

ATTACHMENT 1

Toronto Investment Board Investment Plan – Long Term and Sinking Fund Assets

September 26, 2024

APPROVED on this day of , 2024

on behalf of Toronto Investment Board

Contents

Section 1 — Governance	3
1.01 Purpose	3
1.02 Limitations	3
1.03 Legal Authority	3
1.04 Review	3
1.05 Roles and Responsibilities	3
1.06 Portfolio Overview	3
Section 2 — Investments.....	4
2.01 Investment Principles	4
2.02 Return Objectives	4
2.03 Recommended Asset Mix.....	4
2.04 Rebalancing Asset Mix.....	4
2.05 Investment Management Structure	5
2.06 Active and Passive Investment Management	5
2.07 Environmental, Social and Governance Factors	5
Appendix A — Transition Plan.....	6

Section 1 — Governance

1.01 Purpose

The purpose of this document is to guide the implementation of the Plan from its current asset mix to its target asset mix (Section 2.04 – Asset Mix). This document will also outline the transition from the current to target asset mix and will then be used to guide the invested assets.

1.02 Limitations

As set by the Council-approved Statement of Investment Policies and Procedures for the City of Toronto Investment funds dated June 26, 2024.

1.03 Legal Authority

Ontario Regulation 360/15 under the City of Toronto Act, 2006.

1.04 Review

The Board will review and update the Investment Plan at least annually.

1.05 Roles and Responsibilities

Toronto Investment Board – Lead Decision Maker
Chief Financial Officer or Corporate Finance Staff – Administer the Plan
RBC Investment and Treasury Services – Custodian of assets
Aon Solutions Canada Inc. – Consultant to the Toronto Investment Board

1.06 Portfolio Overview

a. Long Term Fund

The Long Term Fund will be used to meet the longer-term liabilities of Reserves and Reserve Funds, and other surplus funds not immediately required. The investment horizon will be in line with the nature of the underlying liabilities, currently ten years (approximately).

b. Sinking Fund

The Sinking Fund allows for the orderly repayment of debt issued by the City. The Sinking Fund is comprised of several sub-funds, which have a different required rate of return. As debt is issued by the City, each specific issue is assigned to a sub-fund. The City will then make annual contributions to this sub-fund, based on the expected return.

Section 2 — Investments

2.01 Investment Principles

The City's overall investment objectives as being the following, in order of importance:

- Safety of principal
- Adequate liquidity
- Sufficient diversification
- Capital appreciation

2.02 Return Objectives

Each of the portfolios is expected to achieve a gross return at least equal to the defined asset mix and respective composite benchmark (Section 2.03 – Asset Mix) measured over a moving four-year period.

2.03 Recommended Asset Mix

Long Term Fund and Sinking Fund Asset Mix

Assets	Minimum %	Maximum %	Target Mix %	Benchmark Index
Global ACWI Equity	0.0	30.0	20.0	MSCI ACWI (CAD)
Total Equity	0.0	30.0	20.0	MSCI ACWI (CAD)
Canadian Bonds	0.0	100.0	70.0	Custom ⁱ
Total Fixed Income	50.0	100.0	70.0	FTSE Canada Universe Bond Index
Real Estate ⁱⁱ	0.0	10.0	5.0	
Infrastructure	0.0	10.0	5.0	
Total Real Assets	0.0	15.0	10.0	Canadian CPI + 5%
Cashⁱⁱⁱ	0.0	5.0	0.0	FTSE Canada 91-Day T-Bill Index

2.04 Rebalancing Asset Mix

The asset mix will be monitored on a quarterly basis. Portfolios will be rebalanced to as close to the target portfolio as is reasonably possible when any one asset class exceeds the minimum or maximum defined range(s). All attempts will be made to manage the asset mix of the portfolio using cash flows. Otherwise rebalancing will be done through open market activity. The Board acknowledges varying market liquidity and expects transactions to be completed as soon as reasonably viable given the plan objective outlined above.

2.05 Investment Management Structure

The investment management structure below provides a draft outline following implementation of the Recommended Asset Mix described in Section 2.04.

Asset Class	Long Term Fund	Sinking Fund
Global ACWI Equity	Legal & General Investment Management (LGIM) ^v	
	C. Worldwide Asset Management	
	Harris Associates L.P.	
	Fiera Capital Corporation ^v	
Fixed Income	Connor, Clark & Lunn Investment Management Ltd.	Addenda Capital
	Leith Wheeler Investment Council Ltd.	Fiera Capital Corporation
Real Assets	UBS Asset Management ^{vi}	CBRE Investment Management ^{vii}

2.06 Active and Passive Investment Management

The Investment Board believes that active management provides the best opportunity to meet the objectives of each of the plan while also protecting capital. The Investment Board; however, will consider both active and passive management options in the implementation of the Recommended Asset Mix (Section 2.04). The Investment Board would prefer that any active management strategies considered be ‘fee efficient.’

2.07 Environmental, Social and Governance Factors

The Investment Board should incorporate ESG factors into its investment decision-making through its due diligence processes when choosing Investment Managers. As such, when a prospective investment manager is assessed, or an existing Investment Manager is reviewed, the Investment Board will consider the Investment Manager’s ESG policies. The approach to ESG integration in the investment process will; however, vary both between and within asset classes based upon a number of factors, including the degree of control exercised by the Investment Board, contractual restrictions and the nature of the investment.

Appendix A — Transition Plan

The purpose of the transition plan is to outline how the assets of the Long Term and Sinking Fund will move from its current asset mix to the asset mix set out in Section 2.04 – Recommended Asset Mix.

Effective May 1, 2019, 100% of the allocated assets were transferred to each of the fixed income managers. The fixed income managers have been given a transition period of two months (ending June 30, 2019), at which time they can request an extension (due to market circumstances) or officially begin the mandate and benchmarked against their respective indices. During the transition period, as a primary benchmark, each manager has agreed to measure performance against the FTSE Canada Universe Bond Index; however, recognize a tolerance range of +/- 2.0%. As a secondary benchmark each manager will provide a transition cost analysis benchmarked against the cost of trading under normal conditions.

Effective November 1, 2019, approximately 33.3% of the target equity portfolio was allocated to two of the four global equity managers.

Effective February 12, 2020, approximately 16.7% of the target equity portfolio was allocated to the third global equity manager.

Effective December 14, 2020, the remainder of the target equity portfolio for the Long Term Fund was allocated to the LGIM multi-factor global equity mandate. As well, the remainder of the target equity portfolio allocation for the Sinking Fund was allocated to the LGIM multi-factor global equity mandate effective January 6, 2021.

Effective August 1, 2024, 2.5% of the total asset mix belonging to the real assets category was allocated to UBS Global Real Estate Fund. Allocation of the remaining 2.5% to the CBRE Global Alpha Fund has been committed and is pending capital call.

Approximately 5% of total asset mix, belonging to real assets category, is currently unfunded. Real assets will be funded following approval of real asset managers and as bonds mature and/or cash flows come in.

i As it relates to the Long Term Fund, the benchmark will be 100% FTSE Canada Universe Bond Index. As it relates to the Sinking Fund, the benchmark will be a custom LDI benchmark calculated on an ongoing basis by the investment managers based on the underlying liabilities of the individual funds

ii The two underlying Real Estate Managers are UBS Asset Management and CBRE Investment Management. UBS Global Real Estate Fund Selection (GREFS) has a target net annual return of 5-7% in EUR over a full market cycle, which the manager views as 5-7 years. CBRE Global Alpha Fund has an investment objective to achieve a nominal total return over a rolling 3 year period of between 9-11% in local currency per annum net of all fees and expenses.

iii Excess cash (over maximum limit) shall be held in the Short Term Fund, not covered by this Investment Plan, until such time that the Investment Board has determined an appropriate allocation for these funds.

iv The LGIM fund is benchmarked against the MSCI World Index as this strategy is comprised of developed market equities only. The LGIM fund is passively managed and benchmarked against the Sci Beta Developed Four Factor Index. The Long Term and Sinking Fund global equity composite, as an aggregate, is benchmarked against the MSCI ACWI.

v Fiera global equity fund is benchmarked against the MSCI World Index as the strategy is comprised of developed market equities only. The Long Term and Sinking Fund global equity composite, as an aggregate, is benchmarked against the MSCI ACWI

vi UBS Global Real Estate Fund Selection (GREFS) has a target net annual return of 5-7% in EUR over a full market cycle, which the manager views as 5-7 years

vii CBRE Global Alpha Fund has an investment objective to achieve a nominal total return over a rolling 3 year period of between 9-11% in local currency per annum net of all fees and expenses