



	REPORT No.: 2019-36
MEETING DATE: JUNE 20, 2019	DATE PREPARED: MAY 29, 2019
SUBJECT: TBDSSAB INVESTMENT POLICY AND STRATEGY	

RECOMMENDATION

For information only.

REPORT SUMMARY

To provide The District of Thunder Bay Social Services Administration Board (TBDSSAB or the Board) with information relative to the TBDSSAB Investment Policy #CS-02:70 and related investment strategy.

BACKGROUND

The Board-approved Investment Policy #CS-02:70, presented as Attachment 1, establishes the broad parameters by which TBDSSAB may invest its surplus funds in accordance with legislative requirements. The investment principles, in order of priority, are:

1. Adherence to statutory requirements;
2. Preservation of principal;
3. Maintaining liquidity; and,
4. Competitive rate of return.

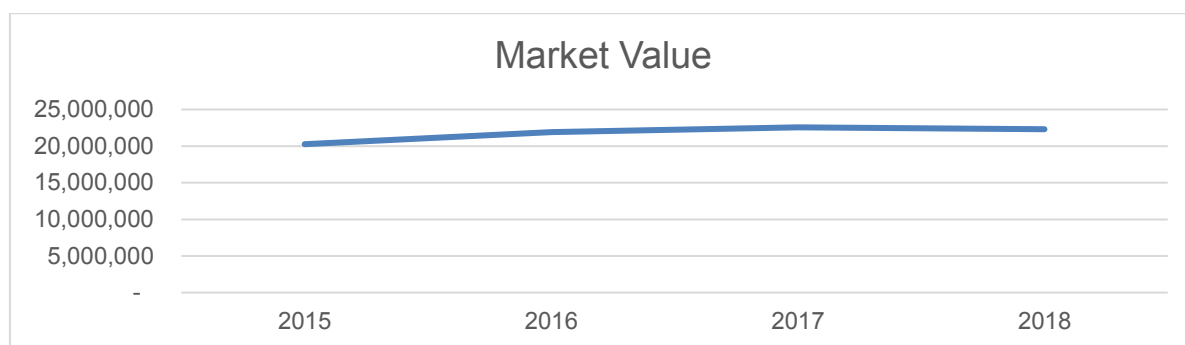
The Direct-Owned Housing Portfolio Capital Replacement Reserve Fund is invested in the Social Housing Investment Program, administered by the Housing Services Corporation (HSC), in accordance with Section 124(b) of the *Housing Services Act (HSA), 2011*, and managed by Encasa Financial Inc. This Program is limited to three investment vehicles:

- Social Housing Canadian Short-Term Bond Fund,
- Social Housing Canadian Bond Fund, and,
- Social Housing Canadian Equity Fund.

All other TBDSSAB reserve funds are invested, at the Board's discretion, in accordance with the Investment Policy. In 2014, through a competitive procurement process, TD Waterhouse (TD) was awarded a contract for investment advisory, management, and custodial services for these funds.

At the January 22, 2015, meeting, the Board approved the submission of the Client Investor Profile questionnaire (Attachment 2) to TD for its review and analysis relative to the TBDSSAB risk assessment and asset allocation recommendation (Report No. 2015-04 Investment Portfolio Risk Assessment). The questionnaire suggested a conservative investment approach was appropriate for TBDSSAB. The recommended asset mix was set at 70% fixed income and 30% equity. At the February 26, 2015, meeting, the Board approved this asset allocation (Report No. 2015-12 Investment Portfolio Risk Assessment – Recommendation). TD has been instructed to ensure the equity position is invested only in Canadian companies.

The market value of investments managed by Encasa and TD, as at December 31, 2018, was \$22,301,098.

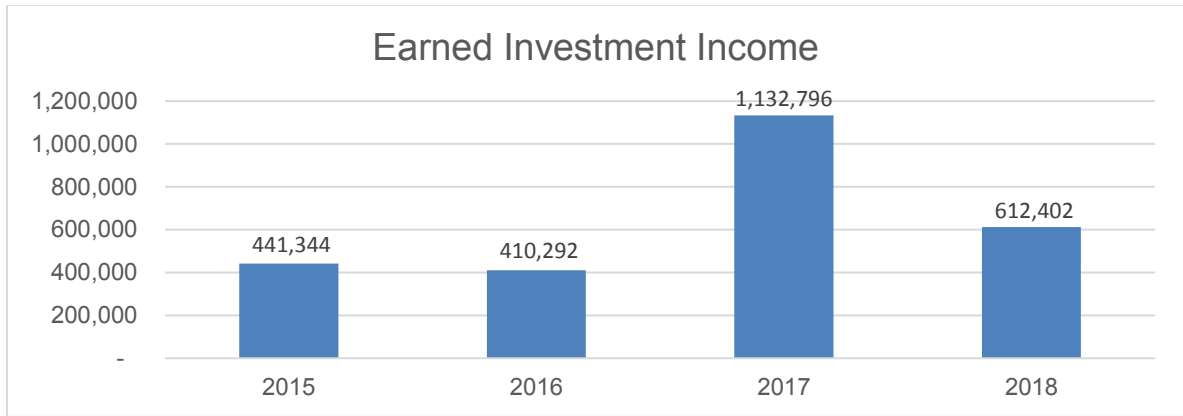


COMMENTS

The Investment Policy and investment strategy emphasize a risk-averse and conservative approach, building a well-balanced portfolio of high-quality, fixed income instruments and equities. The equity position managed by TD incorporates a defensive strategy; performance is designed to underperform in strong equity years, and outperform in weak years. The chart, below, compares the performance of TBDSSAB's entire investment portfolio compared to the S&P/TSX Composite Stock Market Index.

Investment Portfolio Performance		
Year	TBDSSAB Annual Return	S&P/TSX Annual Return
2015	(3.7%)	(11.1%)
2016	6.8%	17.5%
2017	2.9%	6.0%
2018	(1.1%)	(11.6%)
Average	1.2%	0.2%

The chart highlights the effectiveness of TBDSSAB's investment strategy in limiting its exposure to significant market fluctuations. During these 4 years (2015-18), TBDSSAB earned investment income of \$2.6 million in the form of interest, dividends, and realized capital gains. This income has been reinvested in the investment portfolio.



Administration does not recommend any changes to the Investment Policy or the investment strategy at this time.

FINANCIAL IMPLICATIONS



There are no direct financial implications associated with this Report.

CONCLUSION

It is concluded that the Investment Policy #CS-02:70 and investment strategy are consistent with legislative requirements and support a conservative approach to investing.

REFERENCE MATERIALS ATTACHED

- Attachment #1 TBDSSAB Investment Policy #CS-02:70
- Attachment #2 Client Investor Profile

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SUBMITTED / SIGNATURE:	 William (Bill) Bradica, Chief Administrative Officer The District of Thunder Bay Social Services Administration Board

The District of Thunder Bay Social Services Administration Board

TBDSSAB #CS-02:70

POLICY

CATEGORY/SECTION

CORPORATE SERVICES - FINANCE

SUBJECT

INVESTMENT

AUTHORITY

By-law No. 01-2017

INTENT OF POLICY

To establish the rules by which The District of Thunder Bay Social Services Administration Board (TBDSSAB or the Board) shall invest its surplus funds.

POLICY

It is the policy of the TBDSSAB to invest its surplus funds in accordance with the Standards of Application set out herein.

STANDARDS OF APPLICATION

For purposes of this policy surplus funds refers to operating revenue, operating reserves and reserve funds, capital reserve funds and unrestricted surplus.

1. Investment Principles

The following investment principles, in order of priority have been established:

a. Adherence to statutory requirements

The investment program will be conducted in accordance with any legislation that may be applicable.

b. Preservation of Principal

Safety of principal is of utmost concern in the TBDSSAB investment program. Investments shall be selected with prudent judgment to ensure the preservation of principal in the overall portfolio.

c. Maintaining Liquidity

The investment portfolio shall remain sufficiently liquid to meet the operating cash flow requirements of the TBDSSAB. Administration will strive to match the maturity of securities with anticipated cash flow requirements. The portfolio will consist of securities with active secondary markets. No investment shall be made in a security with a term to maturity exceeding five years and a

minimum of 5% of the portfolio must be invested in securities having a term of 90 days or less.

d. **Competitive Rate of Return**

Without compromising the other investment principles, the investment program will be designed to earn a competitive rate of return relative to an established benchmark.

2. Suitable and Authorized Investments

The evaluation and selection of investments vehicles will be conducted in accordance with the Board's risk tolerance level and the principles in this policy.

The TBDSSAB shall not invest in a security that is expressed or payable in any currency other than Canadian dollars.

The TBDSSAB may invest in the following securities:

- a. Bonds, debentures, promissory notes and other evidence of indebtedness issued or guaranteed by:
 - i. The Government of Canada;
 - ii. Provincial or Territorial Governments of Canada;
 - iii. A Municipality in Canada;
- b. Deposits, bonds, debentures, promissory notes and other evidence of indebtedness issued or guaranteed by:
 - i. Schedule I and Schedule II banks
 - ii. Loan or trust corporations
 - iii. Credit unions
- c. Bonds, debentures, promissory notes and other evidence of indebtedness of a corporation incorporated under the laws of Canada;
- d. Shares issued by a corporation that is incorporated under the laws of Canada;
- e. Joint Municipal Investment pools.

3. Delegation of Authority

The Director, Corporate Services has overall responsibility for the prudent investment of the Board's investment portfolio. Authority to manage the investment program may

be granted to an external investment agent to act on behalf of the Board in accordance with the parameters in this policy.

4. Reporting

The investment program shall be reviewed annually by the Board's external auditor to ensure compliance with policies and procedures.

The Director, Corporate Services shall submit a Report to the Board at its Annual General Meeting. The Report shall include an analysis of the status of the current investment portfolio, the average asset mix and the overall performance of the portfolio during the preceding year.

5. Conflict of Interest

All Board members and employees involved in the investment process shall refrain from conducting personal business activities that could conflict with the proper execution and management of the investment program.

RELATED POLICIES

N/A

RELATED PROCEDURES

N/A

FORMS

N/A



Account Name: _____ Account Number: _____

Account Name: _____ Account Number: _____

Account Name: _____ Account Number: _____

Account Name: _____ Account Number: _____

The following questions will help determine an asset allocation strategy appropriate for your current circumstances and goals.

Setting goal(s) is the first step towards building a sound investment plan. Your goal(s) should relate to the primary purpose for savings as well as your future needs for making withdrawals from your investments.

1. What is the primary purpose(s) of your investments? (Select and rank all that apply)
 - A. Supplement current income
 - B. Planning for retirement
 - C. Retirement income
 - D. Fund estate
 - E. Preserve assets
 - F. Grow assets
 - G. Cash management
 - H. Other (briefly describe): _____

2. Complete the following sentence: "The portfolio's objectives will help to achieve your personal goal of ..."

(Select all that are applicable)

 - A. Saving for retirement
 - B. Maximizing income during retirement
 - C. Making a major purchase
 - D. Education funding
 - E. Other (briefly describe): _____

Portfolio Objectives

3. With the purpose(s) of your investments in mind, which of the following statements best reflects your desired investment objective?
 - A. I don't need any income at this time. Security of capital and liquidity is my primary objective.
 - B. My only need is to generate a steady stream of income while preserving my capital.
 - C. I may have some need for income, but am also interested in growing my investments.
 - D. I would like long-term growth and am less concerned about income at this time.
 - E. I am only interested in maximizing growth over the long term.

4. How important is it for you to keep a portion of your account in relatively safe investments with minimal fluctuations?
 - A. Unimportant
 - B. Somewhat important
 - C. Important
 - D. Very important
 - E. Of critical importance

5. Net of inflation, what annual rate of return would you expect to achieve on your investments?

- A. 2%
- B. 4%
- C. 6%
- D. 8%
- E. 10%

6. (Current Income) Do you currently require income to be distributed periodically?

- A. No. Income will be reinvested.
- B. Yes

If Yes, approximate amount: \$ _____ Frequency: _____

What percentage of the current portfolio market value does this withdrawal represent?

- A. 1% - 2%
- B. 3% - 4%
- C. More than 4%.

Additional comments:

7. (Future Income) Do you require income to be distributed at a future date?

- A. No
- B. I am currently receiving income
- C. Yes. I require a future income

If Yes, approximate amount: \$ _____ Expected timing: _____ years

What percentage of the current portfolio market value will this future annual withdrawal represent?

- A. 1% - 2%
- B. 3% - 4%
- C. More than 4%

Additional comments:

8. Do you anticipate any major lump sum withdrawals from your investments? (i.e. more than 10%)

- A. Nothing anticipated at this time
- B. Somewhat likely
- C. Very likely

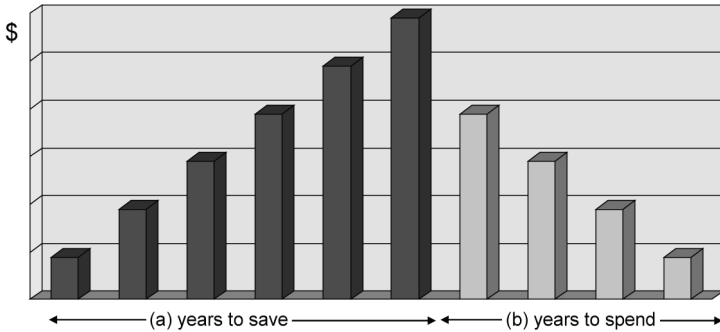
If likely (answers B or C), indicate approximate amount: \$ _____ Expected timing: _____ in years

Describe the purpose of the withdrawal:

Time Horizon

Your **Time Horizon** is the length of time required to achieve your goal(s). This can be broken down in 2 parts:

- (a) time to save or accumulate toward the goal(s) and
- (b) time to spend or withdraw



With this in mind, answer the following two questions:

9. Indicate the approximate number of years required to save (accumulate) towards your goal(s)
 - A. I am no longer accumulating
 - B. Number of years _____
10. After having reached your goal(s), indicate the approximate number of years you plan to withdraw
 - A. I do not plan to withdraw
 - B. Number of years _____
11. Additional notes regarding your time horizon:

Risk Tolerance

There is always some degree of uncertainty (investment risk) associated with the growth and income that may be generated over any future period of time. Investment risk may be defined as the magnitude and variability of returns over a given period. In any investment, there is a risk of loss of capital. That risk is greater with some investments than with others.

Understanding your investment experience & knowledge.

12. Which statement best describes the investments you currently own, or have owned in the past?
 - A. Little or no investments
 - B. Mostly T-bills, GICs or term deposits
 - C. Mostly bonds, strip bonds or income mutual funds
 - D. A mix of money market, bond and equity investments and/or mutual funds
 - E. Mostly stocks, equity mutual funds and/or alternative investments

Financial capacity to assume risk

13. Do you feel secure about future income from sources such as salary, pensions, or other investments?
 - A. Not secure
 - B. Somewhat secure
 - C. Fairly secure
 - D. Very secure

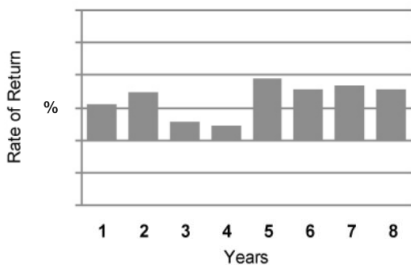
14. What is the approximate value of your Registered and non-Registered investments including government securities held at other institutions, but excluding principal residence?
- A. Under \$500,000
 - B. \$500,000 - \$2 million
 - C. \$2 million - \$5 million
 - D. Over \$5 million

15. Additional comments regarding your capacity to assume risk, if applicable

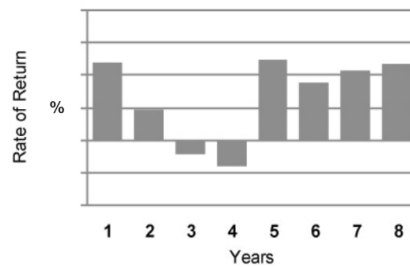
Willingness to assume risk / predisposition to risk

16. What is the importance of meeting your goal(s) within the expected time horizon?
- A. I must meet my goal(s) by my target date.
 - B. It would be acceptable if I came close to reaching my goal(s) by my target date.
 - C. My time horizon is flexible and could be extended, though I would prefer to meet my goal(s) by the target date.
 - D. Both my goal(s) and the target date are flexible and I would re-evaluate them regularly.
17. The charts below illustrate possible return patterns for three hypothetical investments over an eight year period. Notice the variability in each portfolio. Which portfolio would you feel most comfortable holding?

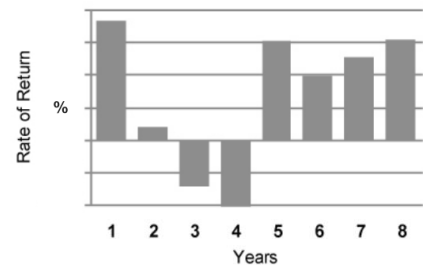
Portfolio A



Portfolio B



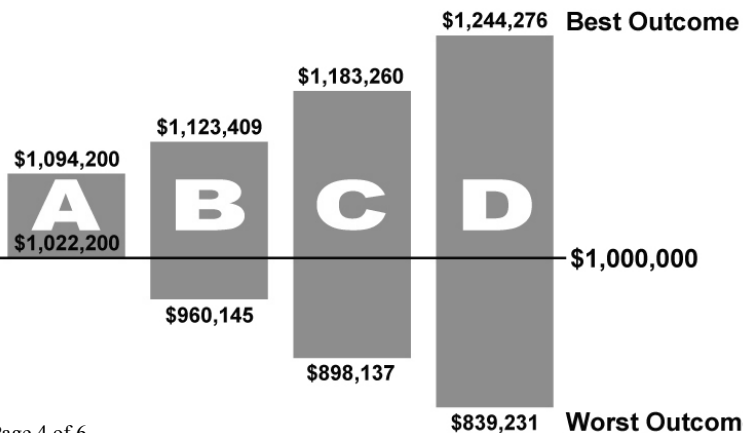
Portfolio C



- A. Portfolio A
- B. Portfolio B
- C. Portfolio C

18. Investments with higher returns typically involve greater risk. The following chart demonstrates four hypothetical investments of \$1,000,000, each with a set of potential outcomes (best and worst) at the end of one year. Choose the outcome that you would feel most comfortable with:

Potential Value of Investment After 1 Year



- A. Either \$1,094,200 or \$1,022,200 (Portfolio A)
- B. Either \$1,123,409 or \$960,145 (Portfolio B)
- C. Either \$1,183,260 or \$898,137 (Portfolio C)
- D. Either \$1,244,276 or \$839,231 (Portfolio D)

19. In any one year period, how much of a drop in value of the investments could you tolerate before becoming distinctly uncomfortable?
- A. 0%
 - B. 0% to -5%
 - C. -6% to -10%
 - D. -11% to -15%
 - E. -16% or lower
20. Suppose the equity market lost 20% of its value over the past 3 months. Your equity investment also lost 20% of their value during this time. Which statement most accurately reflects the action you would take?
- A. I would sell all of my shares to eliminate any further uncertainty.
 - B. I would sell a portion of my investments, to reduce my exposure to uncertainty.
 - C. I would do nothing. I would be concerned and may want to re-evaluate my strategy once my investments recover in value.
 - D. I would do nothing. I understand the value of my investments will fluctuate and am willing to invest for the long term.
 - E. I would invest in more, taking advantage of low prices in the equity markets.

Additional Comments

Describe any relevant preferences, constraints (tax or regulatory) or unique circumstances

Client Name	Client Signature	Date
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Client Name	Client Signature	Date
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Investment Advisor Name	Investment Advisor Signature	Date
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