



Committee of the Whole Report

For the Meeting of May 25, 2017

To: Committee of the Whole **Date:** May 16, 2017
From: Susanne Thompson, Director of Finance
Subject: MFA Survey Regarding Socially Responsible Investing

RECOMMENDATION

That Council direct staff to respond favourably or non-favourably to the MFA survey regarding Socially Responsible Investing.

EXECUTIVE SUMMARY

The Municipal Finance Authority of BC (MFABC) is seeking feedback through a survey, Appendix A, on a potentially new socially responsible investment fund. The purpose of this report is to seek Council direction on the response to this survey.

In response to Council direction, staff presented a report to the Governance and Priorities Committee (GPC), attached as Appendix B, on September 3, 2015, followed by a report to Committee of the Whole (COTW), attached as Appendix C, on February 25, 2016 to provide information about investment options with regard to fossil fuel divestments.

The reports identify external legislation governing allowable investments, and internal parameters set by the City's investment policy to safeguard its assets, which result in limitations to fossil fuel divestment. The City policy parameters include consideration of the rate of return of investments, as well as diversification criteria, which is the restriction of the amount of investments held with each issuer to limit the City's exposure to risk should any one issuer be exposed to increased risk.

Currently there are no green bonds available within the City's legislated or policy parameters. As at February 25, 2016, the City's investment service providers identified only one green bond available to the City within legislated and policy requirements, and the rate of return offered by the secondary market was less than 50% of the GIC market (0.80% compared to 1.64%). The City have approximately \$200 million in investments and earns approximately \$2.7 million annually in investment revenue. Currently all investments have terms shorter than one year as interest rates have typically been more favourable for short term investments.

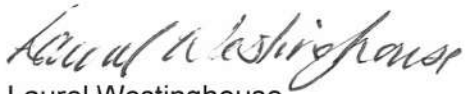
Also attached, as Appendix D, is a Memorandum from MFABC dated September 7, 2016. The Memorandum addresses several reports received from its fund managers, Phillips, Hager and North, and management on the topic of fossil fuel divestment.

The issues identified in the MFABC Memorandum include:

- Difficulty of defining what corporations would be considered fossil fuel or related companies as there are a wide variety that could be contemplated including extraction, pipeline, transportation, and other companies that are large scale users of fossil fuel.
- The impact that divestment would have in concentrating existing portfolios into remaining sectors, resulting in reduced diversification

The MFA Memorandum or SRI survey do not indicate the potential rate of return of a socially responsible pooled investment fund, however both indicate the potential for increased costs.

Respectfully submitted,



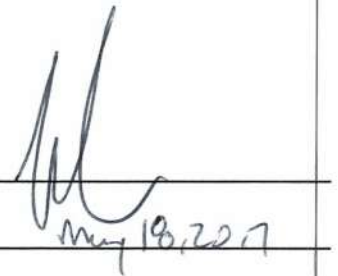
Laurel Westinghouse
Manager, Accounting



Susanne Thompson
Director of Finance

Report accepted and recommended by the City Manager: _____

Date: _____


May 18, 2017

List of Attachments

Appendix A – MFA Survey on Socially Responsible Investing

Appendix B – September 3, 2015 Report on Socially Responsible Investments and Pension Funds

Appendix C – February 25, 2016 Report on Fossil Fuel Divestment

Appendix D – MFABC Memo – The MFA's position on divestiture from fossil-fuel related assets