

In order that the Treasurer can feel confident that they have the full authority to invest through The One Investment Program, it is recommended that the Treasurer seek Council approval to add all One Investment Program Portfolios (HISA, Money Market, Bond, Corporate Bond, and Equity) as eligible investments for the municipality.

To this end, following is a sample staff report recommending the addition of The One Investment Program as eligible investments under the municipality's existing investment policy.

To: Members of Council (or Committee)

From: Treasurer

Re: Addition of co-mingled public sector Investments to the Investment Policy

Amendments made to the *Municipal Act* in 1992 allow Ontario municipalities to participate in joint municipal investment strategies. These amendments permitted municipalities to pool their investments in order to gain the opportunity to earn higher returns through access to larger, diversified, high-quality investment portfolios.

Local Authority Services -LAS (an affiliate of the Association of Municipalities of Ontario) and the CHUMS Financing Corporation (a subsidiary of the Municipal Finance Officers' Association of Ontario) both established investment pools in response to the 1992 amendments. In 1995, LAS and CHUMS combined their efforts to create a single professionally-managed investment program known as *ONE - The Public Sector Group of Funds* (commonly referred to as the "One Funds"). One historically offered a Money Market Portfolio and a Bond Portfolio, but an Equity Portfolio was added in 2007 and a Corporate Bond Portfolio in 2008.

The Corporate Bond and Equity portfolios were launched as a result of 2005 amendments to the *Municipal Act Eligible Investment Regulation* (O. Reg. 438/97) allowing municipalities to invest in Canadian equities and longer term Canadian corporate bonds. The regulation however offered access to these investment types only through The One Investment Program. Throughout 2006, One worked with a diverse committee of municipal investment practitioners to develop investment policies and operating guidelines for both the Equity and Corporate Bond Portfolios, and to select professional managers for the two new portfolios.

In February 2010 the Program was renamed "The One Investment Program". The program has continued to grow in recent years and now also welcomes investment from organizations within the broader Ontario public sector. Investors from the broader public sector include conservation authorities and municipal services boards, but the program is also available to hospitals and other segments of the MUSH sector.

In 2015, The One Investment Program also launched a High Interest Savings Account (HISA) option with a Schedule 1 Canadian bank, that is fully liquid, and where all municipal investments are CDIC insured. The HISA provides a tiered competitive rate of return for municipal deposits premised on the collective investment power of the municipal sector.

Local co-mingled (pooled) government investments are not a new idea, with many having been established in jurisdictions across Canada and the United States. They have proven to be highly successful and popular investment

and cash management tools for municipalities. Participation in such pools is, in fact, recognized as a recommended practice for achieving portfolio diversification and liquidity by the Government Finance Officers Association of the United States and Canada.

Since 1995, The One Investment Program has successfully met the needs of Ontario municipalities by providing safe and high-quality investment opportunities. Asset levels in One at the end of 2015 investment balances are approximately \$740M range. The Program provides professional investment services to more than 105 organizations, and performance has been competitive against other permitted alternative investments for Ontario municipalities.

All One Portfolios are governed by formal investment guidelines requiring that monies be invested only in instruments allowed under the *Municipal Act*, with additional restrictions being established by the guidelines. All Portfolio Guidelines are available for review on The One Investment Program website: www.oneinvestmentprogram.ca.

One currently utilizes the professional investment services of MFS Investment Services for our Money Market, Bond, and Corporate Bond Portfolios, and Guardian Capital LP for our Equity Portfolio. Both organizations have billions in assets under management and have a long track record of managing large multi-customer investment pools.

The investment guidelines and manager activities for each investment portfolio are monitored by One staff, an independent third-party investment consultant, as well as the One Advisory Committee, which is comprised primarily of senior public sector officials appointed by LAS and CHUMS. In addition, the program also receives periodic oversight from the MFOA/CHUMS and LAS Board of Directors, comprised of municipal finance professionals and municipal administrators and elected officials, respectively.

There is no requirement for municipalities to invest for a specified period in The One Investment Program; money can be invested, withdrawn or transferred at any time, although each of the Portfolios has been established with a certain investment duration in mind. If investment/redemption instructions are provided by 4:00 p.m. on any banking day, the funds are deposited or withdrawn, as the case may be on, the next banking day. The minimum transaction amount is \$5,000 for any Portfolio. There are no penalties or fees for deposit or withdrawal at any time.

As an added value, investors also have password protected access to their account balances through a secure portion of the One website. Portfolio balances and unit pricing are updated daily for each investor and account.

Investment fees for all invested monies are calculated on a daily basis based on the total balance held in the account, and all performance figures provided by One are always posted net of fees. Current One Investment Program annual fees are lower than any other available public sector investment pool, as follows:

- Money Market - 19 Basis Points
- Bond - 40 Basis Points
- Universe Corporate Bond - 45 Basis Points
- Equity - 60 Basis Points
- HISA – 10 basis points

For the fees paid, each investor receives numerous benefits, including but not limited to:

- Professional money management
- Reduced risk through diversification and regular investment oversight

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- Flexibility & liquidity of investments
 - Accounting & performance reporting
 - Legal costs for program related issues
 - Regulatory compliance guarantee
 - Lower brokerage costs

To allow for the investment of municipal funds through a co-mingled public sector investment program in order to leverage enhanced returns and reduced administration costs, it is recommended that The One Investment Program be added to the municipality's list of eligible investments.

IT IS THEREFORE RECOMMENDED THAT *The One Investment Program be added to the municipality's investment policy as an allowable investment option, as the securities held in the One Portfolios consist exclusively of highly-rated, diversified investment instruments that are guaranteed to be eligible investments as defined in O. Reg. 438/97 (as amended) under the Municipal Act.*