

From: Dee G

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To: Clerks <clerks@durham.ca>; Kevin Ashe; Marilyn Crawford; chair; Chris Leahy; Steve Yamada; Cria Pettingill; Bruce Garrod; Ian McDougall

Cc: Sterling Lee

Subject: Finance & Administration Committee – April 14 Agenda (Items F-8 and F-6)

Members of the Finance & Administration Committee,

Clerk, please add this to the Finance Committee agenda. Before getting into specifics, I want to highlight a core concern with the current Investment Policy Statement. While the report references “improving flexibility in managing the short-term portfolio,” it does not clearly state **why these changes are necessary at this time**.

Improved flexibility may describe the change, but it does not explain the **driver**. What problem is being solved? What conditions have changed? What is the expected impact on risk, returns, or reserves?

Also, from what I can see, this Committee is effectively the governance checkpoint for Regional investments. With that in mind, I believe the current Investment Policy Statement warrants a closer look and discussion before approval.

Investment Policy – Directional Drift and Oversight

Looking back at recent prior reports, there is a clear and understandable evolution in approach:

- **August 4, 2023 – Annual Investment Report (#2023-INFO-67)**
Emphasis on capital preservation and liquidity, with low to moderate risk tolerance
- **October 10, 2023 – Prudent Investor Adoption (#2023-F-23)**
Introduction of a broader framework allowing for higher risk-adjusted returns
- **April 9, 2024 – Adoption Report (#2024-F-6)**
Delegation of investment decision-making to the ONE Joint Investment Board (JIB)
- **May 13, 2025 – IPS Update (#2025-F-5)**
States “no significant change in the Region’s circumstances”
- **April 14, 2026 – Current IPS (#2026-F-8)**
Again states “no significant change,” while:
 - Lowering minimum credit rating thresholds
 - Increasing flexibility in managing funds
 - Adjusting asset mix considerations (including sinking funds)

Individually, these changes may appear incremental. Taken together, they reflect a **directional shift in risk tolerance and flexibility over time**. This type of gradual change is not inherently problematic, but it does require active oversight.

Governance Distance

Under the current model:

- Council approves the Investment Policy Statement annually
- The ONE JIB establishes the Investment Plan
- External managers execute day-to-day investment decisions

This effectively introduces **two layers between Council and the money**. Given that structure, it reinforces the importance of this Committee fully understanding:

- How risk is evolving
- How performance is tracking
- How external decisions are being governed

Key Gaps for Consideration

As the governance checkpoint, I would have expected the current report to include:

1. **Forward-looking risk analysis**
No discussion of market outlook, downside scenarios, or potential impacts on reserves if returns underperform
2. **Performance vs benchmark reporting**
No clear presentation of actual performance vs benchmark, by asset class or over time since adopting the Prudent Investor model
3. **Portfolio value and reserve linkage**
No clear view of total investment value, how it has changed over time, or how performance supports (or risks) future reserve needs
4. **Risk evolution over time**
No simple longitudinal view of asset mix, credit quality, or exposure as the strategy has evolved
5. **Sinking fund / deficit responsibility clarity**
It is not clear whether taxpayers ultimately backstop any shortfall if investments underperform, or how that risk is measured and communicated

Approving incremental changes that:

- reduce credit quality thresholds

- increase flexibility
- and rely on external decision-making

...without clearly presenting performance, forward-looking risk, and impacts on reserves creates a gap between **decision-making and visibility**. If this Committee is expected to approve the framework, it should also have access to the **full picture of performance, risk, and implications over time**. Residents should as well.

Requests

- Please advise where 2023–2025 reports showing total investment values can be accessed
- For future reporting, include:
 - Performance vs benchmark (by asset class and over time)
 - Portfolio value trends
 - Risk metrics and how they have changed
 - Forward-looking scenario analysis
 - Clear linkage between investment performance and reserve sustainability

Directional change in investment approach is expected over time, but it should be accompanied by equally clear and transparent oversight.

Vendor Fraud Item (F-6)

Separately, on the vendor disqualification item, a one-year disqualification for a fraudulent act appears limited. I am also concerned that no details are provided regarding:

- the nature of the fraud
- financial impact
- how it occurred (including any control failures)
- whether funds are being recovered
- and whether procurement policies will be updated to explicitly address fraud going forward

This reads as reactive, and I would expect clearer accountability and follow-up.

Thank you for your consideration,

D Glass