



Update to the Appointment of an Outsourced Chief Investment Officer

Item 7

April 22, 2024

Building Investment, Finance and Audit Committee

Report: BIFAC:2024-41

To: Building Investment, Finance and Audit Committee
("BIFAC")

From: Chief Financial Officer & Treasurer

Date: April 11, 2024

PURPOSE:

The purpose of this report is to seek BIFAC's approval to revoke the approval of Towers Watson Canada Inc. ("WTW") as the Outsourced Chief Investment Officer ("OCIO") for TCHC and cease agreement negotiations with them, initiate negotiations with the second highest ranked proponent based on the outcome of Request for Proposal ("RFP") 23009, and approve the appointment of the second highest ranked proponent as the OCIO subject to the negotiation of agreement terms satisfactory to TCHC.

RECOMMENDATIONS:

It is recommended that the BIFAC:

1. authorize TCHC to cease negotiations for the agreement governing the appointment of Towers Watson Canada Inc. ("WTW") as TCHC's Outsource Chief Investment Officer ("OCIO") and revoke the appointment of WTW as TCHC's OCIO as a result of the inability to reach satisfactory agreement terms;

2. authorize TCHC to initiate negotiations with the firm identified in Confidential Attachment 1 in relation to an agreement governing this firm's appointment as OCIO;
3. authorize TCHC to enter into an agreement with, and appoint as OCIO in accordance with this report, the firm identified and for the amount specified in Confidential Attachment 1 for a term of three years with two additional one-year extensions at TCHC's sole discretion, subject to the negotiation of terms of an agreement governing the firm's appointment as OCIO that are satisfactory to the Investment Advisory Committee;
4. authorize the release of Confidential Attachment 1 upon approval of the Chief Financial Officer & Treasurer; and
5. authorize the appropriate staff to take the necessary actions and execute the necessary documents to give effect to the above recommendations.

REASONS FOR RECOMMENDATIONS:

On November 22, 2023, through [Report BIFAC:2023-134](#), the Building Investment, Finance and Audit Committee approved the Investment Advisory Committee's ("IAC") recommendation for the appointment of Towers Watson Canada Inc. as an OCIO as a result of the outcome of RFP 23009. BIFAC further authorized the Chief Financial Officer to undertake all essential measures, including negotiations and the execution of pertinent documentation, to implement the aforementioned recommendations.

After engaging in the negotiation process for an agreement governing the appointment as OCIO, TCHC and Towers Watson Canada Inc. were unable to reach satisfactory agreement terms. Further details regarding the negotiations are provided in Confidential Attachment 2.

TCHC is seeking to appoint an OCIO to obtain the requisite expertise to optimize the returns on its investment portfolio in support of its objective of ensuring future financial sustainability. The OCIO has the following core obligations and delegated responsibilities:

- Investment objective setting and investment plan management;
- Ongoing active portfolio management, including portfolio rebalancing, hiring of an investment manager as needed, discretionary execution of

the investment portfolio, managing and reporting on portfolio risk exposure, and investment accounting and investment performance reporting;

- Attendance at IAC meetings, provision of updates on capital markets and assistance with TCHC's response to changing market conditions, and the preparation of an Annual Report to the IAC on investment performance, which submitted to BIFAC and the Board for approval;
- An annual investment portfolio assessment for review by TCHC management, including risk management, compliance monitoring, performance and client servicing; and
- Provision of strategic studies/analysis that address optimizing TCHC's investment portfolio.

IMPLICATIONS AND RISKS:

Upon approval of the above noted recommendations, Legal, Finance and Strategic Procurement will pursue negotiations and execution of an agreement with the firm identified in Confidential Attachment 1 governing the appointment of the firm as TCHC's OCIO.

SIGNATURE:

"Lily Chen"

Lily Chen
Chief Financial Officer & Treasurer

CONFIDENTIAL ATTACHMENTS:

Confidential Attachment 1: Details of Recommended Firm and Contract Value

Reason for Confidential Attachment: Deals with matters that are not required to be disclosed under the *Municipal Freedom of Information and Protection of Privacy Act*, including but not limited to a proposed or pending transaction with a third party.

Confidential Attachment 2: Supplemental confidential information supporting recommendations for Report # BIFAC:2024-33

**Reason for
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Attachment:**

This report deals with matters that are not required to be disclosed under the *Municipal Freedom of Information and Protection of Privacy Act*, including but not limited to a proposed or pending transaction with a third party.

STAFF CONTACTS:

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