



The Corporation of the Municipality of Arran-Elderslie

Staff Report

Council Meeting Date: June 9, 2025

Subject: FIN-2025-07 Investments

Report from: David Munro, Interim Treasurer

Appendices: Investment Policy

Schedule A – Ontario Regulation 438/97

Recommendation

Be It Resolved that Council hereby,

1. Receive Report FIN-2025-07 - Investments and approve that the Principal Protected Note (PPN) and the Guaranteed Investment Certificate (GIC) that are maturing later this year to be invested with ONE Investment;
 2. AND approves to sell the PPNs maturing in 2027 and 2028 and roll the principal into two new CIBC PPNs;
 3. AND FURTHER approve the updated Investment Policy to allow investment with CIBC and/or One Investment.
 4. AND FURTHER directs staff to bring a by-law to the next available Council meeting to bring force and effect to the policy.
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Report Summary

In 2021, the Municipality invested \$10.5 million in five Principal Protected Notes (PPNs). One of the PPNs matured in 2024 and was reinvested in a Guaranteed Investment Certificate (GIC) that is due to mature in September 2025. One of the four remaining PPNs expires in July of this year. Staff recommends that the principal amounts of both investments (that are maturing this year) be reinvested into investment products from One Investment.

Secondly, it is advantageous to sell the CIBC PPNs that are maturing in 2027 and 2028 and buy new PPNs, similar to the old ones, that now offer the potential of higher returns.

Background

At the May 26, 2025, Council meeting, staff was directed to bring back an Investment Options report. This report lists options along with the same recommendation as the May 26, 2025, report.

In addition, staff have spoken to CIBC, and they recommend we sell the PPNs maturing in 2027 and 2028 and buy new PPNs that are similar but now offer a higher potential return.

Analysis

From the May 26, 2025 presentation by ONE Investment, 189 (39%) of all Ontario municipalities invest in ONE Investment products. For municipalities with a population between 5,000 and 24,999, the average investment is \$5 million. This includes the following municipalities: Saugeen Shores, Kincardine, South Bruce, Chatsworth, and West Grey.

There are 68 municipalities in Ontario that invest with the ONE Investment Canadian equity portfolio.

ONE investment split at March 31, 2025:

- 29% High Interest Savings Account;
- 7% Government bond portfolio;
- 13% Corporate bond portfolio;
- 51% equity.

1. Investment Options

The following chart provides current rates on bank accounts and Guaranteed Investment Certificates (GICs) and historical performance of the ONE Investment portfolios.

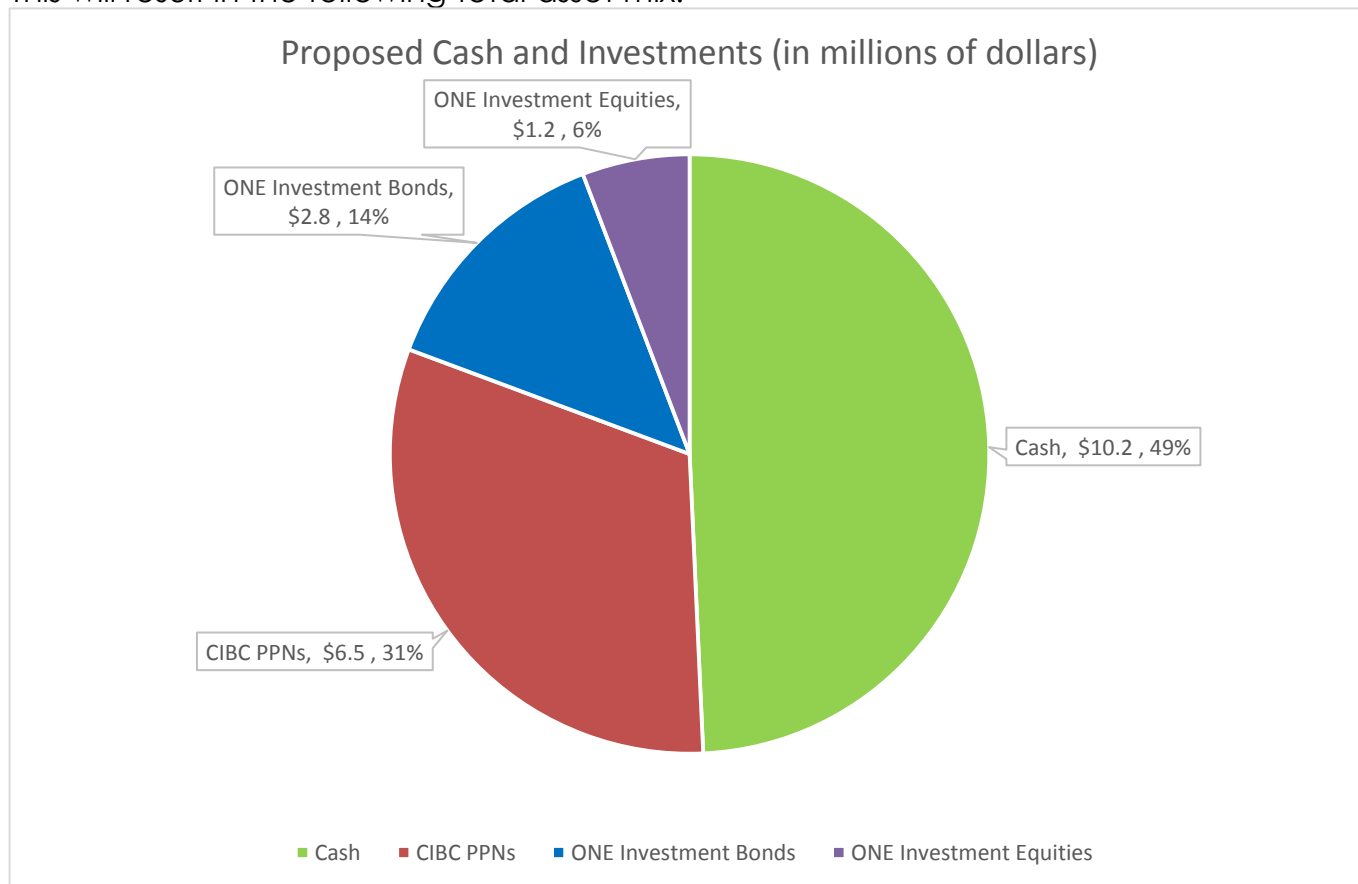
		Annual Historical Performance (2)			
	Current Rate (1)	1-year	3-year	5-year	10-year
Investment Options					
all CIBC bank accounts (1.70% below prime)	3.25%				
CIBC 1-year GIC	3.00%				
CIBC 3-year GIC	3.00%				
CIBC 5-year GIC	3.25%				
(current rates - subject to change)					
ONE Investment					
High Interest Savings Account (1.65%) below prime	3.275%				
Canadian Government Bond portfolio		4.85%	3.57%	1.47%	1.60%
Canadian Corporate Bond portfolio		4.60%	3.79%	0.81%	1.82%
Canadian Equity portfolio		20.56%	11.57%	13.97%	8.94%
(1) current rates as of May 26, 2025 - subject to change					
(2) annual historical performance, net of fees, for the period ending April 30, 2025					

Options

A) May 26, 2025, recommendation:

Invest \$4.0 million of investment principal maturing in 2025 in One Investment Products split between the two bond portfolios (35% each) and the equity portfolio (30%).

This will result in the following total asset mix:



Although there is risk to the principal amounts, the time horizon is long, and if the Municipality needs to sell, and the markets are down, the Municipality has the option to wait / borrow until the market comes back up. In addition, the investments are fully liquid. Also, when equity returns are low or negative, bond performance has historically been above average.

B) All GIC option:

Invest all in GICs. In this option, the principal amount, and the return, are guaranteed. Historically, GIC rates have been less than what has been achieved by investing in equities and bonds. Note, GICs are not liquid. However, given the long time horizon, that's not a significant consideration.

C) Combo GIC and One Investment Equity Portfolio combo:

Invest \$1 million in a 3-year GIC; \$1 million in a 5-year GIC; and \$2 million in Equities

Although the 1-year and 3-year bond historical performance has been higher than current GIC rates, the 5-year and 10-year historical performances have been less. Note, GICs in 2020 were paying less than 1%.

1. Recommendation

Option A – Invest \$4.0 million of investment principal maturing in 2025 in One Investment Products split between the two bond portfolios (35% each) and the equity portfolio (30%).

Specifically for the CIBC PPN maturing in July 2025 and the GIC maturing in September 2025, staff recommends the following mix with ONE Investment (dollars in millions):

Investment Product	% of Investment	July CIBC PPN	September GIC
ONE Canadian Equity Portfolio	30%	\$0.750	\$0.450
ONE Canadian Corporate Bond Portfolio	35%	\$0.875	\$0.525
ONE Canadian Government Bond Portfolio	35%	\$0.875	\$0.525
Total	100%	\$2.500	\$1.500

This moves the Municipality into equities, and the Municipality can continue to compare CIBC and ONE Investment performance.

1. Timing

Furthermore, instead of investing the entire amount on the date the previous investment matures, staff recommend spreading the investment over several months. Staff are also recommending that the entire amount of the maturing principle be transferred to ONE Investment High Interest Savings Account and then invested as follows:

July, \$2.5 million CIBC PPN maturing. Invest \$500,000 each month July - November 2025

September, \$1.5 million CIBC GIC maturing. Invest \$500,000 each month October – December 2025

2. CIBC PPNs maturing in 2027 and 2028

CIBC recommends we sell the Principal Protected Notes (PPNs) maturing in 2027 and 2028 and buy new PPNS. They refer to this as rolling over the PPNs to new ones. The reason to sell now is:

1. to secure the gains made already; and
2. the new ones provide a higher proportion of the gain.

The estimated gains, as of May 27, 2025 (and subject to change) are:

Principal Protected Note (PPNs) to sell	Original Mature date	Principal amount	Estimated Gain	Average annual % gain
Canadian Banks Index – 70% participation up to a maximum of 17%	2025	\$2,500,000	\$352,853	3.5%
Canadian Equity Yield	2027	\$2,000,000	\$44,035	0.6%
Large Cap Equity Index – 64% participation, uncapped	2028	\$2,500,000	\$332,662	3.3%
Total estimated gains			\$729,550	2.6%

CIBC recommends keeping the PPN maturing in 2026 as to sell now, before maturity, would net us a loss.

Staff will bring a separate report to Council on what to do with the gains on investments.

2. Recommendation

Based on CIBC's advice, I recommend we sell the two PPNs maturing in 2027 and 2028 and roll them into two new PPNS. Note, exact participation percentages as of May 26, 2025, and subject to change.

CIBC Principal Protected Note (PPNs) to Buy	Amount
5-year Solactive Equal Weight Canada Bank 27 AR Index, 127% participation, uncapped	\$2,000,000
6-year Solactive Canadian Diversified Large Cap Equity Index AR, 195% participation, uncapped	\$2,500,000

3. Investment Policy

Staff have updated the Investment Policy to allow the Municipality to invest with CIBC and/or One Investment. The Investment Policy is attached as well as Ontario Regulation 438/97 which is referenced in the policy.

Link to Strategic/Master Plan

6.4 Leading Financial Management

Financial Impacts/Source of Funding/Link to Procurement Policy

In summary, the options are noted along with staff's recommendation when the CIBC PPN matures in July 2025 and the GIC matures in September 2025, staff will invest the principal amounts with ONE Investment.

Secondly, the CIBC PPNs that mature in 2027 and 2028 will be sold and new CIBC PPNs will be purchased.

Approved by: Emily Dance, Chief Administrative Officer