



Status: Final

## (Revised) Investment Policy

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Approved By: Council

Approved On: ~~November 28, 2024~~

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### Policy Statement

This policy governs the use and management of surplus funds and investments, in furtherance of the key principles of the Council-approved Fiscal Strategy. This policy also governs the use and management of surplus funds and investments on behalf of the Corporation and external clients.

### Application

All Regional employees who are responsible for the control, administration and reporting of investments managed by the Corporation and external clients.

The York Region Municipalities Insurance Pool Program is excluded from this policy.

### Purpose

This policy is to establish an investment program for the Region. It details the objectives, standards of care, eligible investments, reporting requirements and responsibilities for the management of surplus funds and investments including those managed by the Corporation, where applicable, on behalf of external clients.

### Definitions

**Asset Backed Securities:** Fixed income securities (other than government security) issued by a special purpose entity.

**CHUMS Financing Corporation (CHUMS):** A subsidiary of the Municipal Finance Officers Association of Ontario, which in conjunction with the Local Authority Services Limited operates the ONE Investment Program.

**Corporation:** The Regional Municipality of York, its boards and subsidiaries.

**Credit Risk:** The risk to an investor that an issuer will default in the payment of interest and/or principal on a security.

**Diversification:** A process of investing assets among a range of security types by class, sector, maturity, and quality rating.

**Duration:** A measure of the timing of the cash flows, such as the interest payments and the principal repayment, to be received from a given fixed-income security. This calculation is based on three variables: term to maturity, coupon rate, and yield to maturity. The duration of a security is a useful indicator of its price volatility for given changes in interest rates.

**External Client:** Any municipality in the province of Ontario, including their subsidiaries, that has been approved by Council.

**Forward Rate Agreement (FRA):** A contract with a qualified financial institution (e.g. bank) that allows an investor to fix a rate of interest to be received on an investment for a specified term beginning at a specified future date.

**FTSE Indices:** Indices tabulated by FTSE TMX Global Capital Markets (formally PC Bond/DEX Analytics) a business unit of the Financial Times Stock Exchange and a subsidiary of the London Stock Exchange Group a leading provider of fixed income performance benchmarks and databases in Canada and globally.

**Interest Rate Risk:** The risk associated with declines or rises in interest rates which cause an investment in fixed-income security to increase or decrease in value.

**Investment Industry Regulatory Organization of Canada (IIROC):** A non-profit, national self-regulatory organization established through the merger of the Investment Dealers Association of Canada (IDA) and Market Regulation Services Inc. (RS) on June 1, 2008. IIROC oversees all investment dealers and trading activity on debt and equity markets in Canada. The organization sets regulatory and investment industry standards and has quasi-judicial powers in that it holds enforcement hearings and has the power to suspend, fine and expel members and registered representatives, such as advisors.

**Investment Procedures:** A document that summarizes specific duties and procedures relating to the operation of the investment program.

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

**Local Authorities Service Limited (LAS):** A subsidiary of the Association of Municipalities of Ontario ('AMO') which in conjunction with CHUMS operates the ONE Investment Program.

**Market Risk:** The risk that the value of a security will rise or decline as a result of changes in market conditions.

**Market Value:** Current market price of a security.

**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. See "Weighted Average Maturity".

**Municipal Insurance Pool:** has the meaning ascribed to such term in the Region's Insurance and Risk Management Policy, as may be amended or replaced from time to time.

**ONE-Investment Program:** A professionally managed group of investment funds composed of pooled investments that meet eligibility criteria as defined by regulations under the *Municipal Act, 2001*.

**Regional Treasurer:** means the treasurer appointed by Council pursuant to the *Municipal Act, 2001* and includes their designate(s).

**Safekeeping:** Holding of securities by a qualified financial institution (e.g. bank) on behalf of the investor.

**Schedule I banks:** Schedule I banks are domestic banks and are authorized under the *Bank Act* to accept deposits, which may be eligible for deposit insurance provided by the Canadian Deposit Insurance Corporation (see Appendix 2).

**Schedule II banks:** Schedule II banks are foreign bank subsidiaries authorized under the *Bank Act* to accept deposits, which may be eligible for deposit insurance provided by the Canada Deposit and Insurance Corporation. Foreign bank subsidiaries are controlled by eligible foreign institutions (see Appendix 2).

**Schedule III banks:** Schedule III banks are foreign bank branches of foreign institutions that have been authorized under the *Bank Act* to do banking business in Canada.

These branches have certain restrictions (see Appendix 2).

**Sinking Fund:** Securities and/or deposits accumulated on a regular basis in a separate safekeeping and/or bank account that will be used to redeem debt securities at maturity.

**Supranational:** An agency sponsored by either a single or group of highly rated foreign banks or governments that will issue debt to fund loans in developing countries or large infrastructure projects. Supranational institutions may be owned or guaranteed by a consortium of national governments and their debt is typically rated "AA" or higher.

**Weighted Average Maturity (WAM):** The average maturity of all the securities that comprise a portfolio.

**York Region Municipalities Insurance Pool Program:** The York Region Municipalities Insurance Pool program approved by Council.

## Description

### 1. Objectives of the Corporation's Investment Program

The Region's investment program shall be in furtherance of the key principles of the Fiscal Strategy, as approved by Council. The primary objectives of the investment program, in priority order, shall be:

- a) Adherence to statutory requirements,
- b) Preservation of capital and risk mitigation,
- c) Maintaining liquidity, and
- d) Earning a competitive rate of return.

#### a) Adherence to Statutory Requirements

All investment activities shall be governed by the *Municipal Act, 2001*. Investments, unless limited further by Council, will be those deemed eligible under Ontario Regulation 438/97.

#### b) Preservation of Capital

Safety of principal is an important objective of the investment program. Investments shall be undertaken in a manner that seeks to minimize the risk to capital in the overall portfolio. Staff shall endeavor to mitigate credit and interest rate risk as follows:

**Credit Risk:**

- Limiting investments to safer types of securities
- Pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisers with which the Corporation does business. This pre-qualification process may include verification of these institutions' good standing with the Investment Industry Regulatory Organization of Canada (IIROC) or equivalent entity or other means established by the Regional Treasurer.
- Diversifying the investment portfolio so that potential losses on individual securities will be minimized
- Setting dollar limits on the size of portfolio investments in asset sectors (fixed income and equities) and in individual credit names

**Interest Rate Risk:**

- Structuring the investment portfolio so that securities mature to meet ongoing cash flow requirements, thereby reducing the need to sell securities on the open market prior to maturity
- Investing operating funds primarily in shorter-term securities or approved liquid investment pools
- Diversifying longer-term holdings to mitigate effects of interest rate volatility
- Use of Forward Rate Agreements when appropriate
- Investing in shares or equities of Canadian corporations through the ONE Investment Program

**c) Maintaining Liquidity**

The investment portfolio shall remain sufficiently liquid to meet all operating or cash flow requirements and limit temporary borrowing requirements. This shall be done where possible by structuring the portfolio such that securities mature concurrent with anticipated cash demands.

Furthermore, since all possible cash demands cannot be anticipated, the portfolio shall consist largely of securities with active secondary or resale markets. A portion of the portfolio may be placed in local government investment pools (e.g. ONE Investment Program) which offer liquidity for short-term funds.

#### **d) Competitive Rate of Return**

Without compromising other objectives, the Corporation shall maximize the rate of return earned on its portfolio by implementing a dynamic investment strategy as part of its investment program. Trends in macro-economic variables will be monitored including interest rates, inflation, and foreign exchange rates, as affected through the political arena and international developments and perceptions.

Diversification, and ensuring safety of principal by limiting exposure to credit, sector or term risks, also provides opportunities to enhance the investment returns of the Corporation's portfolio by means of timely adjustments to asset mix.

## **2. Standard of Care**

#### **a) Duties related to investing**

Investments shall only be made in accordance with industry standards, with employees exercising judgement and care, under circumstances then prevailing, with fiduciary responsibilities relating to the investment practices of public fund investors. Employees making the investments shall do so not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived. Employees shall only engage in an investment transaction as permitted under the terms of this Policy.

Employees exercising due diligence and acting in accordance with written procedures and this Policy shall be relieved of personal responsibility for an individual security's credit risks or market price changes, provided deviations from expectations are reported in a timely fashion and the liquidation or the sale of securities are carried out in accordance with the terms of the Policy.

#### **b) Ethics and Conflicts of Interest**

Employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial decisions. Employees and investment officials shall disclose any material conflict of interest in financial institutions with which they conduct business. They shall further disclose any personal financial/investment positions that could be related to the performance of the investment portfolio. Officers and employees shall not undertake personal investment transactions with the same individual with whom

business is conducted on behalf of the Corporation.

**c) Delegation of Authority**

While the Regional Treasurer will have overall responsibility for the Corporation's portfolio, the Regional Treasurer may appoint designate(s) to carry out any of the responsibilities under this Policy.

**d) Competitive Selection of Investment Instruments**

All securities purchases/sales will be transacted through a competitive process only with financial institutions approved by the Regional Treasurer. The Corporation will accept the offer which (a) has the highest rate of return within the maturity required; and (b) optimizes the investment objectives of the overall portfolio. When selling a security, the Corporation will select the bid that generates the highest sale price or the transaction which will yield the best return for the portfolio. If there is a tie bid between one or more dealers, the Corporation will award the winning bid to the dealers on a rotating basis.

It will be the responsibility of all employees involved with each purchase/sale to produce and retain written records of each transaction including the name of the financial institutions solicited (at least two dealers), quoted or interpolated rate, description of the security, investment selected, and any special considerations that had an impact on the decision. If the lowest priced security (highest yield) was not selected for purchase, an explanation describing the rationale shall be included in this record.

**3. External Investment Clients**

Where the Region has undertaken to manage investment portfolios on behalf of an external client account as allowed under Section 420(1) of the *Municipal Act, 2001*, and in conformity with Section 25(3) of the *Securities Act, 1990* it will do so on the following basis:

- a) The investment objectives, authorized investments, reporting requirements, and term and sector limits will be in accordance with the external client's investment policy.
- b) Each and all portfolios managed will be held separate from the Region's own investment portfolios. The rate of return of the portfolio will reflect the earnings of the investments held only in that portfolio.
- c) Each engagement will be subject to a mutually agreed and signed agreement.

- d) Prior to the engagement, the following process will be undertaken:
  - i) Review client needs, expectations and risk tolerances
  - ii) Establish term limits and approved credit exposures
  - iii) Agree on a list of eligible investments
  - iv) Establish appropriate goals and benchmarks
  - v) Prepare and finalize the agreement
- e) The agreement will set out the following:
  - i) Duties and roles of both parties
  - ii) Management expense fee
  - iii) Reporting and portfolio review requirements

#### **4. Suitable and Authorized Investments**

4.1 The following Canadian Dollar investments are authorized for the purposes of this Policy within the limitations set out in Investment Parameters section and Appendix 1.

- a) Bonds, debentures, promissory notes or other evidence of indebtedness issued or guaranteed by:
  - 1) Canada or a province or territory of Canada
  - 2) An agency of Canada or a province or territory of Canada
  - 3) A country other than Canada
  - 4) A municipality in Canada including the Regional Municipality of York
  - 5) The Infrastructure Ontario and Lands Corporation
  - 6) A school board or similar entity in Canada (money must be used for school purposes)
  - 7) A post-secondary educational institution
  - 8) The board of governors of a college of applied arts and technology of Ontario
  - 9) A local board as defined in the *Municipal Affairs Act* or a conservation authority
  - 10) A board of a public hospital

- 11) A non-profit housing corporation
  - 12) A local housing corporation
  - 13) The Municipal Finance Authority of British Columbia
  - 14) The International Bank for Reconstruction and Development
  - 15) A supranational financial institution or a supranational governmental organization
  - 16) Asset-backed securities, with a minimum credit rating of "AAA"
  - 17) A corporation that is incorporated under the laws of Canada or a province of Canada with a maturity of not more than 5 years provided it has a minimum credit rating of "A-"
- b) Bonds, debentures, promissory notes or other evidence of indebtedness issued or guaranteed by:
- i) a bank listed in Schedule I, II or III to the *Bank Act* (Canada)
  - ii) a loan corporation or trust, or
  - iii) a credit union or league
- c) Negotiable promissory notes or commercial paper, other than asset-backed securities, maturing one year or less from the date of issue, if that note or commercial paper has been issued by a corporation that is incorporated under the laws of Canada or a province of Canada.
- d) Bonds, debentures, promissory notes, other evidence of indebtedness or securities of a corporation if the Corporation first acquires the bond, debenture, promissory note, or other evidence of indebtedness as a gift in a will and the gift is not made for a charitable purpose (can only be held for 90 days).
- e) Bonds, debentures, promissory notes or other evidence of indebtedness issued by a corporation that is incorporated under the laws of Canada or a province in Canada, the terms of which provide that the principal and interest shall be fully repaid more than five years after the date the Corporation makes the investment provided that the investment is done through the ONE Investment Program.
- f) Shares of a corporation if:
- i) The corporation has a debt payable to the Regional Municipality of York
  - ii) Under a court order, the corporation has received protection from its creditors

- iii) The acquisition of the shares in lieu of the debt is authorized by the court order, and
- iv) The Regional Treasurer is of the opinion that the debt will be uncollectible by the Region unless the debt is converted to shares under the court order
- g) Shares issued by a corporation that is incorporated under the laws of Canada or a province of Canada, provided that the investment is done through the ONE Investment Program.

4.2 The following United States dollar investments are authorized for the purposes of this Policy within the limitations set out in the Investment Parameters section and Appendix 1.

- i) Bonds, debentures, promissory notes or other evidence of indebtedness issued or guaranteed by bank listed in Schedule I to the Bank Act (Canada)

## **5. Investment Parameters**

Fixed income investments shall be diversified by:

- a) Diversifying investments to avoid over-concentration in securities from a specific issuer or sector (excluding Government of Canada securities)
- b) Limiting investment in securities to those that have higher credit ratings
- c) Investing in securities with varying maturities, and
- d) Investing in mainly liquid, marketable securities which have an active secondary market, to ensure that appropriate liquidity is maintained in order to meet ongoing obligations

In order to promote diversification of the Corporation's investment portfolio, percentage weightings for class and type of securities shall be established and maintained.

Column "d" of Appendix 1 sets out the maximum allowable exposure for each classification of security as a percentage of the total portfolio. Column "e" of Appendix 1 sets out the maximum allowable exposure for each specific issuer in a security class as a percentage of the total portfolio. Column "f" of Appendix 1 sets out the maximum term limit for each investment class and issuer.

The Corporation shall adopt weighted average maturity limitations consistent with investment objectives.

The Corporation shall also hold sufficient funds in short term investment instruments to maintain adequate liquidity. Appendix 2 sets out minimum and maximum term exposures in order to ensure liquidity requirements are maintained. The Corporation shall sell an investment within 30 to 90 days if that investment's rating falls below the standard as set out in Appendix 1. However, the investment could be held for a longer period if a plan has been developed for its disposal, including expected timelines for selling the investment and the plan has been approved by the Regional Treasurer.

## **6. Reporting Requirements**

### **a) Allocation of Investment Income**

Allocation of investment earnings from General Fund Portfolios will be allocated monthly to the appropriate reserve, deferred revenue or other account of the Corporation as set out in Appendix 3. The rate of return credited will take into consideration the length of time that investments will be held for the purposes of that account.

### **b) Reports to Council**

The Regional Treasurer shall submit an investment report for Council at least annually, including a management summary that provides an analysis of the status of the current investment portfolio and transactions made over the last year. This management summary will be prepared in a manner which will allow Council to ascertain whether investment activities during the reporting period have conformed to the Policy. The investment report will include the following:

- Listing of individual securities held at the end of the reporting period
- Realized and unrealized gains or losses resulting from appreciation or depreciation by listing the cost and market value of securities over one-year duration that are not intended to be held until maturity (in accordance with Governmental Accounting Standards Board (GASB) requirements)
- Average weighted yield to maturity of portfolio on investments as compared to applicable benchmarks
- Listing of investment by maturity date
- Percentage of the total portfolio which each type of investment represents

- A statement about the performance of the investment portfolio during the period covered by the report
- An estimated ratio of the total long-term and short-term securities compared to the total investments and a description of the change, if any, in that estimated proportion since the previous year's report
- A statement by the Regional Treasurer as to whether or not, in their opinion, all investments were made in accordance with the investment policies and goals adopted by the Corporation
- If an investment made by the Corporation is, in the opinion of the Regional Treasurer, not consistent with the Policy, the inconsistency shall be reported to the Chair and Chief Executive Officer and Chief Administrative Officer immediately and, as determined necessary by the Regional Treasurer, Chair and Chief Executive Officer and Chief Administrative Officer together, to Council within 30 days (or the next earliest opportunity)
- A record of the date of each transaction in or disposal of its own securities, including a statement of the purchase and sale price of each security; If the Corporation has any existing forward rate agreements in a fiscal year, the Regional Treasurer shall prepare and present to Council once in that fiscal year, or more frequently if Council so desires, a detailed report on all of those agreements, which will contain:
  - A statement about the status of the forward rate agreements during the period of the report, including a comparison of the expected and actual results of using the agreements
  - A statement by the Regional Treasurer indicating whether, in their opinion, all of the forward rate agreements entered during the period of the report are consistent with the Corporation's statement of policies and goals relating to the use of forward rate agreements
- Such other information that the Council may require or that, in the opinion of the Regional Treasurer, should be included

### **c) Performance Benchmarks**

It is anticipated that the investment portfolio will earn an average rate of return that is at least commensurate with the investment risk constraints and cash flow needs of the Corporation. Therefore, the actual rate of return earned on the portfolio will be regularly compared to performance benchmarks that have been

previously established.

The benchmark(s) may vary from time to time as determined by the Regional Treasurer in order to be comparable to the composition and average term of the current holdings of the investment portfolio. The performance of the General Portfolio will be compared using two sets of performance benchmarks - an index-based benchmark and a managed portfolio benchmark.

The index benchmark will be based on a proportional blend of applicable components of the following indices:

- FTSE Canadian Money Market Index
- FTSE Canadian Short-Term Bond Index
- FTSE Canadian Medium-Term Bond Index
- FTSE Canadian All Government Long-Term Bond Index, and
- TSE Canadian Equity Index

The managed portfolio benchmark will be based on a proportional blend of rate of returns earned by the following funds:

- ONE Investment Program Money Market Fund
- ONE Investment Program Canadian Corporate Bond Fund
- ONE Investment Program Bond Fund, and
- ONE Investment Program Equity Fund

### **d) Marking to Market**

The market value of the investment portfolio shall be calculated monthly or more frequently if determined necessary by the Regional Treasurer.

## **7. Safekeeping and Custody**

All securities shall be held for safekeeping by a financial institution approved by the Corporation. Individual accounts shall be maintained for each portfolio. All securities shall be held in the name of the Corporation.

The depository shall issue a safekeeping receipt to the Corporation listing the specific instrument, rate, maturity and other pertinent information. On a monthly basis, the depository will also provide reports which list all securities held for the

Corporation, the book value of holdings and the market value as of month-end.

## **8. Securities Lending**

The Corporation may engage in the practice of securities lending as provided in Section 418 of the *Municipal Act, 2001*, to enable the Corporation to increase its return on its custodial portfolio by lending certain assets to recognized borrowers for a fee.

## **9. Forward Rate Agreements**

The Corporation may enter into Forward Rate Agreements (FRAs). FRAs may only be used to reduce the risk of future interest rate changes associated with known cash inflows and will be subject to the conditions set out in Appendix 2.

The FRA agreement must specify all of the following:

- The forward amount, which is the principal on which the interest rate is based upon
- A settlement date
- The forward interest rate
- The reference rate of interest
- A schedule of approximate payments/cost to or by the Corporation should the reference rate and the forward rate differ

A report analyzing the risks and return profile of the transaction, the risk exposure to the Corporation without the FRA and specific risk control measures must be approved by the Regional Treasurer prior to entering into a FRA agreement.

## **Responsibilities**

### **Regional Treasurer:**

- Establishes an investment strategy for the Corporation and implements the strategy.
- Responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of employees and shall exercise control over them.
- Ensures that Investment Procedures are established and reviewed, from time to time, and remains up to date and accessible to all employees.

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- Establishes written guidelines for the management of investments and such guidelines shall conform to this Policy.
- Develops and maintains all necessary operating procedures for effective control and management of the investment function and reasonable assurance that the Corporation's investments, including those managed on behalf of external clients, if applicable, are properly managed and adequately protected.
- Enters into arrangements with banks, investment dealers and brokers, and other financial institutions for the purchase, sale, redemption, issuance, transfer and safekeeping of securities.
- Determines rate of return to be allocated to accounts based on Appendix 3 and the portion of any deferred revenue, reserve or reserve fund deemed to be investable for the long-term.
- Arranges the responsibilities and functions of the Region's investment program in a manner that would delineate between front, back office and a potential risk management committee. The function of executing and confirming trades shall be separated from employees directly responsible for the trade. The duties performed by the trading desk and back office (Controllershship Office) will be clearly segregated to maintain the integrity of the financial records.
- Ensures that a review of the investment portfolio is performed daily to verify its compliance with the sector and credit exposure limitations set out in Appendix 1 by the Investment and Cash Management Division (name as amended from time to time).
- Ensures that any investment that becomes inconsistent with this Policy will be disposed of within 180 days.
- Ensures that credit rating of securities held in the investment portfolio are being monitored regularly by appropriate employees and that any material negative changes are communicated in a timely manner to the Regional Treasurer.
- Executes and signs documents on behalf of the Corporation and performs all other related acts in the day-to-day operation of the investment and cash management program.
- Ensures all Reporting Requirements identified within this Policy are met.

- May temporarily authorize an amendment to the Term Limits shown in Appendix 2 should an operational need arise.
- Obtains adequate insurance coverage to guard against any losses that may occur due to misappropriation, theft, or other unscrupulous acts of fraud with respect to the Corporation's financial assets.

## Reference

### Legislative and other authorities

- Section 418 and 420 of *Municipal Act, 2001*
- Section 25 of the *Securities Act, 1990*
- Ontario Regulations 438/97, 265/02, 299/02, 655/05

### Appendices

- [2025 to 2026 Regional Budget](#), Council Report, November 28, 2024

## Contact

Title	Director, Treasury Office
Branch	Treasury Office
Department	Finance Department

## Approval

Council Date: <a href="#">November 28, 2024</a>	Committee Date: N/A
Council Minute Item: H.2	Committee Minute Item: N/A

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Accessible formats or communication supports are available upon request.

## Appendix 1 - Authorized Investments and Sector Limitations

Sectors	Minimum Credit Rating	Money Market Rating	Sector/Credit Exposure Limitation <sup>1</sup> (maximum)		Sector Term Limitation (Maximum)
			Portfolio Limit	Individual Limit	
(a)	(b)	(c)	(d)	(e)	(f)
<b>Federal<sup>2</sup></b>					
Canada	N/A		100%		50 years
Federal Guarantees	N/A		50%	10%	50 years
<b>Other Countries<sup>2</sup></b>					
<b>Government</b>	AAA		20%	10%	20 years
<b>Government</b>	AA (L)		10%	5%	10 years
<b>Other Countries Total</b>			20%		
<b>Provincial<sup>2</sup></b>					
	AA	R1 mid	75%	35%	40 years
	A		25%	15%	30 years
	BBB		10%	5%	10 years
Provincial Total			80%		
<b>Municipal</b>					
Region of York <sup>3</sup>	N/A		25%	25%	None
Other Municipalities <sup>4</sup>	AAA		35%	5%	40 years
	AA		25%	5%	40 years
	A		10%	2%	40 years
	Not rated		5%	2%	10 years
Applied Arts, Housing Corp, Education & Hospitals	AA(L)		25%	5%	10 years
Municipal Total			35%		
<b>Asset Backed<sup>5</sup></b>	AAA	R1 high	20%	5%	10 years
<b>Banks</b>					

<sup>1</sup> Exposure % limitations to be applied to the par value of the total portfolio

<sup>2</sup> Includes guarantees

<sup>3</sup> Includes advances to area municipalities

<sup>4</sup> Infrastructure Ontario & BCMFA, School Boards, Local Boards & Conservation.

<sup>5</sup> Investment in these securities is contingent upon the Region maintaining a credit rating at or above AA (L)

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Sectors	Minimum Credit Rating	Money Market Rating	Sector/Credit Exposure Limitation <sup>1</sup> (maximum)		Sector Term Limitation (Maximum)
			Portfolio Limit	Individual Limit	
Schedule I Banks	A-	R1 mid	50%	25%	10 years <sup>6</sup>
Schedule II Banks	A-	R1 mid	20%	10%	5 years
Schedule III Banks	A-	R1 mid	10%	3%	5 years
<b>Banks Total</b>			<b>50%</b>		
<b>Corporate</b>					
Corporate Debt <sup>5</sup>	A-	R1 mid	25%	5%	5 years
	A-		15%	3%	5 years
<b>Corporate Total</b>			<b>30%</b>		
<b>Supranational</b>					
International Bank for Reconstruction and Development <sup>7</sup>	AAA		10%	10%	30 years
Other Governmental or Financial Institutions	AAA		15%	10%	30 years
<b>Supranational Total</b>			<b>20%</b>		
<b>ONE Investment</b>					
Money Market <sup>8</sup>	n/a		10%	n/a	
Bond Fund	n/a		10%	n/a	
Equity/Shares	n/a		10%	n/a	
Corporate Debt	A		10%	n/a	> 5 years
<b>ONE Total</b>			<b>25%</b>		
<b>Other</b>					
Loan or trust corporation, credit union, Province of Ontario Saving Bank	AA(L)		20%	5%	10 years

<sup>6</sup> Maximum 25% beyond 5 years

<sup>7</sup> United States dollar investments are limited to no more than 1% exposure limit

<sup>8</sup> Including High Interest Savings Account

Appendix 2 - Portfolio Term Limitations

<b>Term Limitation</b>	<b>Percentage</b>	
	<b><u>Minimum</u></b>	<b><u>Maximum</u></b>
Less than 90 days	5%*	100%
Less than 1 year	10%	100%
From 1 year up to, but not including 5 years	0%	85%
From 5 years up to, but not including 10 years	0%	60%
From 10 years up to 50 years	0%	30%

\*Note: to include known cash receipts due within 90 days

**Other Restrictions:**

- 1) Term is limited to an individual maximum term of 50 years for certain securities and the weighted average term shall not exceed 10 years for the general portfolio.
- 2) Investments for terms in excess of 1 year are restricted subject to investments specified and the credit rating limitation set out on Appendix 1.
- 3) Forward Rate Agreements (FRAs) may only be executed with Schedule I, II or III Banks whose credit rating is as permitted by provincial regulation. The term of any FRA must be less than 1 year and not more than 25% of previous year's cash receipts.

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Appendix 3 – Allocation of Investment Income

The method for allocating interest to accounts with surplus balances will reflect the term characteristics of that account.

The rate structure will be based on a three-tier system as follows:

- 1) Short-term rate - the lower of either the rate of return realized from the short-term money market portion of the General Fund portfolio including cash held on deposit with financial institutions or the long-term rate as determined by the Regional Treasurer.
- 2) Mid-term rate - a rate of return less than, or equal to, the long-term rate, as determined by the Regional Treasurer
- 3) Long-term rate - rate of return realized from all long-term and any residual income not accounted for in the short and mid-term rate calculation above.

The short-term rate will be applied to the following accounts:

1. All deferred revenue accounts
2. The following corporate reserves:
  - Dental
  - Extended Health
  - Pandemic Management and Recovery
3. The following specific reserves:
  - Fuel Cost Stabilization
  - Hospital Financing
  - Transit
  - Canada Community Building Fund
  - Provincial Gas Tax
  - Infrastructure Reserve Police
  - Court Services
  - Road Capital
4. Funds held on behalf of other organizations

The long-term rate will be applied to the following accounts:

- 1) Water - Capital Replacement
- 2) Sewer - Capital Replacement
- 3) Facilities Rehabilitation and Replacement
- 4) Roads Rehabilitation and Replacement
- 5) Region Owned Housing
- 6) Transit Vehicle Replacement

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- 7) Tax Levy Development Reserve
- 8) Rate Supported Development Reserve
- 9) Rapid Transit Reserve
- 10) Any portion of a deferred revenue account, a reserve or reserve fund that maintains a consistent average outstanding balance that, at the discretion of the Regional Treasurer, is deemed to be investable for the long term.

The mid-term rate will be applied to all other reserve and reserve funds.

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