



Legacy Fund Investment Policy

Department:	Corporate and Legislative Services
Division:	Financial Services Division
Section/Function:	N/A
Approval Level:	Council
Effective Date:	2021-05-25
Revision #:	1

1.0 Purpose

- 1.1 This Policy outlines the Principles and Guidelines that must be adhered to when managing the City of Peterborough's Legacy Fund investment portfolio to ensure:
- Alignment with the City's Financial Policies Framework.
 - The optimum utilization of its Financial Resources within statutory limitations
 - Financial risk exposure is limited.
 - Preservation of initial Capital investment.

2.0 Application

- 2.1. This Policy applies to all those responsible for overseeing, approving, conducting, and/or monitoring Legacy Fund investment activities on behalf of the City.
- 2.2. This Policy applies to all investments made through the City's Legacy Fund.
- The Legacy Fund is an investment fund established February 22, 2021 by the City with the net proceeds from the sale of assets of Peterborough Distribution Inc. to Hydro One.

3.0 Definitions and Acronyms

Capital – For the purpose of this Policy, refers to the net proceeds from the sale of assets of Peterborough Distribution Inc. to Hydro One.

Diversification – A process of investing assets among a range of security types by sector, Maturity, and quality rating.

Financial Resources – Assets of the City available to fund operations, investments, and Capital projects

In Perpetuity – An unlimited duration or for all time.

Legacy Fund – An endowment style investment strategy designed to preserve the initial Capital investment while providing a stable income return for the investor.

Liquidity – A measure of an asset's convertibility to cash.

Maturity – The date on which payment of a financial obligation is due. The final stated Maturity is the date on which the issuer must retire a bond and pay the face value to the bondholder.

ONE Investment – A not-for-profit entity that operates the ONE Investment Program, a co-mingled investment strategy in which local governments and the broader Ontario public sector can invest.

Preservation of Capital – The concept of ensuring the principal value of investments is maintained despite fluctuations in various market conditions.

Rate of Return – The gain or loss of an investment over a specified period of time expressed as a percentage of the investment's cost.

Retention Reserve – Reserve general ledger account to hold income transferred from Legacy Fund until used by Capital program.

Securities – A tradeable financial asset including bonds, debentures, treasury bills, commercial paper, repurchase agreements, promissory notes and asset-backed Securities.

Treasurer – An individual appointed by Council in accordance with the **Municipal Act, 2001** who is responsible for handling all of the financial affairs of the City on behalf of and in the manner directed by the Council of the City.

4.0 Policy Statements

4.1. Principles

To ensure the City manages its Legacy Fund investment portfolio in a fiscally responsible and sustainable manner, the following principles must be adhered to:

- a. Ensure investment activities are in compliance with statutory limitations.
- b. Preserve the Capital.
- c. Ensure an adequate level of Liquidity.
- d. Diversify the investment portfolio.
- e. Earn a competitive Rate of Return.

- f. Provide a stable annual income for the City from investment returns.

4.2. Guidelines

The following Guidelines must be adhered to when managing the City's Legacy Fund investment portfolio:

- a. The City will hold the Capital in the Legacy Fund In Perpetuity while making annual contributions from investment earnings towards the City's Capital program.
- b. The Legacy Fund will consist of an adequate level of Securities that can be easily liquidated.
- c. The City will ensure Diversification of its Securities within the Legacy Fund.
- d. The composition of the City's Legacy Fund portfolio will be as shown in the asset mix detailed in Table 1 of Appendix A.

4.3. Role of the Treasurer

- a. The Treasurer, in consultation with the Fund Advisory Committee, has the overall authority and responsibility for the prudent investment of the City's Legacy Fund portfolio in accordance with this Policy and the **Municipal Act, 2001**.

4.4. Governance, Management, and Reporting

- a. Council will appoint a Fund Advisory Committee comprised of:
 - The Mayor, or another member of Council as the Mayor may determine
 - The Chair of the Finance Committee
 - The Vice-Chair of the Finance Committee
 - The Chief Administrative Officer
 - The City Treasurer
- b. The Fund Advisory Committee will be responsible for:
 - Reviewing the investment performance of the Legacy Fund and Fund manager(s) in accordance with this Policy.
 - Reviewing the current investment guidelines for the Legacy Fund.
 - Making recommendations to Council with respect to changes to this Policy.
 - Reviewing the amount of current year transfer from the Legacy Fund to the Retention Reserve, and from the Retention Reserve to the Capital program.
- c. The Treasurer will report to Council annually on Legacy Fund investment activity and returns.

5.0 Appendix, Related Documents & Links

Note: All references refer to the current version, as may be amended from time to time.

5.1. Pertinent Resources:

- Municipal Act, 2001
<https://www.ontario.ca/laws/statute/01m25>
- Ontario Regulation 438/97 - Eligible Investments, Related Financial Agreements and Prudent Investment
<https://www.ontario.ca/laws/regulation/970438>

5.2. Related Policies:

- Financial Policies Framework
- Investment Policy

5.3. Related Procedures:

- Legacy Fund Investment Procedure

5.4. Related Forms:

- N/A

5.5. Miscellaneous:

- N/A

6.0 Amendments/Reviews

Date (yyyy-mm-dd)	Section # Amended	Comments
2021-05-25		Policy approved by Council on May 25, 2021 through Report CLSFS21-020.
2021-12-20		Revision #1 – No changes were made to the content of the Policy. Next Review Date set for 2025-01-01. Links in Section 5.1 – Pertinent Resources have been updated. Policy document format has been updated to become compliant with the Accessibility for Ontarians with Disabilities Act (AODA) Regulation 191/11 Integrated Accessibility Standards.

Next Review Date:	2025-01-01
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Appendix A

The allocation of investments will be monitored on an ongoing basis and are intended to be maintained within the ranges identified in Table 1.

Table 1 – Legacy Fund Investment Asset Mix

		<u>Minimum Weight</u>	<u>Target Weight</u>	<u>Maximum Weight</u>
Cash				
	HISA ⁽¹⁾	0.0%	0.0%	5.0%
Equities				
	ONE Canadian Equity Portfolio	45.0%	50.0%	55.0%
Fixed Income				
	ONE Corporate Bond Portfolio	22.0%	25.0%	28.0%
	ONE Canadian Bond Portfolio	22.0%	25.0%	28.0%

(1) The High Investment Savings Account (HISA) allocation may hold amounts for known Liquidity purposes or other drawdowns as needed.