



Information Memo

To: Council-In-Committee Meeting
Date: June 12, 2025
Division: Corporate Services
Department: Finance
Ward: All Wards
Subject: Legacy Fund Repositioning Update

Recommendation(s):

That the Information Memo regarding the Legacy Fund Repositioning Update be received as information.

Background

Since contract award in December 2024, staff have been working with the County's investment management services provider, CIBC Private Investment Counsel (CPIC), on a reinvestment plan for the County's Legacy Fund.

In March of 2025, staff presented report CS-25-031 Investment Management Services and Policy Updates, which included a revised Legacy Fund Policy (GP-25, Attachment A). The Policy included changes to the County's investment mix and outlined the plan to reposition a large portion of the Legacy Fund investments held by ONE Investment and move to investments managed by CPIC.

The recommendations were made with the primary objectives of the Policy in mind. The primary objectives include:

1. Adherence to statutory requirements
2. Capital preservation
3. Cash flow generation
4. Long term capital growth

The report estimated the repositioning would be completed in the second quarter of 2025.

Discussion:

Since the approval of the report in March, staff and CPIC have been working diligently on the detailed repositioning plan and execution. First, numerous planning meetings were held between CPIC and staff, where the specific investments to be purchased based on current market conditions and long term expectations were evaluated. Market

timing was carefully considered based on the significant market fluctuations experienced in recent months. As of May 26th, 2025, staff are pleased to confirm the major repositioning is complete.

Table 1 shows the investments by asset class as of May 26th for the Legacy Fund. The table also compares the target level of investment allocation percentage, as prescribed in the Policy, to the actual allocation percentage.

Table 1 – Legacy Fund Investments by Asset Class

Asset Class	Value Invested \$	Actual %	Target %
Short Term Treasuries/ High Interest Savings	5,000,000	6%	0%
5-Year Income Generation Bond Ladder	8,304,846	10%	12%
Fixed Income Notes & Interest Rate Notes	14,035,778	18%	18%
Step Up Autocallable Notes	14,000,000	18%	20%
Canadian Equities	7,881,973	36%	35%
Growth PPNs linked to Canadian Markets	21,360,000		
Growth PPNs linked to US Markets	-	-	-
Growth PPNs linked to International Markets	10,000,000	12%	15%
Total Legacy Fund Value	\$80,582,597		

As demonstrated in Table 1, actual proportions of investments slightly differed from the targeted amount. The largest deviation between actual % and target % is attributable to the Short Term Treasuries/High Interest Savings class. This deviation is expected to be temporary and is due to the County's commitment to the Norfolk General Hospital (NGH), which has been retained in the Legacy Fund's high interest savings account (HISA). These funds have been retained in a very liquid investment type, as it is anticipated NGH will request the funds from the County soon.

Of the total Legacy Fund value, \$67.7M is invested with CPIC and \$12.9M remains with ONE Investment. Funds remaining with ONE Investment include the HISA and Canadian Equities Investments. This is in keeping with the policy guidelines, ensuring principle protection over the initial Legacy Fund amount.

CPIC is currently working on setting up a HISA for the Legacy Fund, and once the set-up is complete, staff will transfer the balance in the ONE Investment HISA to CPIC. This will be the last repositioning transaction and is anticipated to occur within a few weeks.

Finance Comments:

The repositioning of the Legacy Fund has been successful from a financial perspective. The repositioning transactions have aligned with the Policy objectives; this alignment is highlighted below.

1. Adherence to Statutory Requirements

CPIC and staff verified all new investments were made in line with statutory requirements.

2. Capital Preservation

The current amount of the portfolio that is principally protected is \$72.4M, which equates to 90% of the portfolio value. The principally protected amount is above the initial investment amount of \$67.7M, ensuring the portfolio value will not fall below the initial value.

3. Cash Flow Generation

Investments have been made within key asset classes that will support earning the required return to meet annual commitments. The key investment classes that support cash flow generation include: 5-Year Income Generation Bond Ladder, Fixed Income Notes & Interest Rate Notes, and Step Up Autocallable Notes.

4. Long Term Capital Growth

Based on careful planning and favourable market conditions experienced during repositioning, the market value at the time of repositioning was above the level presented in March. This is a notable achievement, as the market has experienced significant fluctuations this year. During the repositioning many principally protected investments were purchased, which means a large portion of the higher market value has been sheltered from future declines and therefore represents long term capital growth. As at May 26, year to date earnings of the Legacy Fund were \$2.9M, which represents a year-to-date growth of 3.6%.

Due to the changes in investment asset types with the Policy update, many of the returns for note investments are now linked to indices. When staff and CPIC were selecting the notes to purchase in the portfolio, six different indices were selected to ensure diversity and to reduce concentration mix. A list of the indices linked to the notes purchased during the repositioning has been provided below.

1. CORRA – Canadian Overnight Repo Rate Average – This index reflects the cost of overnight borrowing in the Canadian financial system using Government of Canada securities.
2. Canadian Diversified Large Cap Equity Index – This index tracks the performance of the largest publicly traded companies in Canada through select representation of i) Highest market capitalization companies and ii) Highest dividend paying companies.

3. Canadian Pipeline AR 115 Index – This index tracks the overall performance of oil and gas pipelines companies in the Canadian Stock Market.
4. Canadian Insurance AR 185 Index – This index tracks the overall performance of the top Canadian insurance companies.
5. Canadian Equal Weight Bank Index – This index tracks the overall performance of the 'Big 6' Canadian Financial Institutions / Banks.
6. Tokyo Stock Price Index – This index tracks the overall performance of the largest, most established companies on the Tokyo Stock Exchange
7. Euro Stoxx 50 Index – This index tracks the performance of the 50 largest companies in the Eurozone

Typically, the actual return received for the note is based on the performance of the index, and the participation rate and timing of evaluation of performance is specified in the terms of each note.

It should be noted that the indices selected for the portfolio may change in the future, and the list above represents the selections at the time of repositioning.

Attachment(s):

- Attachment A: GP-25 Legacy Fund Policy

Conclusion:

The repositioning of the Legacy Fund due to the changes in asset mix and investment management services provider has been successful. Now, approximately 90% of the portfolio is principally protected, which will support a key goal of the Legacy Fund to preserve capital. Additionally, due to the careful planning of the timing of the transition, long-term capital growth has been realized, as the repositioning occurred when the equity market was strong.

Approval:

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