiera CCF"), several options have been proposed. An evaluation of these options by the investment consultant, external legal counsel, tax advisors, and City staff is currently underway. After a meeting with Fiera, it was agreed that Fiera will cover all the fixed costs for Fiera Common Contractual Fund ("Fiera CCF") while the next course of action is decided.

An update of the current funding status of Long-Term Fund ("LTF") and Sinking Fund ("SF") is provided in Attachment 1 to this report for the Board's review.

RECOMMENDATIONS

The Director, Capital Markets recommends that the 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 June 19, 2022, the Toronto Investment Board authorized the Chair or the Vice Chair of the Investment Board to execute amended agreements for the Oakmark Global Pooled Fund II on behalf of the Investment Board.
https://secure.toronto.ca/council/agenda-item.do?item=2023.IB3.3

At its meeting on March 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.IB2.6

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 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.
https://secure.toronto.ca/council/agenda-item.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

Fiera Capital - Fiera Capital Common Contractual Fund ("Fiera CCF")

The Fiera CCF was set up as a non-taxable offering for investors like the City of Toronto that are not a pension fund, endowment, or charity that are specifically named in legislation as a non-taxable entity. We were further advised not to co-mingle with these other entities as it may result in punitive charges from other investors should the City's funds be declared as taxable.

Initially, the Fiera CCF only had one additional investor other than the City of Toronto and Fiera was hopeful that other non-taxable investors would be attracted to the Fiera CCF over time. However, the other current investor has now decided to exit the fund which leaves the City of Toronto as the sole investor in the fund. Fiera is concerned that a fund with a single investor will attract the attention of tax authorities and deem the fund as taxable. There are also additional fixed costs (other than management fees) which are usually spread across several investors which the City will have to pay on its own should the fund continue. Given this situation, Fiera has agreed to cover all the fixed costs until the next course of action is decided.

The Fiera CCF continues to have PineStone Asset Management ("PineStone") as Sub-Advisor to the fund. PineStone also manages other similar global equity offerings for Fiera so other options using the same manager and strategy is under review by the investment consultant (Aon) along with external legal counsel, and the tax advisor. A recommendation and course of action will follow when the review is completed.

Current Asset Mix

The Current Funding Status of Long-Term Fund ("LTF") and Sinking Fund ("SF") as at August 31, 2023 is shown in Attachment 1. 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.

It should be noted the SF will experience a $300 million debt re-payment on September 29, 2023 and will use available cash to fund this transaction.

CONTACT

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SIGNATURE

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Director, Capital Markets

ATTACHMENTS

Attachment 1 - Current Funding Status of the LTF and the SF