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The Regional Municipality of Durham Report

To: Finance & Administration Committee
From: Commissioner of Finance
Report: #2024-F-6
Date: April 9, 2024

Subject:

Prudent Investor: Adoption with ONE Joint Investment Board & Investment Policy update

Recommendation:

That the Finance & Administration Committee recommends to Regional Council:

- A) That the proposed Investment Policy Statement, attached to the Prudent Investor Enabling By-law, be approved;
- B) That the Commissioner of Finance/Treasurer be authorized to execute the ONE Joint Investment Board Agreement, attached to Prudent Investor Enabling By-law, subject to the final form and content being to the satisfaction of the Commissioner of Finance/Treasurer and the Regional Solicitor;
- C) That the draft Investment Plan (“IP”) attached to this report be received for information; and
- D) That the Prudent Investor Enabling By-law be enacted to authorize investing under the Prudent Investor standard as required by Ontario Regulation 438/97 and authorize execution of the ONE Joint Investment Board Agreement delegating control and management of the Region’s money not required immediately to the ONE Joint Investment Board.

Report:

1. Purpose

- 1.1 This report recommends a suitable governance structure and investment management services provider to facilitate adoption of the Prudent Investor (“PI”) standard for the investment of long-term funds.

- 1.2 This report proposes an updated Investment Policy Statement (“**IPS**”) to reflect the new investment powers conveyed to the Region under Section 418.1 of the Municipal Act, 2001, as amended.

2. Previous Reports and Decisions

- 2.1 On October 26, 2023, Council approved the adoption of the Prudent Investor Standard and instructed staff to determine the most suitable governance structure, proceed with next steps and report back as required ([#2023-F-23 Prudent Investor: Options Analysis and Next Steps for Adoption](#)).

3. Background

- 3.1 To identify a suitable governance structure, staff explored the potential for establishing a Durham Region Joint Investment Board (“**Durham JIB**”) with the local area municipalities. A presentation was made to the Area Treasurers in November 2023 describing the characteristics of the PI standard, communicating the Region’s intentions to pursue adoption and presenting the option to partner together to build a solution for all Durham municipalities. Ultimately, due to conflicting priorities, and varying levels of surplus funds and investment program sophistication, there was insufficient interest to establish a JIB. Regional staff will continue to gauge interest with the local municipalities for a Durham JIB in the future.
- 3.2 Establishing an Investment Board (“**IB**”) presents many of the same challenges and complexities as JIB. Given the material upfront and ongoing cost estimates, prolonged implementation period and extensive support required from internal staff and external resources, the business case for creating an IB was not deemed to be the optimal governance structure.
- 3.3 Staff worked closely with ONE Investment to understand the value proposition and fee structure of the ONE Joint Investment Board (“**ONE JIB**”) and PH&N Institutional (“**PH&N**”) as their Outsourced Chief Investment Officer (“**OCIO**”). After a series of meetings, it was determined that joining ONE JIB as a participating municipality was a cost effective, efficient way to adopt PI.
- 3.4 As part of the requirements to transition to PI through ONE JIB, an updated Investment Policy Statement is required to identify investment objectives for the short-term portfolio, managed internally and comprised of money required immediately (“**MRI**”), and the long-term portfolio, managed externally by the JIB and comprised of money not required immediately. These terms are part of the Regulation as outlined in 2023-F-23 and are not to be interpreted as surplus funds but rather an exercise to match the timing of funds with planned/forecasted expenditures.

4. Definitions

- 4.1 **Founding Municipalities:** the municipalities of The Corporation of the Town of Bracebridge, The Corporation of the Town of Huntsville, The Corporation of the Town of Innisfil, The Corporation of the City of Kenora, The District Municipality of Muskoka, and The Corporation of the Town of Whitby, who established ONE JIB pursuant to the Regulation and the Initial Formation Agreement.
- 4.2 **Initial Formation Agreement:** the agreement between the Founding Municipalities dated as of May 19, 2020, under which ONE JIB was formed.
- 4.3 **Investment Plan (IP):** the investment plan developed by an IB or Joint Investment Board and applicable to long-term funds investments under the Regulation, as amended.
- 4.4 **Investment Policy Statement (IPS):** the investment policy applicable to the Municipality's investments adopted and maintained by the Council for long-term funds under the Regulation, and for short-term funds, as the same may be amended from time to time.
- 4.5 **Joint Investment Board (JIB):** a joint municipal service board that is established under section 202 of the Act by two or more municipalities for the purposes of Part II of the Regulation.
- 4.6 **Legal List securities:** the securities, other investments and financial instruments that are included from time to time in Part I of the Regulation.
- 4.7 **Money Not Required Immediately (MNRI):** the long-term funds that will be invested in accordance with the Prudent Investor standard.
- 4.8 **Money Required Immediately (MRI):** short-term funds or money to be used to meet financial obligations within the next 36 months.
- 4.9 **Outsourced Chief Investment Officer (OCIO):** the full or partial outsourcing of MNRI to an asset management firm or investment consultant through a JIB based on the Council approved IPS.
- 4.10 **Ontario Securities Commission (OSC):** an independent Crown agency that regulates Ontario's capital markets by making rules that have the force of law and by adopting policies that influence the behaviour of capital markets participants.
- 4.11 **Participating Municipality:** refers to the municipalities for whom ONE JIB acts as the JIB under the terms of the ONE JIB Agreement.
- 4.12 **Prudent Effective Date:** means the agreed upon effective date of the Municipality's authorization of the application of Section 418.1 of the Act to it on which the Prudent Investor Standard applies to the Municipality.

- 4.13 Prudent Investor (PI) standard: applies when a municipality invests MNRI under section 418.1 of the Act. It requires a Municipality to exercise the care, skill, diligence and judgment that a prudent investor would exercise when investing and does not restrict the securities in which a municipality can invest.

5. Recommended Governance Structure

- 5.1 Staff have reviewed the resources, costs, regulatory requirements and implementation time of the governance options listed below and concluded that joining the ONE JIB is the optimal solution for transitioning to PI.
- i. Transition to the PI and establish an independent IB;
 - ii. Transition to the PI and establish a JIB with one or more other municipalities (e.g., Durham Region JIB); or
 - iii. Transition to the PI and invest through an existing JIB (e.g., ONE JIB).
- 5.2 Under PI, control and management of cash and investments qualifying as MNRI will be delegated to ONE JIB to manage long-term investments (i.e., control of day-to-day investing) and ensure that municipalities utilizing PI have long-term investment decisions made by qualified external experts. MRI will remain under the authority of the Region with investment activities undertaken through current staffing and reporting requirements.
- 5.3 This structure provides an opportunity to collaborate with an OCIO to access and leverage enhanced levels of dedicated staffing, external investment expertise and risk management capabilities.

6. Rationale for Joining ONE JIB

- 6.1 Service excellence is one of the pillars of the Region's current strategic plan. By partnering with ONE Investment to adopt PI and investing through ONE JIB, it exemplifies a dedication to implement best practices and effectively manage resources to deliver exceptional services and value.
- 6.2 The Region is also demonstrating leadership in the public sector by illustrating our value, promoting collaboration, prudently investing taxpayer dollars, and paving the way for other municipalities by being the first regional municipality to participate in ONE JIB's OCIO model under PI. Durham Region staff have collaboratively worked with ONE Investment and external legal counsel to lead policy development and advocated for other municipalities during the development of the "ONE JIB (OCIO)" model. As a participating member of ONE JIB, the Region would be removing barriers to entry and lowering management fees to ensure investing under PI is accessible to all interested Ontario municipalities.
- 6.3 As the Region's investments are aggregated with other participating municipalities, it will create economies of scale, decreasing investment management costs across a broad array of investment products, and providing additional opportunities to enhance diversification and earn higher risk adjusted returns.

- 6.4 Fixed costs are shared by all participating municipalities which makes it a more affordable option.
- 6.5 Through a competitive process, ONE Investment has chosen PH&N as their OCIO to act as a sub-advisor on behalf of ONE JIB and support the asset management needs of municipalities. PH&N is one of Canada's largest asset management firms and exclusively implements OCIO client portfolios through their extensive offering of internal investment products overseen by the firm and its affiliates. At the end of 2023, PH&N managed 98 Canadian OCIO clients accounting for over \$24.5B in Assets Under Management (“**AUM**”), including several municipalities in British Columbia through The Municipal Finance Authority of BC.
- 6.6 [ONE JIB board members](#) are primarily investment professionals with some representation from municipalities (limited by Regulation). ONE Investment is in the process of obtaining final approvals to amend the ONE JIB terms of reference to expand the board to 12 members. This change was undertaken to provide an opportunity for the Region of Durham Treasurer to join in 2024, prior to the Region’s Prudent Effective Date. The Regional Treasurer would be one of only three municipal treasurers/deputy treasurers on the Board with board members appointed for three-year terms, up to a maximum of nine years. No other municipal staff or elected officials are permitted to be appointed to a JIB by virtue of provincial legislation. Concurrently with this appointment, the Region of Durham Treasurer would need to step down as a member of the ONE Investment Board as a representative appointed by the Municipal Finance Officers’ Association to ensure there are no concerns over conflict of interest between the two boards.
- 6.7 ONE JIB was established in 2020 and provides an opportunity to leverage the knowledge and experience of a proven PI solution. At the end of 2023, there were 11 municipalities investing \$665.5M collectively through ONE JIB. These municipalities were the Towns of Aurora, Aylmer, Bracebridge, Huntsville, Innisfil and Whitby, Cities of Kenora, Quinte West, Thunder Bay, Municipality of Neening and District Municipality of Muskoka.
- 6.8 ONE Investment’s ONE JIB (OCIO) model can also be utilized by the local Durham municipalities to facilitate their transition to PI. Interested local municipalities can request approvals at the same time with the Region or make a transition decision at a later date.
- 6.9 As a participating municipality that is not one of the founding members of ONE JIB, the Region retains the flexibility to transition away from ONE JIB in the future to create its own IB or Durham JIB without jeopardizing other participating municipalities. For example, if the long-term portfolio experiences sustained periods of sub-optimal performance versus benchmarks and/or comparators or if there was strong interest from local Durham municipalities to establish a Durham JIB. Partnership with ONE Investment does not preclude the Region from assessing alternative service providers or setting the foundation for a Durham JIB to realize the benefits described in Council report #2023-F-23. However, Durham

cannot choose to return to investing solely in Legal List securities once PI is authorized.

- 6.10 Establishing an independent IB or Durham JIB requires an extended implementation period and is costly in terms of the initial set-up and ongoing maintenance, requiring additional staff support and resources, acquisition of outside expertise, significant reporting obligations, a more “hands on” approach to investing and additional institutional layers for management and monitoring. ONE Investment needed around two years to set up its JIB, reflecting the legal complexity of creating a structure suitable for multiple municipalities.
- 6.11 Acquiring regulatory approval via an exemption from the Ontario Securities Commission (“OSC”) to provide advice to municipal investors represents a significant challenge to establishing a Durham JIB. ONE Investment experienced a lengthy period before the OSC approved its exemption, incurring legal fees over that period and is required to provide annual reporting to maintain exemption status. There is no guarantee that the OSC will grant another exemption as they have already allowed for the PI opportunity through the ONE JIB.

7. Money Not Required Immediately managed by ONE JIB

- 7.1 The Region’s definition of MNRI is deemed to be funds not required within the next three years. This is a reasonable estimate given the nature, size and scope of regional infrastructure projects, the delay between budget approvals and actual expenditures and the critical need for capital plans and forecasts to meet demands upon infrastructure in the currently evolving municipal context. The Region would continue to have investment oversight for MRI under PI, i.e., short-term funds, required for operating purposes or imminent capital project financing up to three years.
- 7.2 After analyzing a combination of historical and forecasted reserve and reserve fund balances, staff have made the determination that MNRI is approximately \$2.1B, based on a three-year threshold, which is comprised of approximately \$225.6M invested with ONE Investment at the end of 2023, cash deposits, proceeds from investments and other in-kind securities. A transition plan will be developed in collaboration with ONE Investment and included in the final IP to ensure an orderly transfer of securities and cash deemed as MRNI.
- 7.3 The Region’s Strategic Plan and [Long-Term Financial Planning Framework](#) will inform the identification of funds deemed to be not required immediately. The calculation of MNRI will be updated at least annually to ensure it reflects current regional priorities and operational requirements. In addition, the Region will have an ability to withdraw up to a maximum of 25 percent of the invested funds with the ONE JIB at any time during the year should the need arise. The Region would still have custody and access to MRI as well to adjust to changing circumstances.

8. Requirements to join ONE JIB

8.1 The following documents have been prepared to help guide the Region and ONE JIB in setting objectives and investment strategies that will be fully compliant with legislation:

- A. The Municipal Client Questionnaire
- B. The Investment Policy Statement
- C. Investment Plan
- D. ONE JIB Agreement
- E. Prudent Investor Enabling By-law

8.2 ONE JIB will adopt an IP for the Region based on the investment objectives, risk tolerance, liquidity requirements, and other priorities for MNRI described in the IPS and MCQ, including an applicable asset mix. Allocations to riskier securities, such as equities, or alternative assets, such as infrastructure and real estate, can be adjusted over time to reflect shifting priorities or changing risk tolerances.

A. Municipal Client Questionnaire (“MCQ”)

8.3 The MCQ attached to the Prudent Investor Enabling By-law is a “know your client” document developed by ONE Investment to identify money and investments not required immediately, in accordance with the Regulation. The MCQ will be updated annually and based on the projected cash flow needs and client risk tolerance, identified in the MCQ, ONE JIB can advise on investment allocations, create an IP and manage investments effectively on an ongoing basis.

8.4 The MCQ also facilitates the development of the Region’s Investment Policy Statement (“IPS”). Staff have completed the MCQ, as approved by the Treasurer, and such approved MCQ will be used by ONE JIB in conjunction with the IPS to develop the IP.

8.5 The MCQ also helps define an overall risk tolerance level. This will be used to inform risk tolerance on a portfolio basis in the IPS. The Region has indicated a willingness to accept low to moderate risk, including some risk of loss of capital over the short-term, for potentially higher returns over the longer term. It is critical to note that the objective of PI is to increase the risk adjusted returns of the portfolio to provide relief to taxpayers and assist in enhanced financing of capital plans. However, with enhanced returns comes enhanced risk. There is no guarantee that global shocks such as COVID or the global financial crisis in 2008/9 will not reoccur in some form over future years. Council needs to be prepared for fluctuations in the value of the investment portfolio over time and the need to keep focus on a long-term viewpoint.

B. Investment Policy Statement

- 8.6 The IPS attached to the Prudent Investor Enabling By-law is a comprehensive statement of The Region's investment program and constitutes Council's investment directions for the Region's funds in which it has a direct or indirect interest including, without limitation, its MRI and MNRI.
- 8.7 The proposed IPS has been drafted by staff and it is through this document that Council ultimately controls investment of MNRI. Council can review and modify the IPS at any time if deemed necessary due to a change in circumstances. As per the Regulation, Council must conduct a review of the IPS at least annually, and, if necessary, update it accordingly. It is the Region's responsibility to notify ONE JIB of any changes to the IPS so that the IP can be updated accordingly.
- 8.8 The Regulation requires that ONE JIB prepare an investment report annually, or more frequently, if specified by Council. ONE Investment will provide monthly portfolio statements in addition to any investment reports required for Council review. The standard reporting provided by ONE JIB will be fully compliant with municipal legislation.

C. Investment Plan

- 8.9 The IP is a detailed document which outlines ONE JIB's overall investment approach as well as the asset mix for each of the Region's investment outcomes, or objectives. The adoption of an IP is the responsibility of ONE JIB, as required by the Regulation.
- 8.10 A draft IP, provided in Appendix A, has been prepared by ONE Investment staff based on the IPS and MCQ developed by regional staff. This draft demonstrates the connection between the IPS, MCQ and the IP. The responsibility for adopting an IP will ultimately rest with ONE JIB and will be finalized and adopted at a subsequent meeting of ONE JIB. At that meeting, ONE JIB will review, modify, if necessary, and adopt the IP. The Treasurer has reviewed a copy of the draft IP and is satisfied with its content.
- 8.11 The Region's investment objectives identified in the IPS have been grouped by investment horizon (short, medium and long-term) based on risk tolerance and need for liquidity. This information is used to develop the account structure, portfolio constraints and target asset allocations in the IP.
- 8.12 Staff will continue to work with ONE Investment to finalize the IP based on the approved IPS and MCQ. This includes allocating the \$2.1B of MNRI managed by ONE JIB amongst investment outcomes and products.

D. ONE JIB Agreement

- 8.13 The ONE JIB Agreement attached to the Prudent Investor Enabling By-law was prepared by WeirFoulds LLP and reviewed by the founding municipalities, ONE

Investment and ONE JIB. The ONE JIB Agreement has also been reviewed to the satisfaction of the Treasurer and Regional Solicitors Office.

- 8.14 The ONE JIB Agreement sets out the basis on which the founding and participating municipalities investing through ONE JIB will be able to do so. It establishes the relationship between ONE JIB, the founding and participating municipalities and ONE Investment.
- 8.15 Municipalities adopting PI by investing through ONE JIB are required to have its Council authorize the execution of the ONE JIB Agreement.
- 8.16 The ONE JIB Agreement provides the detailed framework related to the transfer of control and management of money and investments that are not required immediately to ONE JIB. The ONE JIB Agreement also addresses the following major areas:
- Appointment, composition and governance of ONE JIB, including a Code of Conduct and Integrity Commissioner responsibilities;
 - Roles and responsibilities of the municipalities;
 - Roles and responsibilities of ONE JIB;
 - Reporting requirements;
 - Fees; and
 - Withdrawal from ONE JIB.
- 8.17 Oversight and proper operation of the ONE JIB is a key consideration to protect the management of municipal funds. Pursuant to the ONE JIB Agreement, the founding municipalities have established a Code of Conduct for ONE JIB and appointed an Integrity Commissioner and Closed Meeting Investigator.

E. Prudent Investor Enabling By-law

- 8.18 The Prudent Investor Enabling By-law requires adoption by Council to authorize the following:
- (a) the completion of Region's MCQ, which provides ONE Investment and the ONE JIB with critical information about the municipality's MNRI, investment objectives and risk tolerance;
 - (b) the approval of an IPS, which will be informed by the MCQ;
 - (c) the entering into of an agreement with ONE JIB under which ONE JIB will invest on behalf of The Regional Municipality of Durham;
 - (d) the application of section 418.1 of the Act after the ONE JIB Agreement has been signed by the Municipality, ONE JIB and ONE Investment; and
 - (e) other various documents, specific agreements and delegation of certain powers and duties.

9. Financial Considerations

- 9.1 PI provides an opportunity to enhance long-term returns and mitigate risk by building stronger, more diverse investment portfolios. Alternative revenue sources for municipalities are limited and investments returns can be a critical component of revenues to help fund future capital requirements while limiting tax implications for residents.
- 9.2 Participating in the ONE JIB (OCIO) model will save the time and costs otherwise spent on creating, implementing and operating a PI solution. ONE Investment incurred upfront expenses of approximately \$2.0M across two years for legal, technology, consulting (e.g., asset allocation studies), custodial, compliance, manager research and JIB recruitment costs, etc. in the establishment of ONE JIB. The startup costs incurred by the City of Toronto to establish its own IB were also significant. Conservative estimates indicate the City of Toronto spent over \$1.1M in out-of-pocket costs setting up its IB, in addition to ongoing costs such as board member remuneration and City staff support.
- 9.3 Up to \$1.5M in estimated annual operating expenses to satisfy insurance, audit, tax, regulatory, staffing and JIB remuneration requirements etc. could be saved by joining ONE JIB based on discussions with ONE Investment and the Cities or Toronto and Ottawa.
- 9.4 Investment portfolios are subject to management fees and other expenses. During ONE Investment's RFP process to appoint an OCIO, PH&N provided the lowest fees versus competitors, in addition to no additional advisory fees. Fees will be deducted from outstanding investment balances and are not borne directly by the Region. Management fees will be variable and should decline as a percentage of assets as aggregate AUM increases and additional municipalities join the program. To maintain confidentiality requirements, the PH&N fee schedule cannot be published in this Council report. However, the Regional Treasurer has reviewed the PH&N fee schedule in addition to analysis prepared by staff, estimating annual investment management fees to be in the area of \$5.1M which will be significantly offset by increased investment returns. Based on best assumptions, this is calculated to be a very competitive embedded cost given the size and complexity of the Region's portfolio.
- 9.5 ONE Governance Fees are charged in addition to PH&N investment management fees to cover the direct costs of operating the PI program including governance, staff, reporting, administration, compliance, legal etc. As a not-for-profit entity, ONE Investment structures fees to recover its operating costs and set aside appropriate reserves for future investment. Fees are tiered, and cumulative, based on each participating municipality's AUM balance up to \$1.0B. No additional fees are charged on asset balances over \$1.0B. Based on Appendix B: ONE Governance Fees, the Region's governance fees are projected to be \$0.7M annually.

- 9.6 If approved, the ONE JIB (OCIO model) will require ongoing staff time, costs and resources to support requirements after implementation of the completed structure. This includes efforts to update the IPS, assess risk tolerance, enhance cash flow forecasts, participate in asset allocation studies, provide feedback on the IP and acquire independent legal or consulting advice, as required.

10. Conclusion

- 10.1 After careful consideration of the costs, merits and limitations of the potential governance options, staff recommend joining ONE JIB's OCIO model to implement the PI Standard and comply with regulatory requirements to expand investment opportunities. The Region will benefit from professional investment advice, experienced portfolio management services and funds managed by PH&N, customized investment solutions and the potential for risk reduction and better returns than under the current Legal List.
- 10.2 The asset mix for long-term funds developed in consultation with PH&N and ONE Investment and overseen by ONE JIB will be invested by professionals who will aim to maximize risk-adjusted returns in an environment where there are many more opportunities to diversify investments.
- 10.3 As a participating municipality, the Region has potential for direct participation as a member of ONE JIB, and more influence over new PI product offerings, and governance decisions, such as the selection of future ONE JIB members.
- 10.4 There is insufficient interest at this time to warrant the establishment of a Durham JIB based on discussions with the local municipalities, and the costs and implementation time of creating an IB or JIB are prohibitive in the short-term. A JIB solution for Durham municipalities can still be pursued in the future should the need arise.
- 10.5 A number of attachments have been included to provide more detailed information as back up documentation, understanding the significant nature of the direction by Committee.

11. Relationship to Strategic Plan

- 11.1 This report aligns with/addresses the following strategic goals and priorities in the Durham Region Strategic Plan:
- a. Service Excellence Goals 5.1 and 5.4 – This report demonstrates the commitment to effective, responsible financial management and provision of exceptional value to Durham taxpayers by optimizing resources and partnerships to deliver exceptional quality services and value, and identifying opportunities to drive organizational success through innovation, a skilled workforce, and modernized services.

12. Attachments

Attachment #1: Appendix A: Draft Investment Plan

Attachment #2: Appendix B: ONE Governance Fees

Respectfully submitted,

Original Signed By

Nancy Taylor
Commissioner of Finance/Treasurer

Recommended for Presentation to Committee

Original Signed By

Elaine C. Baxter-Trahair
Chief Administrative Officer

Appendix A – Draft Investment Plan

Account Structure

3 – 5 Years	Risk tolerance is low (5% max annual loss)	95.20 MM
6 – 10 Years	Risk tolerance is low to moderate (7.5% max annual loss)	63.79 MM
10+ Years	Risk tolerance is low to moderate (10% max annual loss)	1,892.85 MM

Portfolio Constraints

Maturity	Constraints
3 – 5 Years	No equities No Canadian Core Real Estate No Global Infrastructure
6 – 10 Years	30% maximum in equities No Canadian Core Real Estate No Global Infrastructure
10+ Years	30% maximum in equities No Canadian Core Real Estate No Global Infrastructure

Allocations

Maturity 3 -5 Years	
Asset Classes	Target Weight
Fixed Income	
Short-Term Bonds	50%
Corporate Bonds	20%
Private Placement Corporate Debt	5%
Commercial Mortgages	5%
High Yield Bonds	5%
Global Multi-Asset Credit	15%
Total	100%

Maturity 5 -10 Years	
Asset Classes	Target Weight
Fixed Income	
Short-Term Bonds	35%
Private Placement Corporate Debt	10%
Commercial Mortgages	10%
Global Multi-Asset Credit	15%
Total	70%
Equities	
Canadian Equities	7.5%
Canadian Low Volatility Equities	7.5%
U.S. Equities	5%
U.S. Low Volatility Equities	5%
International Equities	5%
Total	30%
Total	100%

Maturity 10 + Years	
Asset Classes	Target Weight
Fixed Income	
Short-Term Bonds	17.5%
Universe Bonds	17.5%
Private Placement Corporate Debt	10%
Commercial Mortgages	10%
Global Multi-Asset Credit	15%
Total	70%
Equities	
Canadian Equities	7.5%
Canadian Low Volatility Equities	7.5%
U.S. Equities	5%
U.S. Low Volatility Equities	5%
International Equities	5%
Total	30%
Total	100%

Appendix B – ONE Investment Governance Fees

Tier	Municipal AUM	Base bps	Tier Discount bps	Net Fee bps
1	\$0 - \$10,000,000	25	0	25
2	\$10,000,001 - \$50,000,000	25	2	23
3	\$50,000,001 - \$100,000,000	25	6	19
4	\$100,000,001 - \$200,000,000	25	15	10
5	\$200,000,001 - \$500,000,000	25	19	6
6	\$500,000,001 - \$1,000,000,000	25	20	5
7	\$1,000,000,001 and above	25	25	0