

Subject: Authorization to Hire a Consultant to Assist the Ottawa Investment Board Manage the Request for Proposal for an Outsourced Chief Investment Officer

File Number: ACS2024-FCS-OIB-0002

Report to Ottawa Investment Board on 31 May 2024

Submitted on May 22, 2024 by Mark Martin, Manager, Treasury, Corporate Finance Service, Finance and Corporate Services Department

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Ward: Citywide

Objet : Autorisation de recruter un conseiller qui aidera le Conseil d'investissement d'Ottawa à gérer le processus de demande de propositions visant l'embauche d'un chef des placements externe

Numéro de dossier : ACS2024-FCS-OIB-0002

Rapport présenté au Conseil d'investissement d'Ottawa le 31 mai 2024

Soumis le 22 mai 2022 par Mark Martin, Gestionnaire, Trésorerie, Finances municipales, Direction générale des finances et des services organisationnels

Personne-ressource : Dan Bate, agent principal de placement, Finances municipales, Direction générale des finances et des services organisationnels

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Quartier: À l'échelle de la ville

REPORT RECOMMENDATION

That the Ottawa Investment Board approve the hiring of Eckler Ltd. to assist the Board in their management of the Request for Proposal process to hire an Outsourced Chief Investment Officer to manage the City's funds not immediately required.

RECOMMANDATION DU RAPPORT

Que le Conseil d'investissement d'Ottawa approuve le recrutement de l'entreprise Eckler Ltd. afin que celle-ci participe au processus de demande de propositions visant l'embauche d'un chef des placements externe, dans le cadre de la gestion des fonds de la Ville qui ne sont pas nécessaires dans l'immédiat.

BACKGROUND

On June 22, 2022, through consideration of the [2021 Investments, Endowment Fund, and other Treasury Activities report](#) (AS2022-FSD-FIN-0005), City Council adopted the prudent investor regime and established an Investment Board to invest City funds not immediately required by passing By-law No. 2022-317, which was enacted on September 21, 2022. At this meeting, Council also directed the Chief Financial Officer (CFO) to develop an Investment Governance Plan supported by an Outsourced Chief Investment Officer (OCIO), and authorized the CFO to begin the recruitment process to select Board members.

On December 7, 2022, City Council delegated authority to a selection panel to appoint members to the Ottawa Investment Board (OIB) through the [2022-2026 Council Governance Review report](#) (ACS2022-OCC-GEN-0030).

On June 14, 2023, Council approved the Terms of Reference and Governance Plan for the OIB through the [2022 Investments, Endowment Fund, and other Treasury Activities report](#) (ACS2023-FCS-FIN-0005).

On February 2, 2024, staff communicated the results of the selection process through a memo to Council on the [Appointment of the Ottawa Investment Board Members](#) and outlined the next steps to establish an Investment Strategy for the City of Ottawa, including Member orientation and training, drafting the Statement of Investment Policies and Procedure for Council's approval, procuring an Outsourced Chief Investment Officer (OCIO) and developing an OCIO Investment Plan.

Ottawa Investment Board mandate

In partnership with an OCIO, the OIB will adopt and follow an Investment Plan using the OCIO model of investment. The Investment Plan will outline how the City's funds not immediately required are to be invested and proportioned among various asset classes. The Investment Plan will align with the Statement of Investment Procedures, which will be brought forward to Council for approval later this year.

Delegated Purchasing Power

In accordance with the Delegation of Authority By-law 2023-67, Schedule B, Section 15(1), the Chief Financial Officer/Treasurer is delegated the authority to purchase financial services respecting the management of government financial assets and liabilities (i.e. treasury operations), including ancillary advisory and information services.

DISCUSSION

A key role of the OIB, in accordance with its Governance Plan and Terms of Reference, is the responsibility of selecting an OCIO provider to manage the City's funds not immediately required under the prudent investor regime. City staff recommend that the OIB approve the hiring of Eckler Ltd. (Eckler) to assist with the Request for Proposal process for an OCIO. Under the Chief Financial Officer/Treasurer's delegated authority, staff could enter into a sole source contract with the firm.

Selecting an OCIO provider involves technical and industry expertise that is beyond what is available to City staff. To effectively source an adequate OCIO provider, the City will need to hire an external consultant who brings that needed technical and industry expertise that is mostly proprietary to the consultant.

Eckler is an investment consultant and actuarial firm that provides both technical and industry expertise to develop proprietary modeling and templates to assist organizations in the development and execution of OCIO searches. They are a successful consulting firm of committed and highly skilled professionals. The firm has established itself as a leading company assisting pensions, endowments, governments, corporations, and other entities with various investment consultant mandates.

Eckler has worked with City staff in the past providing their proprietary expertise to assist with two previous OCIO searches for the City of Ottawa Superannuation Fund Pension Plan and Ottawa-Carleton Regional Employees' Pension Plan. They also conducted recent OCIO searches for the ONE Fund, City of Hamilton, and Terry Fox Foundation, and have various consulting mandates with the federal and provincial governments. Given Eckler's previous results for OCIO searches for the City of Ottawa, experience with other entities conducting similar OCIO searches, and their proprietary expertise, staff recommend the OIB approve the appointment of Eckler to assist the OIB in their OCIO search.

Under the sole source contract, services that would be provided by Eckler would include, but are not limited to the following:

- interviews with stakeholders to understand the mandate
- a detailed report highlighting selection criteria
- OCIO provider personnel overview
- investment management structure
- risk management overview
- fee structure
- performance reporting
- experience with similar mandates
- environmental, social and governance (ESG) expertise, support, and approach

Staff will ensure the criteria used and associated costs are in line with the other OCIO searches conducted by the City.

FINANCIAL IMPLICATIONS

There are no budget impacts as a result of the report recommendation.

LEGAL IMPLICATIONS

There are no legal impediments to approving the recommendations in this report.

ACCESSIBILITY IMPACTS

Finance and Corporate Services adheres to the requirements of the *Accessibility for Ontarians with Disabilities Act, (2005)* in its operations, programs and initiatives. This report is administrative in nature and has no associated accessibility impacts.

DISPOSITION

With the OIB's approval of this report's recommendation, the Chief Financial Officer/Treasurer will work with Treasury staff to execute a sole source contract with Eckler to procure the needed proprietary expertise to assist the OIB in procuring an OCIO provider and will report back to the OIB with an update when feasible.