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## Report of the Commissioner of Finance **2025 Investment Activities and Performance**

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### **1. Recommendations**

1. Council receive the 2025 Investment Activity and Performance information related to the General Fund and Sinking Fund.
2. Council approve the revisions to the Investment Policy as outlined in Attachment 2, to exclude the York Region Municipalities Insurance Pool Program from the Investment Policy.

### **2. Purpose**

This report provides information related to the 2025 Investment Activities and Performance of the General Fund and the Sinking Fund, and seeks Council approval to amend the Investment Policy to exclude York Region Municipalities Insurance Pool Program from the Investment Policy.

#### **Key Points:**

- General Fund earned \$208 million on average investments of \$5.49 billion, representing a realized rate of return of 3.78%
- Total return was 4.40%, which exceeded both Financial Times Stock Exchange/Standard and Poor's (FTSE/S&P) Index and ONE Investment Program benchmarks by 1.15% and 0.79% respectively
- Sinking Fund earned \$52.9 million on average investments of \$1.48 billion, representing a realized rate of return of 3.58%
- All investments met the requirements of the investment policies approved by Council and Sinking Fund Committee

### 3. Background

#### **Municipal Act requires an annual review of investment activities**

Overview of investment activities to Council is required by Ontario Regulation 438/97 of the *Municipal Act, “2001”* (“Act”) and the Region’s Investment Policy (the “Policy”). If a municipality has an investment in a security prescribed under the Act, council of the municipality shall require the treasurer of the municipality to prepare and provide to council, each year or more frequently as specified by council, an investment report.

#### **Management of Municipal Insurance Pool Funds excluded from Investment Policy**

On [January 29, 2026](#), Council approved the York Region Municipalities Insurance Pool program and related revisions to the Region’s Insurance and Risk Management Policy. Funds in a Municipal Insurance Pool fall outside the scope of the Investment Policy as the funds are pooled with funds of other subscribers to the Municipal Insurance Pool, are restricted to the insurance purposes of the subscribers, and are handled in accordance with agreement(s) governing the Municipal Insurance Pool.

### 4. Analysis

#### **General Fund investments adhere to the Investment Policy and Ontario Regulation 438/97**

The General Fund consists of investments held for reserves and reserve funds, working capital, and other corporate funds (Table 1). The maturity value of these investments totaled \$6.1 billion at year-end. At the end of 2025, the Region’s cash balance was approximately \$650 million, a decrease from about \$1.5 billion at the end of 2024. In the first quarter, staff deployed nearly \$1 billion into the market ahead of the Bank of Canada’s expected additional interest rate cuts. The extension of term is reflected in the revised maturity profile of the General Fund (Appendix A).

**Table 1**  
**General Fund Portfolio Holdings As of December 31, 2025**  
**(\$millions)**

Category	Total	% Total
Cash*	654	10%
Fixed Income	5,252	88%
Equity	146	2%
<b>Total</b>	<b>6,052</b>	<b>100%</b>

\*Cash is in the form of bank deposits and high interest savings accounts

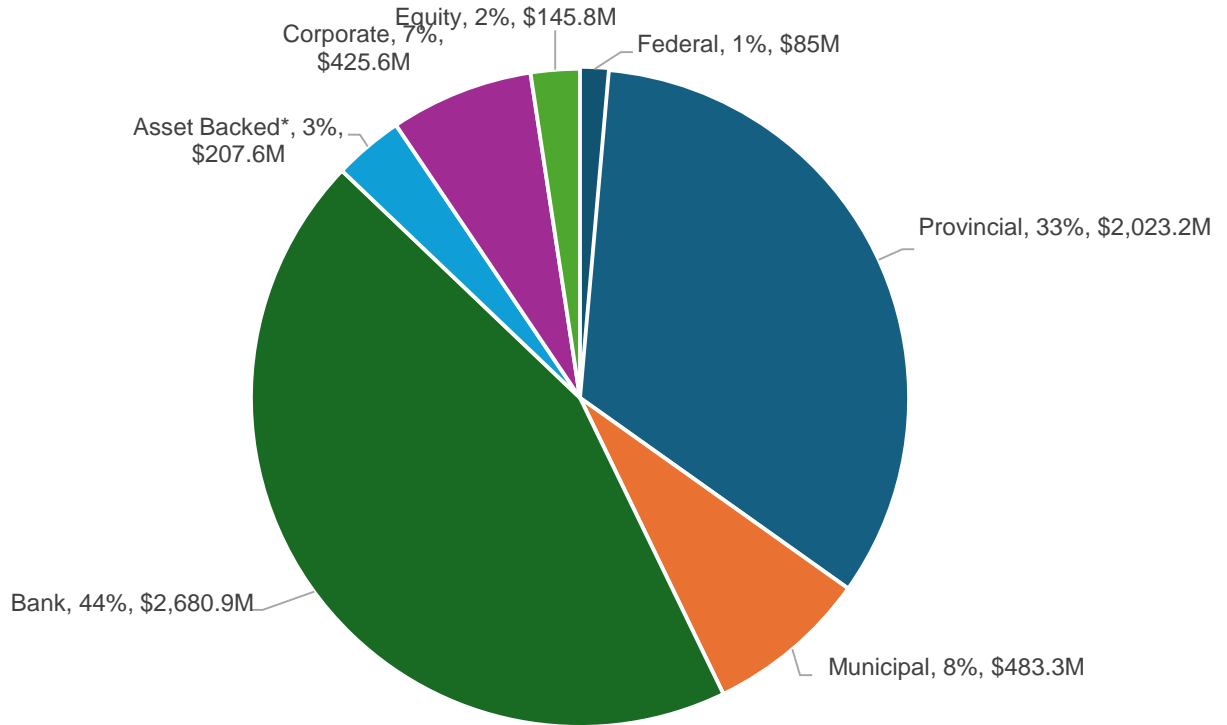
General Fund investments during the year were made in accordance with the Region's Investment Policy, which has the following objectives:

- Adherence to statutory requirements
- Preservation of capital
- Maintaining liquidity
- Earning a competitive rate of return

In addition, all investments met the eligibility requirements set out by Ontario Regulation 438/97 of the Act, which specifies the types of investments that can be held by municipalities.

Figure 1 shows a breakdown of investments held by sector categorization as at December 31, 2025. Approximately 98% of the General Fund's portfolio consisted of fixed income or interest-producing investments directly managed by the Region. The remaining 2% consisted of equity investments managed through the ONE Investment Program, a fund sponsored by the Association of Municipalities of Ontario and Municipal Finance Officers' Association of Ontario. General Fund holdings by security are referenced in Attachment 1.

**Figure 1**  
**General Fund Holdings by Sector in Millions (Total \$6,052 Million)**  
**As of December 31, 2025**



\*Asset Backed Securities (ABS) are a type of financial investment collateralized by an underlying pool of high-quality assets and are all AAA rated

**In 2025, \$211.5 million was contributed to the Sinking Fund, which is used to repay the principal amount of a debenture upon its maturity**

Almost all debentures issued by the Region are required, by the Act, to have a sinking fund to repay its principal amount at maturity. As of December 31, 2025, 21 “sinking fund” debentures were outstanding, maturing between 2026 and 2043. The Sinking Fund portfolio, which consists of investments excluding cash held for this purpose, had a maturity value of \$1.904 billion on December 31, 2025 (Table 2).

**Table 2**  
**Sinking Fund Portfolio Holdings**  
**As of December 31, 2025 (\$millions)**

Category	Total	%Total
*Cash	95	5%
Fixed Income	1,904	95%
<b>Total</b>	<b>2,000</b>	<b>100%</b>

\* Cash is in the form of bank deposits and high interest savings accounts

During 2025, \$211.5 million was contributed to the Sinking Fund to meet actuarial requirements needed for retirement of outstanding sinking fund debentures. Sinking Fund contributions are shown as part of the annual budget and fiscal strategy as “principal” in the “principal and interest” calculation. Investments within the Sinking Fund portfolio are segregated to align with the maturity of their respective sinking fund debenture.

Sinking Fund investments are held in trust on behalf of all debenture participants. For 2025 this included the Town of Georgina, Township of King, City of Vaughan and York Region.

All investments during the year were made according to the policy established by the Sinking Fund Committee<sup>1</sup>, which is very similar to the Region’s Policy.

**General Fund earned \$208 million for a realized rate of return of 3.78%**

In 2025, the General Fund earned \$208 million on an average portfolio balance of \$5.49 billion, equating to a realized rate of return of 3.78%. Returns are referred to as being “realized” when they represent cash income earned from investments, including interest income, dividend earnings, and capital gains. Another method of calculating investment performance is mark-to-market returns (also known as total returns). In addition to realized cash income, mark- to- market returns reflect changes in the market value of securities held from one period to the next. These changes in market value, which result from movements in interest rates and equity markets, are unrealized and represent the potential gain or loss that would occur if the investments were liquidated on December 31, 2025. The mark-to-market return for the General Fund in 2025 was 4.40%.

The year-over-year decline of \$11.2 million in realized income was primarily driven by the Bank of Canada’s reduction in interest rates. The Bank began cutting rates in Q2 2024, with the most significant reduction occurring in Q4 2024 (125bps), and continued easing through 2025, for a total reduction of 275 basis points during this cycle. The recent rate cuts influenced cash balances in two key ways. First, the lower interest environment reduced the amount of income earned on our cash

<sup>1</sup> The Sinking Fund Committee is comprised of York Region’s Commissioner of Finance (Chair), Director of Corporate Services and Treasurer for the Town of Georgina, Deputy City Manager, Corporate Services, City Treasurer and Chief Financial Officer for the City of Vaughan, and Director of Finance and Treasurer for the Township of King

holdings. Second, in anticipation of these cuts, staff strategically lowered overall cash balances and redirected funds into longer dated securities to lock in higher yields. As a result, the realized rate of return in 2025 was lower on these reduced cash balances compared to the previous year.

The reduction in mark-to-market earnings from 2024 to 2025 of \$46.6 million reflects the timing and magnitude of Bank of Canada’s rate-cut cycle. In 2024, initial rate cuts led to a meaningful decline in yields, generating strong unrealized gains on fixed-income securities as bond prices rose.

By 2025, however, a significant portion of rate cuts had already been priced into the market. As a result, the incremental impact of additional cuts on bond prices was more muted. With yields stabilizing at lower levels and less downward rate movement compared to 2024, there was reduced price appreciation across the portfolio.

In addition, as securities rolled down the curve and moved closer to maturity, the pull-to-par effect further moderated mark-to-market gains. Together, these factors resulted in lower unrealized (mark-to-market) earnings in 2025 compared to stronger gains realized in 2024.

**Table 3**  
**General Fund Portfolio Comparison of Realized and Mark-to-Market Returns**  
**2021 – 2025 (\$millions)**

Year	Average Assets	Realized		Mark-to-Market Adjustments	Mark to Market**	
		Income	Return*		Income	Return*
2025	\$5,492.31	\$207.84	3.78%	\$33.79	\$241.60	4.40%
2024	\$5,004.80	\$219.07	4.38%	\$80.40	\$299.40	5.98%
2023	\$4,568.60	\$166.40	3.64%	\$153.30	\$319.70	6.95%
2022	\$4,320.00	\$110.00	2.55%	(\$223.60)	(\$113.60	-2.63%
2021	\$3,837.70	\$99.80	2.60%	(\$54.00)	\$45.80	1.19%

\*These returns exclude program costs of approximately 1.65 basis points

\*\*Market value (mark-to-market) adjustments reflect the gain or loss in value of securities over the prior year end valuation

After factoring in approximately \$900,000 cost to operate the investment program (staff, safekeeping, market monitoring services, transaction costs, etc.), the “net” realized rate of return for the General Fund was 3.77%, a difference of 1.65 basis points. The 1.65 basis point cost of managing the program is significantly below the fee charged by the ONE Investment Program, by approximately 50 basis points for managing a similar portfolio. In addition, calculation excludes the Sinking Fund, even though it is managed under the same program costs, which would further reduce the cost ratio if included.

Investment income earned during the year is credited back to the sources of invested funds, which comprise reserves, reserve funds and deferred revenue accounts (e.g., development charges) held by the Region. The Policy uses the anticipated length of time funds would be expected to remain in each of the reserves or deferred revenue accounts to determine whether they received the short, medium, or long-term interest rate the Region earned on its investment portfolio.

### **Sinking Fund earned \$52.9 million for a realized rate of return of 3.58%**

In 2025, the Sinking Fund earned realized returns of \$52.9 million on an average portfolio of \$1.48 billion, equating to a realized rate of return of 3.58%. This return was \$19.2 million higher than the \$33.8 million needed in 2025 to achieve the Sinking Fund's actuarial requirement. Any excess return is kept in the Sinking Fund until maturity of the debenture, at which time it may be used to reduce the participant's final contribution or returned to the municipality.

### **General Fund investment performance is measured against two external benchmarks**

Investment performance of the General Fund is compared to two external benchmarks: a managed fund benchmark and an index fund benchmark. Both benchmarks are considered fair references as they reflect the nature and scope of the Region's investment program mandate, as intended by the Policy.

The managed fund benchmark is the weighted composite returns earned by ONE Investment Program's Money Market, Bond and Equity portfolios. Each of these funds is professionally managed by a different investment management firm selected and monitored by ONE Investment Program.

The index fund benchmark consists of the weighted composite (short, mid-term, and long-term) returns of the Financial Times Stock Exchange (FTSE) Canada Fixed Income Indexes, a leading global provider of market indices. For equity investments, the S&P/TSX (Standard and Poor's/Toronto Stock Exchange) Composite Index measures the market activity of stocks listed on the Toronto Stock Exchange. This benchmark reflects the returns earned on the passive investment of securities and can be tailored to the changing nature of a portfolio. The FTSE/S&P Composite Index is used as the primary benchmark when assessing the Region's portfolio performance.

### **General Fund has consistently outperformed and generated excess returns compared to benchmarks and municipal peers**

The 2025 performance results for the General Fund, with comparative results for the ONE Investment Program and the FTSE/S&P Composite Index, are summarized in Table 4 and depicted in Figure 2 for the last five years.

**Table 4**  
**Comparison of Mark-to-Market Returns**  
**General Fund versus FTSE/S&P Composite Index and ONE Program**

Year	York Region Returns	FTSE/S&P		ONE Program	
		Return	Difference	Return	Difference
2025	4.40%	3.25%	1.15%	3.61%	0.79%
2024	5.98%	4.16%	1.82%	5.15%	0.83%
2023	6.95%	5.88%	1.07%	5.20%	1.75%
2022	-2.63%	-6.04%	3.41%	-3.23%	0.60%
2021	1.19%	-0.79%	1.98%	-0.26%	1.45%
<b>5 Year Average</b>	<b>3.18%</b>	<b>1.29%</b>	<b>1.89%</b>	<b>2.09%</b>	<b>1.08%</b>

The composite mark-to-market return of the FTSE/S&P benchmark in 2025 was 3.25% and 3.61% for the ONE Program. York Region’s portfolio return of 4.40% exceeded those benchmarks by 1.15% and 0.79% respectively.

As Table 4 and Figure 2 indicate, the General Fund’s investment returns have consistently exceeded both the FTSE/S&P Composite Index and ONE Investment Program returns each year since 2021.

**Figure 2**  
**General Fund Mark-to-Market Investment Returns Compared to Benchmarks**

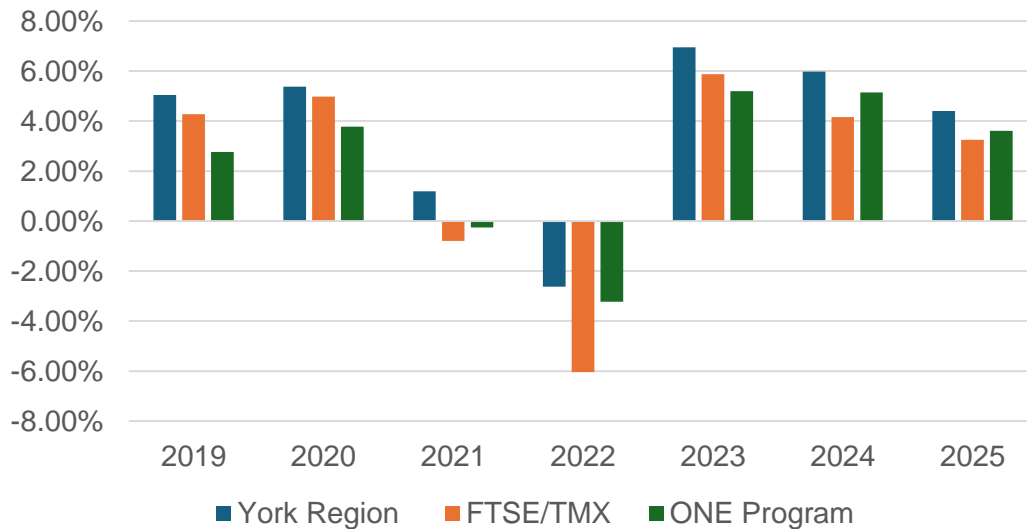


Figure 3 shows the amount of additional investment earnings the Region’s investment program generated compared to its respective benchmarks from 2010 to 2025. Over this period, the General Fund earned \$623 million more compared to a similar amount invested in the FTSE/S&P indices, and \$629 million more than the ONE Program.

The Region’s investment returns have been achieved while consistently keeping both credit and term risk exposures at prudently low levels. The average credit ratings of securities held in the portfolio have been maintained at AA and average term to maturity under five years.

**Figure 3**  
**Cumulative Surplus Over Benchmarks**

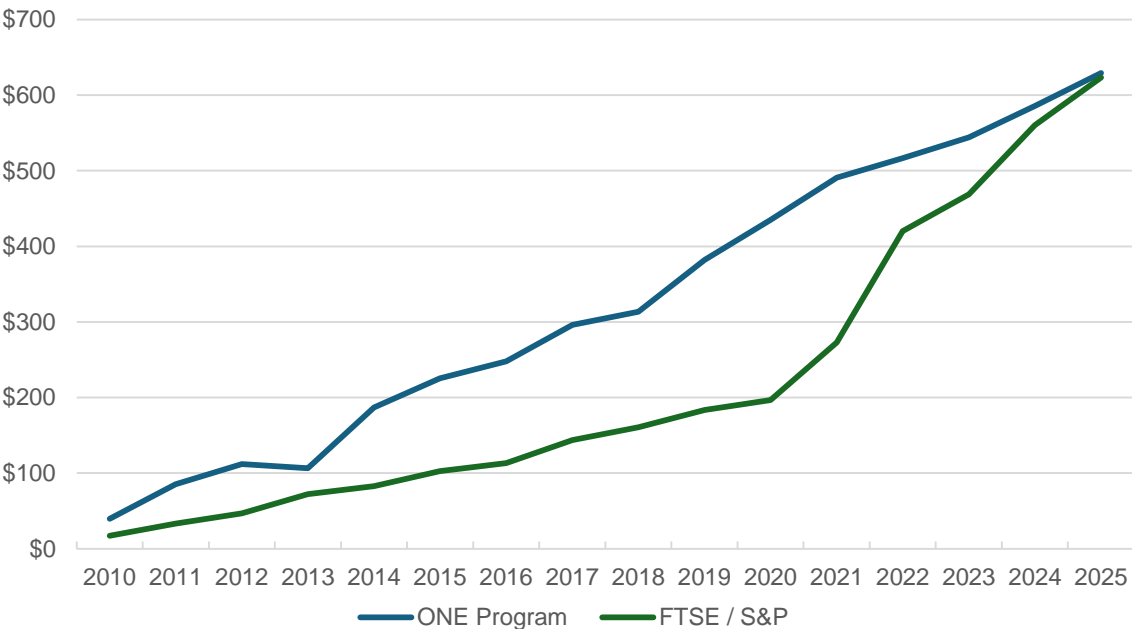
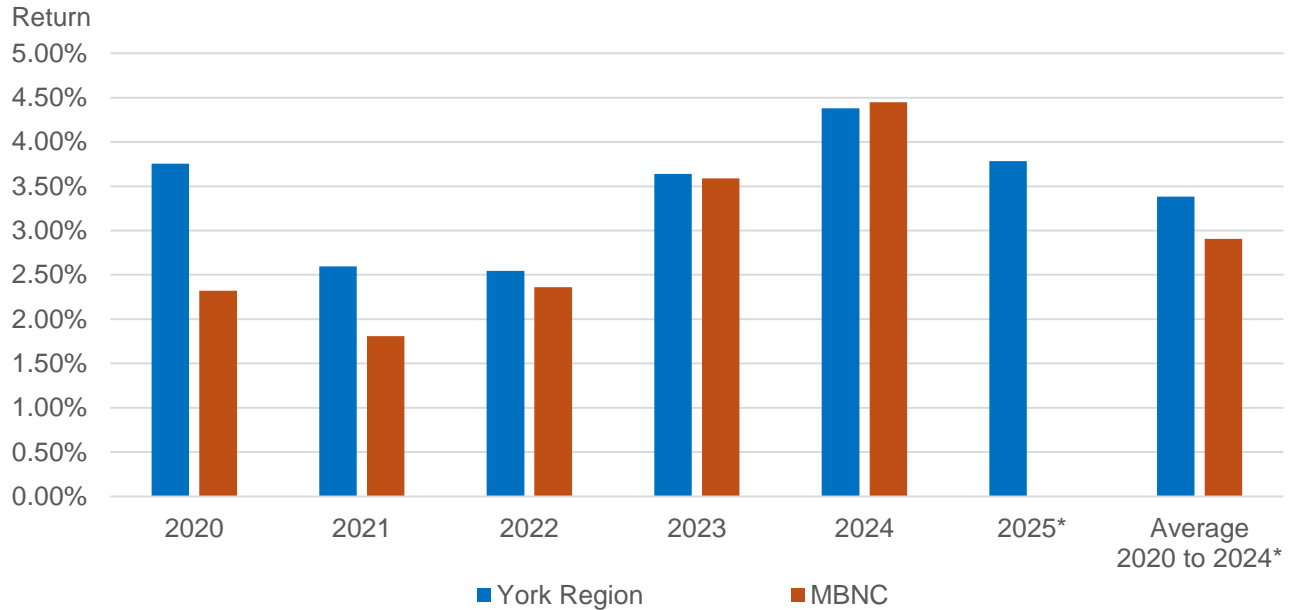


Figure 4 presents a comparison of General Fund’s realized returns against a select peer group of municipalities with similarly large investment portfolios — Peel, Durham, Waterloo, and Niagara. York Region’s realized returns outperformed the peer group in every year except 2024. In that year, Durham Region reported a realized return of 5.96%, which lifted the overall average for the municipal comparator group. The inverted yield curve in 2024 resulted in short- term rates exceeding long- term rates. Durham Region’s allocation to high- interest savings accounts enabled it to capture these elevated front- end yields, providing a notable boost to its returns.

**Figure 4**  
**Comparison of General Fund Realized Investment Returns with Municipal Peers**



\*Municipal Peer Group 2025 data not available until June/July 2026

Note: Figures represent the average gross realized returns of the Regional Municipalities of Durham, Niagara, Peel and Waterloo. Return data for Durham, Waterloo, and Niagara was obtained from the Municipal Benchmarking Network Canada (MBNC), while information for the Region of Peel was sourced from its annual Treasury Reports

**General Fund Portfolio’s Holdings of the Region’s own debt did not change materially during 2025**

As of December 31, 2025, approximately 0.97% of the General Fund portfolio was invested in York Region’s own securities, compared to 0.80% one year ago. These securities are treated in the same way as any other securities in the portfolio: they are bought when returns are promising and sold when funds are needed, or other opportunities arise. Ontario Regulation 438/97 under the Act requires disclosure of transactions in the Region’s own debt. In 2024, there were two purchase transactions to report.

**For 2026, financial markets are experiencing stability in rates, amid trade-driven headwinds**

Canada enters 2026 with Bank of Canada policy rate holding at 2.25%. The central bank is broadly expected to remain on the sidelines after delivering 275 basis points of cumulative cuts over the past two years. Policymakers appear reluctant to adjust course further given ongoing economic fragility and persistent trade-related uncertainty. With inflation trending lower but still sensitive to external

shocks, a stable policy rate is viewed as the most prudent path as the Bank weighs risks to both growth and financial stability.

Economic conditions remain subdued. GDP growth is weak, and the country entered year-end with limited momentum across most major sectors. Unemployment remains elevated, reflecting soft hiring in manufacturing, wholesaling, and other trade-sensitive sectors that have struggled under the weight of tariffs and uncertain global demand. Stagnation continues to dampen business confidence and restrain capital investment, despite lower borrowing costs.

A central source of uncertainty is the renegotiation of the United States–Mexico–Canada Agreement (USMCA), which the Bank of Canada has highlighted as a meaningful downside risk. Businesses remain cautious as they await clarity on future market access, and the threat of shifting tariff structures continues to cloud export-oriented industries. While Prime Minister Carney has been actively pursuing new trade partnerships to reduce Canada's dependence on the U.S., these efforts will require time before they can meaningfully diversify export markets or stabilize investment intentions.

Against this backdrop, financial markets in 2026 are likely to reflect a delicate balance between soft domestic fundamentals and hopes for future stabilization in global trade dynamics. The combination of weak GDP, high unemployment, and volatile trade conditions points to a year of modest returns and heightened sensitivity to international headlines. Until the USMCA renegotiation concludes, and global demand strengthens, Canada's economic recovery is expected to remain gradual, leaving investors focused on risk management and defensive positioning.

### **General Fund earnings of \$208 million in 2025 will augment reserves and reserve funds**

The Region generated a realized return of \$208 million in 2025 on its General Fund investments. These returns are contributed to and augment reserve and reserve fund balances over the longer term, reducing future levels of required contributions to these funds.

### **\$19.2 million of earnings above the actuarial requirement of the Sinking Fund during 2025 will be used towards the retirement of outstanding debt**

In 2025, the Sinking Fund generated realized returns \$19.2 million higher than the \$33.8 million required to meet the Sinking Fund actuarial requirement for 2025. Earnings over the actuarial requirement help defray costs of borrowing for those municipalities participating in these Sinking Funds and will be used towards the retirement of outstanding debt.

### **York Region initiated the evaluation of the Prudent Investor framework in 2026**

York Region's current investment policy continues to operate under the "legal list" approach prescribed in Ontario's Municipal Act, 2001, which restricts municipal investments to a defined list of permitted instruments and imposes specific regulatory constraints. The Prudent Investor framework may provide enhanced diversification and access to a broader range of investment opportunities, which can support improved long-term returns. The City of Toronto adopted the Prudent Investor

regime in 2018, becoming the first Ontario municipality to transition to this investment framework. The City of Ottawa and Regional Municipality of Durham implemented the Prudent Investor framework in 2025.

In 2026, York Region initiated the process to engage an external consultant to assess the potential benefits, risks, and governance implications of transitioning from the legal list approach to the Prudent Investor standard permitted under Part II of Ontario Regulation 438/97 of the Municipal Act, 2001. The consultant's findings and recommendations will support future consideration of the Region's pursuit of the Prudent Investor framework, subject to Council's review and direction.

## **5. Financial Considerations**

This report does not present current or anticipated financial changes to the Region's budget or fiscal position.

## **6. Local Impact**

There are no significant impacts to local municipalities.

## **7. Conclusion**

This report provides an overview of the 2025 Investment Activity and Performance results for both the General Fund and Sinking Fund. The General Fund generated \$208 million in earnings, achieving a realized rate of return of 3.78%, while Sinking Fund earned \$52.9 million, with a realized rate of return of 3.58%.

Proposed amendments to the Investment Policy to exclude the York Region Municipalities Insurance Pool Program from the policy are provided in Attachment 2 for Council's approval.

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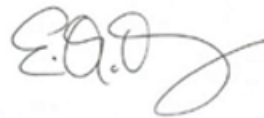
For more information on this report, please contact Bonny Tam, Director, Treasury Office at 1-877-464-9675 ext. 5885. Accessible formats or communication supports are available upon request.

Recommended by:



**Laura Mirabella**

Commissioner of Finance and Regional Treasurer



Approved for Submission:

**Erin Mahoney**

Chief Administrative Officer

April 22, 2026  
17207818

Appendix A – Maturity Distribution of General Fund Investments

Attachment 1 – General Fund Holdings (17219376)

Attachment 2 – Current Investment Policy Revised related to Insurance Pool (17219764)

**Regional Municipality of York**  
**Maturity Distribution of General Fund Fixed Income Investments**  
**General Fund**

For Year Ended at December 31, 2025

Period	2025		2024		Difference
	Amount	%	Amount	%	%
Less than 1 year*	1,255,458,953	21	2,416,378,995	44	(23)
From 1 year up to, but not including 5 years	2,346,724,000	40	1,333,433,000	24	16
From 5 years up to, but not including 10 years	1,331,016,149	23	904,358,149	16	6
From 10 years up to 30 years**	972,412,000	16	848,114,000	15	1
<b>Grand Total</b>	<b>5,905,611,102</b>	<b>100</b>	<b>5,502,284,144</b>	<b>100</b>	<b>0</b>

\* includes cash of \$653.9 million in 2025

\*\* excludes equities of \$145.8 million in 2025