

Proposed Amendments to the Corporate Investment Policy

ISSUE

The Administration has been working with a consultant to perform an asset allocation study of the City of Saskatoon's (City) investment portfolio. The outcome of that study indicated the City could benefit from updating the City's Corporate Investment Policy to include equities and alternative investments. As a result of this study, several amendments are being recommended to City Council Policy No. C12-002, Investment Committee and City Council Policy No. C12-009, Portfolio Management. Amendments are also being recommended for City Council Policy No. C12-003, Securities Handling to ensure all three policies are consistent.

RECOMMENDATION

That the Standing Policy Committee on Finance recommend to City Council that the City Clerk's Office be requested to amend City Council Policy No. C12-002, Investment Committee, City Council Policy No. C12-003, Securities Handling and City Council Policy No. C12-009, Portfolio Management in accordance with Appendices 1, 2 and 3 respectively.

BACKGROUND

At its regular meeting on [March 14, 2022](#), the Standing Policy Committee on Finance resolved:

"That the Administration report back further on equities and Environmental, Social and Governance (ESG) investing including the benefits, challenges and experiences in other cities which have moved into these types of investments."

At its regular meeting on [June 29, 2022](#), City Council resolved:

- "1. That the Administration hire a consultant to assist with researching equity investments by determining an optimal asset allocation to enhance return and minimize risk while supporting Environmental, Social and Governance investments; and
2. That the Administration initiate a capital project in the amount of \$50,000, funded through the Asset Financial Management Capital Reserve."

At its regular meeting on [November 22, 2023](#), City Council resolved:

"That the Administration proceed with Option 2 – Proceed with option B20 supplied by Eckler Ltd."

DISCUSSION/ANALYSIS

The Corporate Investment Policy is comprised of three City Council Policies: (1) C12-002, Investment Committee; (2) C12-003, Securities Handling; and (3) C12-009, Portfolio Management. The Administration is recommending several amendments to the Corporate Investment Policy in order to align with the B20 option presented by Eckler Ltd. and previously approved by City Council. This would include allocations of a minimum of 60% into fixed income while allowing for up to 20% in each of equities and alternative investments. Appendix 1 provides the proposed amendments to City Council Policy No. C12-002, Investment Committee. The most significant amendments are described below:

1. Add a mandate for the Investment Committee regarding the oversight of an External Investment Manager. The new External Investment Manager will be a third party hired by the Administration to manage the City's Growth Portfolio which will consist of equity and alternative investments for specific City investment accounts. Contract terms defining the responsibilities of the External Investment Manager will be developed with the help of Solicitors once an External Investment Manager has been selected.
2. Add a definitions section to define key terms.
3. Update the Constitution of the Committee to add the positions of the Senior Financial Business Partner (Financial Planning) and the Investment Manager, and to replace the City Treasurer with the Director of Corporate Revenue. These changes are to include other City staff who regularly attend Investment Committee meetings and have the expertise to contribute to the City's investment decisions.
4. Update the Responsibilities to better explain the expectations of each member. Also, certain responsibilities have been removed from the City Treasurer and given to the Director of Finance to reflect the current organizational structure.

Appendix 2 provides the proposed amendments to City Council Policy No. C12-003, Securities Handling. This Policy No. is not impacted by the change in Asset Allocation recommended by Eckler Ltd., but Administration is taking the opportunity to make amendments to make updates and align with the other two policies. The most significant amendments are described below:

1. Update the definitions sections to include the definition of the Corporate Investment Policy.
2. Update the Responsibilities section to include the responsibilities of the Investment Committee with regards to the handling of the City's securities.

Appendix 3 provides the proposed amendments to City Council Policy No. C12-009, Portfolio Management. The most significant amendments are described below:

1. Add the new asset classes such as equity and alternative investments that were approved at the regular City Council meeting on November 22, 2023. Definitions and limitations of these assets are now included in the policy. This will help the Investment Committee to maintain adequate risk exposure with the new asset mix and serve as a guide when monitoring the External Investment Manager

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- hired to manage these asset classes. A table has been inserted into the policy to help summarize the weightings of the new Asset Mix.
2. Add a mandate for the Investment Committee regarding the oversight of an External Investment Manager to align with the amendments proposed in Appendix 1.
 3. Repeal and replace the definitions section; adding some new definitions and modernizing the language and format to make the policy easier to understand.
 4. Remove reference to the Equity Building Program since it is complete and no longer is an investment.
 5. Update the limitations on Bonds, Debentures, and Money Market Securities to be less restrictive and impose a maximum of 20% of the Total Portfolio that is allowed to be invested in Fixed Income investments issued by a single issuer. That issuer must meet the Credit Rating criteria as laid out in the policy for it to be approved.

OTHER IMPLICATIONS

There are no financial, privacy, legal, social or environmental implications identified.

Public Notice

Public Notice was given before the matter was previously considered by the Standing Policy Committee on Finance on October 21, 2023.

NEXT STEPS

If approved, the City Clerk's Office will amend City Council Policies C12-002, Investment Committee, C12-003, Securities Handling and C12-009, Portfolio Management as shown in Appendices 1, 2 and 3.

APPENDICES

1. Proposed Amendments to C12-002, Investment Committee
2. Proposed Amendments to C12-003, Securities Handling
3. Proposed Amendments to C12-009, Portfolio Management

REPORT APPROVAL

Written by: Spencer Janzen, Investment Manager
Reviewed by: Jeremy Meinema, Senior Financial Business Partner
Kari Smith, Director of Finance
Mike Voth, Director of Corporate Revenue
Approved by: Clae Hack, Chief Financial Officer

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