DECISION ITEM

BOARD/COMMITTEE:	**BOARD OF DIRECTORS**
MEETING DATE:	**May 27, 2026**
AGENDA ITEM:	**Procurement of Investment Management Services**

RECOMMENDATION:

The Finance Committee recommends that the Board approve the establishment of an account at RBC Dominion Securities for the purpose of managing RODS' financial assets that exceed its anticipated near-term operating requirements.

SUMMARY OF KEY ISSUES:

- RODS has proposed an update to its investment policy to significantly expand the securities in which it can invest. The proposal recognizes that RODS has reserves that are not required for near-term operational purposes.
- By acknowledging a longer term horizon (i.e. 5 years+) for holding these funds, amounts can be invested in a balanced investment portfolio, similar to how such amounts might be invested by an individual or by a pension fund. The new policy anticipates an annual nominal return of 5.5% (3.5% real return after inflation and fees) based on a 50/50 mix of equities and fixed income products. By comparison, the current policy of investing in cashable short-term GICs is expected to yield a long-term nominal return of 2.0% per year (0.0% real return), and the pre-2024 policy of seeking interest paying bank accounts yielded 1.0% (-1.0% real return).
- It is prudent for RODS to procure external investment advisory services as party of moving beyond short-term investing. These services will provide RODS with access to a consistent level of expertise and an application of investment principles that can survive changes in Board members and the Executive Director.

BACKGROUND AND ANALYSIS:

Key environmental considerations in procuring investment advisory services:

- The market for financial advisory services is highly competitive, both in terms of pricing and product offerings. In the case of the advisory arms of the "Big 6 banks" product offerings would not differ meaningfully between providers.
- From an administrative perspective, it is preferable for RODS to deal with a firm that is affiliated with one or RODS' principal bankers (i.e. Royal Bank and the Bank of Nova Scotia). This is because transferring funds to and from investment accounts is faster and cheaper when funds are moving within a single financial

institution. This means that RODS' preferred providers of investment services would be RBC DS and Scotia McLeod.

- From a fee perspective, investment advisors are typically compensated by a flat percentage of assets being managed. This contrasts with the transaction-based model of 'stock brokers' that prevailed until the early 2000s.
- The rate on a fee-based account is typically dependent on the value of assets under management. For an account of $500,000-$2,000,000 an individual would typically pay a fee of approximately 1.00%-1.25% per year. The Stefan Wealth Group offers a significant discount for non-profits and has provided RODS with an indicative fee quote of 0.55% per year.
- Scotia McLeod has not been approached regarding providing services to RODS. Scotia's presence in Regina is much smaller, with 4 investment teams and one sole practitioner, versus the 12 or so teams at RBC.

The Finance Committee met with Sri Raghaven, a representative of the Stefan Wealth Group at RBC Dominion Securities (RBC DS) on February 27 and March 18. The March meeting included an overview of the services that RBC DS can provide to RODS with respect to funds that are beyond RODS' current operational needs.

The Stefan Wealth Group is RBC DS' largest advisory group in Saskatchewan, with approximately 600 clients and $1.5 billion under management. It manages investment portfolios for more than 10 other Regina-based not-for-profits.

ALTERNATIVES

1. Seek investment services from an alternative provider, either from RBC DS or from Scotia McLeod.

   There is little to differentiate the product offerings of individual advisors. The fees offered by the Stefan Wealth Group are extremely competitive relative to amounts that would be paid by individuals with similar amounts to invest.

2. Deliver investment services in-house

   Managing a portfolio in-house is practical where it consists entirely of GICs, however this is more complex when a balanced portfolio is desired. Staff may not have sufficient expertise, and expertise will vary with staffing and Board changes over time. The continuity associated with an institutional manager is preferred.

ADVANCED CONSULTATION:

None

COMMUNICATION STRATEGY:

None

TIMEFRAME/CONSEQUENCES OF DEFERRING DECISION:

The long-term expected average incremental return of 3.5% per year, if achieved, would bring an additional $17,500-$70,000 per year to RODS based on an investment portfolio of $1,500,000-$2,500,000, so the cost of inaction is $4,500-$7,500 per month.