

Section I – Items for Board of Directors Action

TO: Chair and Members of the Executive Committee
Friday, April 14, 2023 Meeting

FROM: Michael Tolensky, Chief Financial and Operating Officer

RE: **INVESTMENT STATEMENT OF POLICY AND PROCEDURES UPDATE**
Approval of amendments to Investment Policy and Procedures

KEY ISSUE

Approval of updates to the Toronto and Region Conservation Authority's (TRCA) Investment Statement of Policy and Procedure.

RECOMMENDATION:

THAT updates to TRCA's Investment Statement of Policy and Procedures be approved.

BACKGROUND

At the Board of Directors meeting held on January 24, 2020, Resolution RES.#A241/19 approved updates to TRCA's Investment Policy. TRCA's Investment Policy included in Attachment 1, takes into consideration a review of TRCA's existing investment policy, detailed review of municipal investment policies, review of standard policies and operating procedures for public sector and other not-for-profit organizations, as well as inclusion of feedback from the investment management team at RBC Dominion Securities. Overall, the Investments Policy reflects a practical approach to managing risk and improving financial returns.

The policy reached it's 3-year review cycle on January 24, 2023, as a result, a review of the policy was completed in consultation with the investment management team at RBC Dominion Securities.

RATIONALE

The purpose of this Statement of Policy and Procedure is to provide guidance over the management of Toronto and Region Conservation Authority's (TRCA) cash, short-term and long-term funds. TRCA's investment objective is to ensure that its financial assets are invested in a prudent manner and increase the likelihood that such assets will meet obligations as they come due.

A review of the Investment Policy was conducted, including an assessment of the reasonability of policy statements and procedures, appropriateness of benchmark indices and general overall feedback from RBC Dominion Securities with respect to the general investment categories and asset mix.

In consultation with RBC Dominion Securities, it was determined that the existing Investments Policy mix of cash and cash equivalents, fixed income, and equity investments, as previously approved by the Board, continues to balance any risk in volatility and returns. The target asset mix takes into consideration the possible effect of inflation, the expected return and investment risk of each proposed asset class, and TRCA's need for liquidity, capital preservation and income.

The following is a summary of TRCA's asset mix as of December 31, 2022. The portfolio is in line with the approved asset mix targets throughout the year, with one variance (long-term fixed income government bonds) due to the timing of trading activities as the portfolio is repositioned among the asset categories.

Asset Class – Short Term	Market Value	% of	Minimum	Maximum	Target Allocation
	\$	Portfolio	%	%	%
Cash and Cash Equivalents					
One Investment - High Interest Savings Account Portfolio	7,053,275				
RBC - Cash, demand deposits, treasury bills, bankers acceptances	1,962,320				
	9,015,595	59.4%	30	100	30
Fixed income*					
One Investment - Canadian Government Bond Portfolio	3,608,786	23.8%	0	70	20
Obligations of Banks, Insurance and Trust Companies (including; bonds, deposit notes, GICs, term deposits, or equivalent)	-	0.0%	0	70	30
Commercial Paper and Corporate Bonds					
One Investment - Canadian Corporate Bond Portfolio	2,540,935	16.8%	0	50	20
Total Short-term Investments	15,165,317	68.9%			100%

Asset Class – Long-Term	Market Value	% of	Minimum	Maximum	Target Allocation
	\$	Portfolio	%	%	%
Fixed income					
RBC - Federal, Provincial, Municipal bonds	1,781,341	26.0%	30	100	50
RBC - Commercial Paper and Corporate Bonds	3,432,680	50.0%	0	70	30
Equity (including; common preferred stock, real estate income trusts, exchange traded funds)					
One Investment - Canadian Equity Portfolio	791,186				
RBC - Canadian Equities	853,419				
Total Equity	1,644,605	24.0%	0	30	20
Total Long-term Investments	\$ 6,858,626	31.1%			100%
Total Investments	\$ 22,023,943	100%			

Section 5.30 of the policy sets the criteria and benchmarks for measuring the performance of the portfolio. The benchmarks have been updated to better reflect the investment type and the market index that best represents the investment.

For short-term investments, the benchmark has been updated from the FTSE TMX 30-day Treasury Bill Index to the FTSE Canada Short Term Overall Bond Index. The FTSE TMX 30-day Treasury Bill Index is the market index commonly used to benchmark the performance of Government of Canada Treasury Bills.

For fixed income investments, the benchmark has been updated from the Bloomberg Barclays Short Aggregate Enhanced Yield Index to the FTSE Canada Universe Bond Index™. The FTSE Canada Universe Bond Index is the index commonly used to measure the performance of fixed-rate, investment grade domestic government and corporate bonds denominated in Canadian dollar.

The following shows TRCA's investment performance compared to the benchmarks. Overall TRCA's is outperforming the total benchmarks for the portfolio.

Benchmarks:

Equities = S&P TSX Composite Fixed Income = FTSE TMX Canada Bond Universe

2022

	TRCA RETURN	AVERAGE WEIGHT	BENCHMARK
EQUITIES	(15.1)%	11.0%	(8.7)%
FIXED INCOME	(7.2)%	89.0%	(11.7)%
TOTAL	(8.1)%	100%	(11.4)%

Source: Bloomberg Financial

Relationship to TRCA's 2022-2034 Strategic Plan

This report supports the following Pillar and Outcome set forth in TRCA's 2023-2034 Strategic Plan:

Pillar 4 Service Excellence:

4.4 Transparent decision making and accountable results

DETAILS OF WORK TO BE DONE

Upon Board approval, the updated policy will be shared with RBC Dominion Securities.

Report prepared by: John Arcella

Email: John.Arcella@trca.ca

For Information contact: Michael Tolensky, (437) 880-2278

Email: Michael.Tolensky@trca.ca

Date: March 21, 2023

Attachments: 4

Attachment 1: CS-3.10-P Investment Statement of Policy and Procedure - Updated

Attachment 2: CS-3.10-P Investment Statement of Policy and Procedure - With Edits

Attachment 3: RBC Dominion Securities Inc. Account Statement – December 30, 2022 (Confidential)

Attachment 4: One Investment Account Statement – December 31, 2022 (Confidential)