



# Investment Governance Review

2024 June 13



## Recommendation

That Audit Committee receive the Investment Governance Report and supporting documents for the corporate record.



## Objective



At the request of Audit Committee to have a Governance Review performed, Mercer was engaged in 2023 to conduct an extensive and in-depth review of the terms of reference and related governance structures and control processes currently in place for the Investment Advisory Committee (IAC).



# Investment Governance

Investment governance refers to the framework, processes, and practices that guide decision-making and oversight related to investment activities; it consists of:

1. Clear Objectives
2. Strategic Asset Allocation
3. Risk Management
4. Policy Framework
5. Due Diligence
6. Transparency and Disclosure
7. Oversight and Accountability
8. Performance Evaluation
9. Continuous Improvement

# Scope of Review

Mercer's process included four distinct phases:



- **Preliminary and initial discussion**

- Meetings with the City Investment Team to determine the scope



- **Document review**

- Review of policy documents, IAC meeting minutes, and other items presented by The City.



- **Interviews**

- Mercer conducted individual interviews with 6 members of the IAC to collect information and understand perspectives regarding the governance of the investment assets



- **Final Report**

- Mercer produced a final report to outline their findings and observations, key guiding principles for governance, as well as recommendations for prospective investment governance

## Key Observations

Observations from the report include:

- “.... the City has already exceeded best practices in governance through recognizing that processes and procedures must evolve over time, and that modifying, where necessary, existing processes to better suit current circumstances is essential in maintaining good and effective governance practices.”
- “...the current governance structure adopted in relation to Asset investment is efficient and operating with optimal consideration of timely and germane information examined by experts in the field of institution investing...”
- “The City investment policy documents are comprehensive and reflective of industry best practice.”
- “IAC composition is diverse, reflecting a spectrum of finance and investment knowledge both within the City organization and externally.”



## Additional Recommendations

Additional recommendations that, in Mercer’s view, would enhance existing governance:

- Expansion of IAC membership to include a third external member
- Develop a pool of potential candidates for external IAC appointments to ensure continuity and ease of succession transitions without interruption to overall IAC activities
- Expand the breadth of topics covered during IAC on-boarding
- Make continuing education opportunities available to IAC members
- Establish a consistent and documented definition of the Prudent Investor Rule<sup>1</sup>
- Update certain investment governance documents for purposes of clarity related to roles, responsibilities and expectations



<sup>1</sup> The terms “Prudent Investor Rule” and “Prudent Person Rule” are both used in this Report due to their respective incorporation into relevant City investment governance documents and applicable legislation. They are equivalent terms used interchangeably, reflective of the same concept and applicable standard of care.

## Actions

1. Administration review the report and developed a discussion and points to action with timelines.
2. Presented discussion and action items to IAC on April 29<sup>th</sup>.
3. Incorporating changes into policy and process documents by Q4 2024.
4. Seek final approval for implementation from IAC by Q4 2024.
5. Documents will progress through approval and sign off processes.





## Conclusions



1. The City of Calgary overall has a sound governance framework.
2. Editorial improvements can be made to governance documents to improve clarity of roles and responsibilities as well as remove duplication.
3. Changes to IAC onboarding process to be made and provide ongoing educational opportunities
4. Develop a clear definition of the “Prudent Investor Rule” and incorporate within relevant policies.

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**Questions?**