

UNIVERSITY OF TORONTO

THE GOVERNING COUNCIL

REPORT NUMBER 145 OF THE BUSINESS BOARD

November 28, 2005

To the Governing Council,
University of Toronto.

Your Board reports that it met on Monday, November 28, 2005 at 5:00 p.m. in the Council Chamber, Simcoe Hall, with the following members present:

Ms Jacqueline C. Orange (In the Chair)

Mr. Richard Nunn, Vice-Chair

Ms Catherine J. Riggall, Vice-
President, Business Affairs

Professor Angela Hildyard,
Vice-President, Human Resources
and Equity

Mr. Husain Aboghodieh

Ms Dominique Barker

Mr. Donald A. Burwash

Dr. Alice Dong

Ms Susan Eng

Mr. Ran Goel

Dr. Gerald Halbert

Mr. Gerald A. Lokash

Mr. Roger P. Parkinson

Ms Marvi H. Ricker

Professor Arthur S. Ripstein

Ms B. Elizabeth Vosburgh

Mr. Robert S. Weiss

Professor John R. G. Challis,
Vice-President, Research and
Associate Provost

Ms Rivi Frankle, Interim Vice-President,
and Chief Advancement Officer

Professor Vivek Goel, Vice-President
and Provost

Mr. John Bisanti, Chief Capital Projects
Officer

Ms Sheila Brown, Chief Financial Officer

Mr. Louis R. Charpentier, Secretary of the
Governing Council

Secretariat:

Mr. Neil Dobbs

Mr. Andrew O. P. Drummond

Mr. Henry Mulhall

Regrets:

Mr. Brian Davis

Ms Mary Anne Elliott

Ms Kim McLean

Professor Glen A. Jones

Ms Paulette L. Kennedy

Mr. George E. Myhal

The Honourable David R. Peterson

Mr. Timothy Reid

In Attendance:

Mr. Geoffrey Matus, member, Governing Council

Mr. Jason Bechtel, Counsel, Intellectual Property and Contracts Office

Ms Judith Chadwick, Director, Government Research Infrastructure Programs and Director,
Connaught Programs

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In Attendance (Cont'd)

Ms Audrey Cheung, Director, Research Grants and Accounting

Ms Mary Jane Dundas, Special Assistant to the Vice-President, Human Resources and Equity

Ms Elizabeth Finney, Director of Government Liaison, Office of the Vice-President, Research and Associate Provost and Office of the Vice-President, Government and Institutional Relations

Mr. Paul Fraumeni, Director, Strategic Communications, Office of the Vice-President, Research and Associate Provost

Dr. Jeanne Li, Special Assistant to the Vice-President, Business Affairs

Ms Jennifer MacInnis, Acting Director, Intellectual Property and Contracts Office

Mr. Pierre Piché, Controller and Director of Financial Services

Mr. Lou Ranalli, Manager, Benefits and Ancillary Accounting

Ms José Sigouin, Manager, Research Information Analysis

Mr. Alan Shapira, Hewitt Associates

Ms Meredith Strong, Coordinator, Intellectual Property and Contracts Office

ALL ITEMS ARE REPORTED TO THE GOVERNING COUNCIL FOR INFORMATION.

1. Report of the Previous Meeting

Report Number 144 (October 11, 2005) was approved.

2. Business Arising from the Report of the Previous Meeting

Item 14 - Annual Report of the Vice-President and Chief Advancement Officer

The Chair recalled that Ms Rivi Frankle, the Interim Vice-President and Chief Advancement Officer, had presented her office's annual report to the previous meeting. The Chair reported that she had suggested, and Ms Frankle had enthusiastically agreed, to make a semi-annual update report in the spring focusing on alumni-relations activities, campaign readiness, and University communications.

3. Vice-President, Research and Associate Provost: Annual Report, 2004-05

The Chair said that while the Vice-President, Research and Associate Provost reported to governance primarily through the Committee on Academic Policy and Programs and the Academic Board, the Business Board was interested in the work of that portfolio, particularly with respect to revenue-generation and intellectual-property transfer. Dr. Challis presented the annual report. The highlights of his presentation included the following.

- **University research: inputs and outputs.** The inputs into the University's research were funding and the University's great minds. The outputs were: publications and citations from those publications; honours to the University's researchers; highly qualified personnel; commercialization of some of the intellectual property developed by

3. Vice-President, Research and Associate Provost: Annual Report, 2004-05 (Cont'd)

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researchers; and social impacts including improvements to health, justice, culture and other things.

- **Research funding.** Dr. Challis displayed a graph of the research funds awarded to the University and its affiliates from 1982-83 to 2003-04. The amount of direct funding had increased progressively, especially since 1999-2000 with the introduction of new funding programs by both the federal and provincial governments. That increase had taken place at other universities as well. The funding from each of the three federal research-granting councils – the Social Sciences and Humanities Research Council (SSHRC), the Natural Sciences and Engineering Research Council (NSERC), and the Canadian Institutes for Health Research (C.I.H.R.), collectively referred to as the tri-councils - had all increased over the period. The most substantial increases had been from the C.I.H.R., for which the budget had been increased most substantially in recent federal budgets. The tri-councils had provided 31% of the research funding received by the University in 2003-04. The other sources had been: 26% infrastructure funding received through the Government Research Infrastructure Programs office; 10% other government funding; 15% from not-for-profit organizations; 10% corporate funding for research contracts and grants; 4% from other institutions; and 4% from international sources.

Professor Challis noted that the University was taking steps to increase the level of support from international sources. For example, the University and the Faculty of Medicine would be appointing a new officer to help maximize research support from the United States and elsewhere for health research.

- **Research successes: funding.** The spending on research activity at the University of Toronto amounted to almost \$1-billion per year or \$3-million per day – an amount that ranked third among North American universities, after Johns Hopkins and the University of California at Los Angeles. (Those figures took into account direct research funding plus 40% of faculty salaries for the portion of faculty time devoted to research and a further 40% for overhead costs.) The University ranked first in Canada in funding from the three federal research-granting councils, in the number of Canada Research Chairs, and in the funding of research facilities by the Canada Foundation for Innovation. In Ontario, the University of Toronto ranked first in funding from the Ontario Research Fund.
- **Share of federal research council funding.** The University and its affiliates had received 15.6% of tri-council funding in 2003-04 – a decline of between 0.2% and 0.3% from the previous year. The University and its affiliates had received 22.2% of funding from the Canadian Institutes for Health Research, a proportion that had increased over the past ten years. Funding from the Social Sciences and Humanities Research Council for 2003-04 represented 12.2% of the total. However, that proportion had declined somewhat over the past few years – a cause of real concern. Funding from the Natural Sciences and Engineering Research Council had remained relatively constant at just under 10%.

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The University was undertaking special initiatives to assist members of the faculty in applying for research funding from the Social Sciences and Humanities Research Council.

Tri-Council funding was of particular importance to the University. Grants from the Councils represented the gold standard of excellence and credibility in Canada. Moreover, there was a ripple effect from that funding. The proportion of funding received from the three Councils determined the number of the University's Canada Research Chairs and its share of funding provided for the recovery of the indirect costs of research. It was therefore very important for the University to monitor its share of tri-Council funding.

- **Age distribution of tri-council funding.** The age distribution of funding from the Canadian Institutes for Health Research was a normal bell-shaped distribution, with substantial funding for faculty in the younger age cohorts. For the Natural Sciences and Engineering Research Council, there was a significant drop in funding for faculty in the 50-54 and 55-59 year old groups, attributable to a lower proportion of University of Toronto faculty in those age groups. For the Social Sciences and Humanities Research Council, a highly disproportionate share of funding had been awarded to faculty in the 60-65 year old group. That distribution was a cause of concern. As those faculty members retired, likely in the next few years, the University would have to work very hard to ensure that their younger colleagues succeeded in applications for SSHRC funding. If they did not, the University would qualify for fewer Canada Research Chairs in the Humanities and Social Sciences.
- **Government research infrastructure funding** varied from year to year, but it had amounted to over \$1-billion cumulatively. Funding had been provided by both federal and provincial programs. In future, the infrastructure funding from various provincial programs would be replaced by funding from the Province's Ministry of Research and Innovation.
- **Funding for indirect costs** was, as noted, based on the total of tri-council research grants. In 2004-05, total indirect-cost funding to the University of Toronto and its affiliated hospitals had amounted to \$29.3-million. Of that amount, \$12.9-million had been for the hospitals and \$16.4-million for the University. Of the \$16.4-million University share, \$4.1-million had been allocated to the divisions and \$12.2-million had supported University-wide services. The divisions had used about one third of their share for facilities and two thirds for management and administration, with a small proportion being devoted to intellectual-property services. The University-wide costs paid for by this funding were as follows: 3.8% for intellectual-property services, 2.3% for the cost of meeting regulatory and accreditation requirements, 16.6% for management and administration, and 52.1% for facilities, including utilities and the renovation and upgrade of research space.

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The University had participated fully in the three-year review of the indirect-costs program. The review was, among other things, dealing with the definition and purposes of indirect costs. There were some significant differences of view on those issues between the universities and the Canada Research Chairs Secretariat (which administered the indirect-costs program). The University of Toronto viewed the distribution formula as perverse, with the most research-intensive institutions receiving the lowest proportion of funding for their indirect costs, amounting to between 19.5% and 20% of the cost of federally funded research. The University of Toronto allocation included that for the affiliated hospitals, even though some of the hospital research institutes themselves conducted research programs that were equal in size to moderate-size universities. That fact disadvantaged both the University and the hospital research institutes. If the research institutes of the University Health Network and Mount Sinai Hospital had been treated as separate entities, they would have received significantly more funding. Allocations were based on the average direct funding over the past three years, meaning that indirect-cost funding always lagged the increasing amount of direct-cost grants.

The University was very heartened by the Government of Canada's announcement, in the Minister of Finance's 2005 Economic and Fiscal Update, of a \$250-million increase in annual funding for the indirect costs of federally funded research. The outcome would be to increase funding for indirect costs to 40% of direct costs. If the University of Toronto received its previous share of the total funding, it would amount to \$40-million of additional funding, something that would be the same as the payout generated by \$1-billion of endowment.

- **Other support for outstanding researchers.** In 2003-04, the University had received funding of \$62-million from sources other than provincial operating grants to fund nearly 700 positions at the University and its affiliated hospitals. Those researchers, of course, also made major contributions to the University's teaching mission. Those positions included 281 endowed chairs (176 at the University and 105 chairs established jointly with the affiliated teaching hospitals), 156 Canada Research Chairs (scheduled to increase to 267 Chairs by 2007-08), 153 positions funded by the federal research councils, 48 positions funded by not-for-profit organizations, 40 positions funded by other government programs, and 18 others.

Professor Challis noted that of the 212 Canada Research Chairs as at May 2005, 129 had been appointed from amongst the University's current faculty, 73 had been attracted from outside Canada and only 10 from other Canadian institutions. That outcome provided evidence of achievement of one of the key objectives of the Canada Research Chairs program – attracting outstanding Canadian scholars back to Canada.

- **Research outputs: publications and citations.** Among the public universities in the Association of American Universities (A.A.U.) and the G10 research-intensive universities in Canada, the University of Toronto ranked first in publications in the period

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2000-04. In the same group, it ranked third in the number of citations in research publications. Adding in the private institutions, the University of Toronto ranked second behind Harvard in the number of publications and ranked sixth in the number of citations. Among the public universities, the University of Toronto ranked first in the number of publications in the sciences overall and in the health sciences. Those were very significant and impressive rankings.

- **Research outputs: faculty research honours.** The faculty of the University of Toronto and its affiliates represented 6.8% of university faculty across Canada, but its members had received a disproportionate share of international honours between 1980 and 2005, including 68.2% of the Canadian memberships in the American Academy of Arts and Science, 63.6% of the Canadian memberships in the U.S. National Academy of Sciences, 44.8% of Canadian Guggenheim Fellowships, and 44.4% of the Canadian appointments as Fellows of the Royal Society, London.

The University's share of Canadian honours was also disproportionate, but less so than international honours. The University's faculty had won 38.5% of Steacie Prizes awarded between 1980 and 2005, 32.0% of the highest prizes of the federal granting councils, 28.8% of the Killam Prizes, 28.8% of the Molson Prizes, but only 19.1% of the appointments as fellows of the Royal Society of Canada. There were differing views of the reason that University of Toronto scientists and scholars received a lower proportion of recognition in Canada than internationally.

- **Research outputs: Commercialization.** Professor Challis noted that the University would soon be implementing many of the recommendations of the Manley Report on commercialization. In 2004-05, the University had received disclosures of 224 inventions and had obtained 28 licenses. The number of licenses had declined from 40 in 2002-03 and 38 in 2003-04, perhaps reflecting greater selectivity in the choice of intellectual property the University sought to license. A total of 103 spin-off companies were currently in operation to commercialize intellectual property developed at the University.
- **Research outputs: Highly qualified personnel.** A total of 1,779 students had graduated from doctoral-stream programs in 2004: 1,147 with master's degrees and 632 with doctoral degrees. A further 1,785 students had graduated with professional master's degrees. In addition, 1,446 postdoctoral fellows had been in training at the University in 2004. The number of post-doctoral students was a very positive indication; those students sought to complete their post-doctoral training and research with the most outstanding researchers in their fields and in the best environments in which to work. The overall output of highly qualified personnel represented a very meaningful contribution.
- **Research outputs: social impact.** Dr. Challis noted that the University was seeking appropriate measures of research output in the Humanities and Social Sciences in

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addition to the usual measure of publications. Pending the development of such measures, the annual report cited a number of outstanding examples of the social impact of University Research: the work of Professor Usha George of the Faculty of Social Work, whose research had served the needs of immigrant communities; University Professor Janice Stein, the Harrowston Chair in Conflict Management and Negotiation in the Department of Political Science and Director of the Munk Centre for International Studies, who had provided advice to governments and agencies around the world on foreign policy matters; Professor David Hulchanski of the Centre for Urban and Community Studies and the Faculty of Social Work, whose research had contributed greatly to the understanding of homelessness in Canada; and Professor Carl Corter of the Institute for Child Study who had spearheaded an innovative project in Toronto to integrate kindergarten, childcare and family-support services in a school setting.

- **Strategic re-organization of the Office of the Vice-President, Research and Associate Provost.** Professor Challis had re-organized his office into five strategic areas: research-revenue generation; research ethics; research commercialization and contracts; government advocacy; and research co-ordination. Dr. Challis anticipated that the new organizational structure would enable his Office to work more effectively internally and with other administrative offices. The objective was to facilitate the work of the University's faculty and to assist the University's research partners to achieve better outcomes.

Among the matters that arose in questions and discussion were the following.

(a) Private-sector funding of University research. In response to a question, Professor Challis said that the private sector funded between 10% and 15% of the research activity at the University compared to almost one third of funding provided by the three federal research granting councils. Two very good examples of research funded by the private sector were the research carried out at the Nortel Laboratories and the Bell University Laboratories. The University did not currently have data to compare the level of private-sector research funding it received to that of other universities, but it would work on developing that information.

(b) Research funding objectives. In response to a question, Dr. Challis said that one key objective concerned funding for the indirect costs of the University's research activities. The University needed to increase its support for the indirect costs of federally funded research from about 19.1% to their full cost of 40%, and the Government of Canada had announced its intention to increase its funding by \$250-million. The Government had announced in its interim statements a further \$500-million of funding from the Canada Foundation for Innovation to cover the cost of new and renovated research facilities. Clearly, further direct funding from the federal research-granting councils would be of great assistance; in particular, the \$15-million of increased funding promised for the Social Sciences and Humanities Research Council was far too little. Professor Goel undertook to provide members with questions and talking points they could

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use during the current election campaign to encourage candidates to support the University's research-funding needs.

(c) Benchmarks. A member asked about the University's research achievements relative to benchmarks. Professor Challis replied that ranking first in many categories represented a very favourable position. The University was very pleased with its ranking in publications and citations. The University was clearly concerned about the fall-off in the amount and proportion of its funding from the Social Sciences and Humanities Research Council – a fall-off that would have serious ripple effects in terms of indirect-cost funding and Canada Research Chairs. The University also sought to do better in the recognition of its researchers through major international awards, a 0.5 full-time equivalent staff member was committed to facilitating applications for prestigious international awards. The University was promoting nominations for them through a senior awards committee and also committees established in a number of Faculties. Efforts to improve recognition of the University's research contributions would continue.

Professor Goel added that he would present a report on performance indicators to the next meeting of the Governing Council, and research performance was one of the areas most amenable to performance measurements. The next step with respect to the continuing development of performance indicators for research would be the improvement of benchmarks focusing on those most closely related to the University's academic goals. For example, further work was required before the University could develop appropriate benchmarks concerning the social impact of its research. Clearly, the overall objective would be to be top in Canada in each measure and among the top public universities in the world. In developing performance measures and benchmarks, the emphasis would be on outcomes and impact measures.

(d) Research performance per faculty member. A member asked about measures of research success per faculty member. Was the University's top ranking in such things as research funding, publications and citations simply a function of the University's size? Professor Challis replied that an appropriate allocation per faculty member would be difficult to determine. The first problem was the definition of faculty member. In the case of the Faculty of Medicine, for example, most faculty members spent by far the largest proportion of their time on their clinical work and teaching, with a far smaller proportion of time left for research activities than a faculty member in a pure science department. That made it difficult to compare output per faculty member among universities with a different distribution of faculty among disciplines. While an appointment to the School of Graduate Studies might provide one means of distinguishing those faculty members who were expected to have active research programs, that too provided a less-than-satisfactory criterion. Second, the student to faculty ratio was much higher at the University of Toronto than at many peer universities, meaning that a significantly larger proportion of the time of many faculty members had to be devoted to teaching than at peer institutions, especially in the United States, leaving less time for research. Again, that made comparisons difficult.

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The Chair observed that it was clear that the Board would very much welcome the continued development of performance measures and benchmarks for future reports. She was pleased that the administration was regarding this as a work in progress. She thanked all those present from the Office of the Vice-President, Research and Associate Provost and their colleagues for their hard work on the annual report.

4. University of Toronto Innovations Foundation: Restructuring – Update

Ms Riggall reported that work was continuing on the restructuring of the Innovations Foundation, and she referred members to her report of November 28, 2005, which had been placed on the table. The Vice-President, Research and Associate Provost had initiated a search for an Assistant Vice-President / Executive Director who would manage both the University's technology-transfer operations and the Innovations Foundation. The Innovations Foundation's Board was continuing its discussions of the strategic alternatives for the Foundation's future mandate and goals. No final decisions had been made to date, but Ms Riggall anticipated bringing forward a more definitive report or recommendation in the new year.

5. University of Toronto Innovations Foundation: Audited Financial Statements

Mr. Weiss reported that it was part of the Audit Committee's mandate to review the financial statements of the University of Toronto Innovations Foundation. Members would recall that the Business Board had authorized the University to extend a line of credit to the Foundation, and the Board had subsequently been advised that the Foundation would not be in a position to make the scheduled repayments. Ms Riggall had advised the Audit Committee that the need for the University to write off some of the Foundation's borrowing was being discussed with the auditors in the light of a valuation of the Foundation's assets, in particular the value of its licensing agreements and its holdings of shares of spin-off companies. Ms Brown had confirmed that all of the Foundation's operating losses to date had been recognized in the University's consolidated financial statements. Therefore, any write-off of the borrowing would affect the University's operating fund, which would not recover much or all of the line of credit. However, unless the write-off exceeded the operating losses recorded to date, it would not affect University's future financial statements.

On the recommendation of the Audit Committee,

YOUR BOARD ACCEPTED

The audited financial statements of the University of Toronto Innovations Foundation for the year ended April 30th, 2005, copies of which are attached to Report Number 78 of the Audit Committee as Appendix "C".

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The Chair commented that the Board treated many items from the Audit Committee as consent items. However, given the importance of the pension plans to the financial health of the University, the annual financial report on the plans had traditionally received the attention of the Board, although attention moderated by the fact that it had already been carefully reviewed by the Audit Committee.

Mr. Weiss reported that the Audit Committee had reviewed the Financial Report on the Pension Plans in detail. The actuary, Mr. Alan Shapira, and the President and Chief Executive Officer of the University of Toronto Asset Management Corporation, Mr. Felix Chee, had been present to answer questions. Mr. Weiss highlighted two of the matters that had arisen in discussion. First, a member had observed that, while the market-value deficit of the registered pension plan had declined, the actuarial deficit had increased. Mr. Shapira had explained that the increase in the actuarial deficit was the result of two factors: (a) assumption and plan changes, and (b) the smoothing mechanism used in the actuarial valuation of the assets. The smoothing mechanism meant that changes in the market value of the plan's assets took three years to be reflected fully in the valuation. Consequently, it took time for improvements (and declines) in the market value of the assets to be reflected in the actuarial valuation. Second, a member had asked about the degree of volatility in the pension fund investment strategy. Mr. Chee had advised that the volatility of the investment returns had been well under the 10% average specified in the Pension Fund Investment Policy.

Ms Brown presented the highlights of the annual report, commenting on three principal elements. The first was the financial statements of the two registered plans. They included the external auditors' reports, which were clean ones. The Board could be assured that the assets outlined in the statements were in fact in place. The report included, second, a summary of the actuarial report on the two registered plans and the Supplemental Retirement Arrangement. The report showed that the main registered plan had finished the year with a deficit, based on the market value of the assets, of \$86.4-million. The registered plan for employees of the Ontario Institute for Studies in Education at the time of its merger with the University had a surplus, based on the market value of the assets, of \$5.3-million. The annual report included, third, an updated projection of the financial position of the combined plans (the two registered plans and the Supplemental Retirement Arrangement) reflecting the July 1, 2005 results. The Business Board had, in January 2004, approved a financial strategy for the pension plans requiring that the University make contributions amounting to the full current service cost each year, regardless of the funding status of the plans, and that it also make a special payment of \$26-million per year. The objective of the projection was to determine whether the pension strategy remained appropriate. The outcome was the conclusion that the strategy did remain appropriate. Continuing with the strategy should result in the extinction of the combined deficit by 2016.

A member asked about the effect of the changes to pension provisions recently approved for full-time staff members represented by the United Steelworkers of America as well as any prospective changes. Ms Brown replied that the effect of the agreement with the Steelworkers' union was reflected in the report. The changes would require an increase in both the employee

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and employer current-service contributions, as well as an increase of \$800,000 per year in the University's special payment established under the pension strategy. The most likely prospective change was legislation to end mandatory retirement at age sixty-five. It was expected that the outcome of that change would be neutral with respect to pension costs. Any added cost, as well as the cost of any future plan improvements, would have to be paid for by contributions above and beyond those assumed in the projection.

The Chair noted that most of the report was for information. The audited financial statements, however, required the Business Board's approval prior to their submission to the Financial Services Commission of Ontario.

On the recommendation of the Audit Committee,

YOUR BOARD APPROVED

- (a) The audited financial statements of the University of Toronto Pension Plan, June 30th, 2005, a copy of which is included in Appendix "A" to Report Number 78 of the Audit Committee; and
- (b) The audited financial statements of the University of Toronto (OISE) Pension Plan, June 30th, 2005, a copy of which is included in Appendix "A" to Report Number 78 of the Audit Committee.

7. Endowments: Annual Financial Report for the Year ended April 30, 2005

The Board received, for information, the first annual financial report on endowments for the year ended April 30, 2005. Mr. Weiss reported that the Audit Committee had, in May, reviewed a template of the report and it had, in October, reviewed the report now before the Board. The Board's overwhelming view was pleasure at the new report, which combined all of the key financial information on the University's endowments. The Committee had congratulated Ms Brown on producing the report and looked forward to seeing future annual reports.

Ms Brown said that the new document combined information in the University's financial statements and in the investment reports, and it provided a unified report on a University fiscal-year basis. There were over 4,000 individual endowment funds comprising \$1.4-billion in endowments, virtually all of which were invested in the Long-Term Capital Appreciation Pool. The endowment fund was in a healthy condition and certainly much improved since 2002-03, when the payout policy had been changed. The payout had been reduced from 5% of the average value of the units in the investment pool over the previous three years to 4% of the then-current

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unit value, which would be increased annually by the rate of inflation. The objective was to maintain the real value of the endowment and the payout against erosion by inflation and to provide a small cushion to maintain payouts in years of poor investment returns.

A member expressed his pleasure at reading the excellent report. He was pleased that the report showed the value of University's endowment per student compared to leading public universities in Canada and the United States – something that gave a much better picture of its value than its total size compared to other, smaller institutions. He urged that future reports include in the comparison the private universities, with which the University competed for the best faculty and students. He also urged emphasis on the relatively small amount of income generated by the endowment for the operating fund. It was important not to leave the impression that the University's \$1.4-billion endowment made it a rich institution with no need to generate further contributions and to exercise further spending restraint.

Ms Brown recognized the excellent work of Mr. Pierre Piché, the Controller and Director of Financial Services, and Ms Helen Choy, the Accounting Manager for Trust and Investment Accounting, in the preparation of the report. She also recognized the excellent work of Mr. Lou Ranalli, the Manager for Benefits and Ancillary Accounting, in the preparation of the annual financial report on the pension plans.

The Chair thanked Ms Riggall, Ms Brown and their colleagues. The new and more detailed financial reports being brought to the Board were all to the good.

8. Capital Program Report

The Board received for information the Capital Program Report as at November 15, 2005.

9. Capital Project Closure Report

The Board received for information the Capital Project Closure Report for Buildings and Projects in Excess of \$2-Million as at October 31, 2005. Mr. Bisanti recalled that this report had been introduced at the previous meeting. He would provide regular updates as projects moved from section "B" of the Report (Projects to be Closed) to Section "A" (Completed and Closed Projects). Two projects had been closed since the previous report, both at the University of Toronto at Scarborough. The Parking and Roadway Project had been closed at a cost of \$9.802-million, which was \$208,000 under the approved cost. The Drop-Off Circle Project had been completed at a final cost of \$488,000, which was \$38,000 under the approved cost.

A member expressed gratitude for the report, which for the first time provided an overview of the outcome of the projects in the capital plan. He complimented Mr. Bisanti and his colleagues on the completion of all projects either on budget or more often with a positive variance below the approved cost. The report demonstrated the strength of the process now in

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place, assuming that the original costs put forward for approval were based on sound estimates without excess contingency costs. The member was grateful that the Board was now receiving positive surprises.

A member suggested a correction to the report for a project at the University of Toronto at Mississauga. The actual occupancy date for the parking garage built under the Centre for Culture, Communication and Information Technology had been September 2004 rather than September 2003.

10. Report Number 78 of the Audit Committee – October 26, 2005 –

The Board received for information the items for information contained in Report Number 78 of the Audit Committee – October 26, 2005.

11. Reports of the Administrative Assessors

The Board's assessors reported on the following matters.

(a) Royal Ontario Museum: Proposed condominium development plan. Ms Riggall reported that the Royal Ontario Museum had withdrawn its proposal to develop a very tall condominium tower on the site of the current McLaughlin Planetarium. The President had been in touch with the President of the Museum to advise that the University would be prepared to continue the dialogue with the Museum about alternative development of the site, when the Museum was ready to do so. The University wished to maintain its close relationship with the Museum, which was its neighbour and with which it shared a number of cross-appointments.

(b) Debenture issue. Ms Riggall recalled that the Board had, in June 2004, authorized further borrowing of \$150-million for capital purposes. The University had not until recently required further borrowing. On November 16, 2005 it had issued a new \$75-million debenture. Ms Riggall was very pleased with the terms of the 40-year debenture at a rate of interest of 4.937% without the requirement for covenants apart from repayment of the amount.

(c) Capital Project: Varsity Centre. Ms Riggall reported that a groundbreaking ceremony for the Varsity Centre project had taken place on November 25, 2005. The ceremony represented a milestone on a project that had been under consideration for some twenty years.

(d) Business officers' conference. Ms Riggall reported that the first conference for the University's business officers would be held on November 29 on the subject of the Business of Education: Administering the Student Experience. The conference was intended to assist University officers who had no direct responsibility for student services to understand how their work had a major impact on the quality of the student experience. Ms Riggall was very pleased that 185 staff members had registered to attend.

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(e) Investments: proposal concerning social responsibility. Ms Riggall recalled that the question of socially-responsible investing had been raised by a member in February 2005, and Ms Riggall had undertaken to look into the matter. An opportunity had arisen when a group of law students, led by Business Board member Mr. Ran Goel, had undertaken to complete a study of the matter. Ms Riggall anticipated receiving a report from the group in about a week's time. Because she did not know the content of the report, Ms Riggall could not know what the position of the administration would be. She therefore proposed that an off-line session be held for Board members to consider the matter. Such a format would facilitate a good exchange of views in a private meeting of members of the Board and the authors of the report. In response to Ms. Riggall's question, members indicated a preference for a lunch-hour session rather than a session at the Board's late-afternoon meeting time.

In response to questions, Ms Riggall said that the University's administration took the view that it was appropriate to consider the matter of socially responsible investing, but it did not have the staff resources to do so. Ms Riggall was therefore pleased that some of the law students had undertaken to begin the process. It would be very useful to know what socially responsible investing meant and what other public and private pension plans and endowment funds were doing in this area. The University's basic investment policies specified the University's return expectations and risk tolerance. Social and political aspects of investment were the subject of a separate policy, which specified a process by which members of the University could put forward a case statement and a supporting petition to ask for consideration of some particular action.

Mr. Goel added that he and his colleagues had been focusing their work on the study of socially responsible investing by particular pension and endowment funds. A member noted that she had met with Mr. Goel and she had been very impressed by the scope of the group's investigation.

A member expressed his support for the proposed way of proceeding. The format would enable a frank and open discussion without people feeling the need to lock into public positions. That would be a very positive way of proceeding in a potentially contentious area.

Another member suggested that the leadership of the University of Toronto Asset Management Corporation be invited to participate in the planned off-line session. It was important that the discussion be informed by real-world considerations.

A member asked how the Board would proceed if it concluded that action was necessary. Ms Riggall said that while the Business Board was responsible for the oversight of investments, including implementation of any policy concerning socially responsible investing, the policy concerning non-financial aspects of University investments was within the terms of reference of the University Affairs Board. In response to a suggestion that members of that Board be invited to participate in the off-line session, the Chair suggested that the initial session be for members of the Business Board only. The matter had arisen in the Business Board, and the initial discussion should be take place among members of the Board and should be kept to a

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manageable number. After the initial discussion, the administration would come to a view with respect to any further steps and the scope of the discussion could, if appropriate, be expanded at that time. Three other members expressed support for that approach.

(f) Canadian Nuclear Safety Commission audit. Professor Hildyard reported that four auditors from the Canadian Nuclear Safety Commission were conducting an audit of the University's compliance with regulations concerning the handling of radioactive materials. Professor Hildyard did not anticipate that they would find any violations, but the University had about 1,000 permit-holders, and it was not impossible that, for example, a member of one laboratory might be found not wearing a radioactive exposure monitor. The previous audit, completed about five years ago, had resulted in a number of recommendations, and the University had complied with all of them promptly. The audit team would meet with Professor Hildyard and Ms Sass-Kortsak upon the conclusion of their review.

(g) Top-100 employers. Professor Hildyard was very pleased to report that the University had been included in the list of the top 100 employers compiled annually by Mediacorp Canada Inc., the country's largest publisher of employment periodicals. The University of Toronto was the only university to appear on the list. It had also ranked in the top ten family-friendly employers.

12. Date of Next Meeting

The Chair reminded members that the next regular meeting of the Board was scheduled for Monday, January 16, 2006 at 5:00 p.m. She recalled that there would also be an off-line session to review the paper prepared on socially responsible investing. [That session was subsequently arranged for Wednesday, February 1, 2006 at 12:15 p.m.]

ITEMS 13 TO 15 WERE CONSIDERED IN CAMERA.

13. University of Toronto Press Inc. - Annual Report and Financial Statements, 2004-05

In the course of discussion, two members of the Board declared a possible conflict in that they also served on the Board of the University of Toronto Press. In response to a question, the Secretary said that the Board had been asked by the Press to regard the annual report as confidential for business reasons. Public disclosure of some of the information in the report would harm the Press's competitive position. A member, who also served on the Board of the Press, added that confidentiality enabled the Press to disclose more information in the report than it would be able to do in a public report.

A member stated that he was pleased that the Press had operated without loss for the year.

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13. University of Toronto Press Inc. - Annual Report and Financial Statements, 2004–05
(Cont'd)

On the recommendation of the Audit Committee,

YOUR BOARD ACCEPTED

The annual report and financial statements of the University of Toronto Press for the year ended April 30th, 2005, copies of which are attached to Report Number 78 of the Audit Committee as Appendix "B".

14. Closed Session Reports

Professor Hildyard reported on (a) on-going discussions with the University of Toronto Schools and (b) on-going bargaining with the union representing the University's teaching assistants.

15. Canadian Union of Public Employees, Local 1230 (Library Workers) Collective Agreement – Pension Provisions

Professor Hildyard presented for ratification the pension provisions included in the collective agreement with local 1230 of the Canadian Union of Public Employees, which represented the University's full-time library staff. In the course of consideration of the item, the Chair reminded the Board of the conflict-of-interest limitation on voting, moving motions, and seconding motions. Section 27(d) of By-Law Number 2 prohibited moving, seconding, or voting on motions related to compensation by any employee of the University, or any immediate family member of an employee, except for the President and the Vice-Presidents (who were excluded from the prohibition).

On the recommendation of the Vice-President, Human Resources and Equity,

YOUR BOARD APPROVED

- (i) THAT the Special Early Retirement Window for the full-time employees represented by local 1230 of the Canadian Union of Public Employees be extended to June 30, 2006;
- (ii) THAT effective January 1, 2006, the lower deck accrual rate for employees represented by local 1230 of the Canadian Union of Public Employees be increased from 1.5% to 1.6%;
- (iii) THAT effective January 1, 2006, the employee contribution rate for employees represented by local 1230 of the Canadian Union of Public Employees be increased from 4.5% to 5.0%; and

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15. Canadian Union of Public Employees, Local 1230 (Library Workers) Collective Agreement – Pension Provisions (Cont'd)

- (iv) THAT authority be delegated to the administration to take the steps necessary to implement the pension arrangements resulting from the motion above.

THE BOARD RETURNED TO OPEN SESSION.

The meeting adjourned at 6:35 p.m.

Secretary

Chair

January 9, 2006

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