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Town of Aurora
Memorandum
Finance

Re: ONE JIB Update – Transition to Outsourced Chief Investment Officer (OCIO)
To: Finance Advisory Committee
From: Laura Sheardown, Financial Management Advisor
Date: February 18, 2025

Recommendation

1. That the memorandum regarding ONE JIB Update – Transition to Outsourced Chief Investment Officer (OCIO) be received; and
2. That the Finance Advisory Committee comments regarding ONE JIB Update – Transition to Outsourced Chief Investment Officer (OCIO) be received and referred to staff for consideration and further action as appropriate.

Background

In 2023, Council approved the transition of Aurora's long-term investments to the ONE Joint Investment Board (ONE JIB) which was completed in September 2023 with Aurora's investments seeing returns of 14.9% since inception (as per Sept 2024 statement).

The ONE JIB's Strategic Plan includes a key goal of growing the assets under management through the attraction of new large municipal members to the Prudent Investor Program. On February 28, 2024, the ONE JIB agreed to proceed with the implementation of an Outsourced Chief Investment Officer (OCIO). In support of the transition to the OCIO model, the ONE JIB undertook a review process resulting in the identification of Phillips, Hager & North Investment Management Ltd, (PH&N), a wholly owned subsidiary of RBC Global Asset Management Inc. The ONE JIB's engagement of an OCIO further supports this goal as well as strengthens its governance.

Analysis

Transition to OCIO

The transition to an OCIO model allows the ONE JIB to offer participating municipalities access to the full suite of funds offered by PH&N. PH&N will provide a wide range of investment products and services as part of the OCIO framework. Through the OCIO framework, PH&N will provide a much broader range of investment funds beyond the five currently available to the ONE JIB, offering many more options to build and customize its various investment its portfolios. Currently, ONE JIB offers five different investment funds to municipalities, compared to the anticipated 36 different investment funds that will be offered by PH&N under the OCIO framework.

The ONE JIB will strive to ensure that its OCIO framework offers maximum flexibility in its implementation of Investment Plans while achieving operational efficiency in support of its growing number of municipal members of the Prudent Investment Program.

Alternative investments are available under the OCIO offerings

ONE JIB is also offering alternative investments under the OCIO offerings such as real estate and infrastructure. Alternative investments tend to be higher-risk profile investments that offer potentially larger returns but tend to have strong diversification benefits. The addition of alternative investments to a diversified portfolio will improve the risk-adjusted returns of a portfolio. Due to the higher risk profile and more limited liquidity of alternative investments, they are not considered for all investors. Staff are looking for direction from FAC to decide if they would like to include alternative investments in the revised investment policy or not.

Next steps of the transition to OCIO

As part of the transition to OCIO, all participating municipalities are required to update their respective investment policies to allow for the outsourcing of management of the combined holdings of the ONE JIB. Staff are currently completing all necessary changes to the Town's investment policy to this effect and are scheduled to bring the updated investment policy to the FAC for review in April.