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UNIVERSITY OF TORONTO

THE GOVERNING COUNCIL

REPORT NUMBER 156 OF THE BUSINESS BOARD

April 11, 2007

To the Governing Council,
University of Toronto.

Your Board reports that it met on Wednesday, April 11, 2007 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
Dr. C. David Naylor, President
Ms Catherine J. Riggall, Vice-President, Business Affairs
Professor Angela Hildyard, Vice-President, Human Resources and Equity
Mr. Donald A. Burwash
Mr. P. C. Choo
Dr. Alice Dong
Ms Mary Anne Elliott
Ms Susan Eng
Mr. Robin Goodfellow
Dr. Gerald Halbert
Ms Kate Hilton
Ms Paulette L. Kennedy
Dr. Gary P. Mooney
Mr. David Oxtoby
Ms Marvi H. Ricker
Professor Arthur S. Ripstein
Mr. Stephen C. Smith
Ms Estefania Toledo
Ms B. Elizabeth Vosburgh

Professor Vivek Goel, Vice-President and Provost
Professor Jonathan Freedman, Interim Vice-President and Principal, University of Toronto at Scarborough
Professor Cheryl Misak, Acting Vice-President and Principal, University of Toronto at Mississauga
Ms Judith Wolfson, Vice-President, University Relations
Ms Sheila Brown, Chief Financial Officer
Mr. Louis R. Charpentier, Secretary of the Governing Council
Ms Christina Sass-Kortsak, Assistant Vice-President, Human Resources
Ms Elizabeth Sisam, Assistant Vice-President, Campus and Facilities Planning
Professor Safwat Zaky, Vice-Provost, Planning and Budget
Mr. Nick Zouravlioff, Acting Chief Capital Projects Officer

Secretariat:

Mr. Neil Dobbs
Mr. Henry Mulhall

Regrets:

Professor Glen A. Jones
Mr. Gerald A. Lokash
Mr. Geoffrey Matus
Mr. George E. Myhal
Mr. Robert S. Weiss
Mr. W. David Wilson

REPORT NUMBER 156 OF THE BUSINESS BOARD – April 11, 2007

In Attendance:

Dr. Thomas H. Simpson, Past-Chair of the Governing Council, Past Chair of the Business Board; Director, University of Toronto Asset Management Corporation (UTAM)
Mr. Felix P. Chee, President and Chief Executive Officer, UTAM
Ms Karen Coll, Managing Director, Public Markets, UTAM
Mr. Ira Gluskin; Chair of the Board, UTAM
Mr. John Hsu, Managing Director, Risk Management and Operations, UTAM
Professor George Luste, President, University of Toronto Faculty Association
Mr. John Lyon, Managing Director, Investment Strategy, UTAM
Ms Emily Shelton, Vice-President, External, University of Toronto Students' Union
Ms Mae-Yu Tan, Special Projects Officer, Office of the Governing Council
Ms Gina Trubiani, Vice-President, External, Graduate Students' Union
Ms Roslyn Zhang, Director Portfolio Research and Analysis, UTAM

ITEMS 4 AND 5 CONTAIN RECOMMENDATIONS TO THE GOVERNING COUNCIL FOR APPROVAL.

ALL OTHER ITEMS ARE REPORTED FOR INFORMATION.

1. Chair's Remarks

The Chair welcomed Dr. Gary P. Mooney, recently appointed as a co-opted lay member, to his first meeting of the Board.

2. Report of the Previous Meeting - Report Number 155 – February 26, 2007

Report Number 155 (February 26, 2007) was approved.

3. Business Arising from the Report of the Previous Meeting

Item 5 - Vice-President, Human Resources and Equity: Annual Report, 2005-06 – Growth in Academic and Administrative Staff

The Chair referred members to page 6 of Report #155, which recorded a member's question concerning the relative rates of growth in academic and administrative staff. Professor Hildyard had provided a detailed written response, which was included in the agenda package. The member expressed his gratitude for the very complete answer to his question.

4. Tuition Fees, 2007-08

(a) Motion

It was duly moved and seconded

> THAT the Tuition-Fee Schedule For Publicly Funded Programs in 2007-08, as described in Professor Goel's March 14, 2007 memorandum to the Business Board, and the tuition fees in 2007-08 and 2008-09 for the special programs identified in Table 2 of Appendices B and C of the memorandum, be approved.

The Chair drew members' attention to a correction to the final page, page 21, of the proposal. The Appendix identification had been corrected to Appendix "C". There had been no change to the substance of the proposal. A copy of the corrected page 21 had been placed on the table.

(b) Presentation of the Proposal

Professor Goel introduced the proposed tuition-fee schedule for 2007-08.

- **Policy context**. The proposal conformed fully to three University Policies and commitments: the *Tuition Fee Policy* (1998); the *Policy on Student Financial Support* (1998); and the *Statement of Commitment Regarding International Students* (2005). The *Tuition Fee Policy* had now been in place for ten years. That policy required strong advocacy to secure substantial public investment to support an accessible public system of university education in Ontario. It then stipulated that the University should supplement that public funding with sufficient revenue from tuition fees to offer its students a high-quality educational experience that ranked with the finest public universities of the world. Fees were to be differentiated to reflect such factors as program costs, fees charged by competing programs elsewhere, and the income prospects of graduates. The University was committed to make known to all entering students the maximum tuition-fee increases over the normal course of their full-time program of study. As well, the *Policy* required the University to monitor the University's enrolment to determine whether tuition-fee increases were having any negative effect on enrolment. The tuition-fee schedule was also drawn up in the light of the *Policy on Student Financial Support*, which required that the University make available student aid to ensure accessibility, guaranteeing that "no student offered admission to a program at the University of Toronto should be unable to enter or complete the program due to lack of financial means." Finally, the tuition-fee schedule took into account the 2005 *Statement of Commitment Regarding International Students*.

- **Province of Ontario Tuition-Fee Framework**. The proposed Tuition Fee Schedule also conformed fully to the Ministry of Training, Colleges and Universities' new *Framework for Tuition Fees*, announced in March 2006. That Framework placed an overall cap of 5% on the average increase in tuition fees across an institution. As part of the *Framework*, tuition-fee increases for continuing in-program students were limited to 4%.

4. Tuition Fees, 2007-08 (Cont'd)

- Increases for students beginning most first-entry programs were limited to 4.5%. Increases for students entering professional and graduate programs were limited to 8%. The *Framework* also included a requirement for a Student Access Guarantee that was entirely consistent with the student access guarantee contained in the University of Toronto's *Policy on Student Financial Support*.

- **Enrolment trends and projections**. Professor Goel referred members to the Enrolment Report, 2006-07, which had been submitted to the Planning and Budget Committee and which was also distributed to the Business Board as background to the tuition-fee proposal. The objective was to enable the Board to assure itself that the University of Toronto's programs continued to be competitive with those elsewhere and continued to be attractive to students. Professor Goel displayed a graph illustrating the long-term growth in the University's total enrolment. Undergraduate enrolment had grown substantially to accommodate the double cohort of students graduating from the old five-year secondary school program and the new four-year program. The University was currently implementing its plan to reduce its undergraduate enrolment and to expand its graduate enrolment. The yield rate on offers of admission – the proportion of students offered admission who accepted those offers and registered – had remained at a stable 30% in spite of considerable shifts in the applicant pool associated with the double cohort. The enrolment of international students had declined during periods when the University had not stressed the recruitment of such students, but the proportion of international students had been increasing steadily over the past decade. The fluctuations in the enrolment of international students had clearly not been related to the level of tuition fees, with the recent enrolment increases having taken place notwithstanding increases in the tuition fees for international students. The entering grade averages of students also remained strong and had not been affected by changes in tuition fees.

- **Budget context**. Professor Goel described the budgetary context of the tuition-fee proposal. At the present time, tuition fees provided about one third of the University's operating revenue. A further 42% came from Provincial operating grants. The remainder of operating funds came from various other sources including divisional income and investment income from endowed funds and other funds. While the University had diversified its revenue sources, the secondary sources formed a relatively small share of the total, with the University reliant primarily on Provincial funding and tuition fees. Over the years, tuition fees had come to form an increasingly large proportion of total revenue as the result of the lack of growth in Provincial grant funding per student.

  Professor Goel displayed a ten-year projection of the University's revenues and expenses. While revenue was projected to increase, that increase would be matched by the projected rise in expenses. In many recent years, expenses had been greater than revenues, leading to an accumulated deficit. Professor Goel would be bringing the Budget proposal to the Planning and Budget Committee and to the Business Board at their next meetings. The University planned to achieve balanced budgets over the next five years. But, the

4. Tuition Fees, 2007-08 (Cont'd)

University also had to deal with the impact of the operating deficits incurred in previous years, projected to accumulate to almost $80-million by the end of the current budget year. Even with the plan to achieve balanced budgets, it would be necessary to repay the accumulated deficit. Governing Council policy required that the accumulated deficit be no greater than 1.5% of operating revenue by the end of each long-term budget planning cycle. The key message from the point of view of the budget context for tuition fees was the need to address the $80-million cumulative deficit as part of the next long-range budget plan.

Professor Goel displayed a graph showing the value of the Province of Ontario's basic income unit – the unit used to determine per-student funding. It showed the severe decline in the value of the per-student grant at the time of the Rae "Social Contract" and the Harris "Common Sense Revolution." In the past few years, there had been increases in inflation-adjusted funding. Nonetheless, there remained a gap of 25% between the current level of funding and the funding that would be in place had per-student grants been increased to match inflation since 1991-92. Relative to other provinces, the per-student funding provided by the Province of Ontario was 27% or $3,000 less than the average of funding provided by the other Provinces to their universities.

- **Proposed tuition fees**. Professor Goel outlined the proposed tuition-fee increases. The fees for students continuing in their programs would increase by 4%. An exception was the Doctor of Medicine program, where additional funding from the Province of Ontario would, as in 2006-07, enable the Faculty of Medicine to achieve its objectives with a fee increase of only 2%. Similarly, fees for all doctoral-stream graduate programs would increase by 4%. The tuition fees for students entering most first-entry programs would increase by the 4½% permitted by the Province. Fees for students entering most professional programs would increase by the 8% permitted by the Province. An exception was the program in Pharmacy, where the Faculty was proposing to increase fees by 5%, an increase appropriate in view of fees at competing programs.

  Professor Goel said that the outcome for the largest group of students - those registered in undergraduate Arts and Science programs - was a tuition fee of slightly over $4,500. For over 90% of students, the proposed tuition fee increase was either 4% or 4½%. For a small group, about 2% of students, the increase was less than 4%. For about 6% of students, the increase was greater than 4½%. For over 60% of students, the cost of the fee increase would be $200 per year or less.

- **Comparison of tuition fees with peer institutions in Canada**. Professor Goel compared the University of Toronto's tuition fees with those at other Canadian research-intensive universities. For undergraduate Arts and Science students, University of Toronto fees were at about the middle of the distribution, and Professor Goel noted that the other universities were planning fee increases similar to those being proposed at this University. For international students, Arts and Science fees were at the high end of the

4. Tuition Fees, 2007-08 (Cont'd)

distribution, less only than the University of British Columbia. However, other institutions were planning larger increases in fees for international students, and Professor Goel anticipated that the outcome would leave the fees at the University of Toronto again near the middle of the distribution.

- **Budget impact of the proposed fee increases**. Professor Goel outlined the budget impact of the proposed tuition-fee schedule. For first-year Arts and Science students, for example, the proposed 4½% tuition increase, when combined with the small increase in the Provincial operating grant, would contribute to only a 2.7% increase in revenue for each student. For a first-year student in Applied Science and Engineering, the proposed 8% tuition increase, when combined with the Provincial operating grant, would provide only a 3.8% increase in revenue per student. While these were examples, the students in those divisions represented the majority of first-year students. The proposed increase in tuition fees would generate an additional $18.6-million in revenue for the University. An additional $9.5-million of tuition-fee revenue was projected as the result of the planned increase in enrolment, as well as the flow-through of higher fees as students moved to higher years of their programs. To provide context for that amount, Professor Goel noted that the $18.6-million of additional revenue was equivalent to the expense associated with 140 faculty positions at the average professorial salary.

  Professor Goel recalled that additional funding in the past year had enabled the University to achieve a number of initiatives that had enhanced the student experience. They included improvements to academic and service support for students: writing development initiatives, increased tutorial support, the Student Transition Education Program, and library acquisition streamlining. Improvements to classrooms and laboratories would include the fully renovated and modernized Chemistry laboratories for students in Arts and Science, Applied Science and Engineering and Pharmacy; enhancements to the Koffler Reserve; and the redesign of facilities for practical work in Physics. Improvements to student space included twenty-four hour study facilities available five days a week, expanded computer facilities for students, and new common rooms and student lounges. The cost of those improvements had been about $6-million; the loss of additional tuition-fee revenues would represent the loss of improvements three times the value of the examples.

- **Student financial support and accessibility**. Professor Goel outlined the student support available to assist needy students to deal with tuition-fee increases and commented on the accessibility of the University to students from traditionally under-represented groups. He stressed that close to 60% of students graduated from first-entry programs with no Ontario Student Assistance Program (OSAP) debt whatever. Of those students who had incurred debt, the average debt load was approximately $18,000. (That did not include debt incurred through private loans.) Only 11% of graduates from first-entry programs had incurred OSAP debt above $25,000. The increase in that proportion was largely a reflection of the end of the three-year degree in Arts and Science. The

4. Tuition Fees, 2007-08 (Cont'd)

OSAP loan default rate for University of Toronto graduates was below the provincial average and was declining. That spoke well of the University of Toronto's own program of student financial support. In 2005-06, the University had provided $40.3-million in need-based financial aid, an increase from $1.5-million in 1992-93, The University had also provided $1.2-million in need-based grants and admission scholarships to international students. Those amounts were in addition to $149.8-million in graduate student funding for Canadian and international students. The most recent survey of the student population in 2006-07 showed that the representation of students from traditionally under-represented groups had been maintained and had in some cases improved. Students from visible minority groups represented 54% of the University's undergraduate population. 44% of undergraduates came from families with annual incomes of less than $50,000 and 44% had applied for OSAP. Among students in the four professional faculties surveyed (Dentistry, Law, Medicine and Pharmacy), 46% were members of visible minorities. 27% came from families with annual incomes of less than $50,000, and 68% had applied for OSAP. In the previous year, concern had been raised that increasing tuition fees and other expenses were driving students to work at paying jobs to the detriment of their studies and their co-curricular experience. The University had taken such issues seriously. A study by the Education Policy Institute had found that the proportion of students working for income remained about the same as forty years previously, but there had been a shift from summer work to part-time work during the school year. The National Survey of Student Engagement (NSSE) had found that 31% of students worked for income on or off campus. That finding was consistent with OSAP data, in which 67% reported no part-time earnings during the academic year but 33% reported income of $4,000 or less, working less than 10 hours per week. The NSSE data also suggested that hours worked was not necessarily related to engagement in other activities. The University had committed to monitoring this situation.

Professor Goel concluded that the University's budget situation remained very tight, despite highly welcome recent investments by the Government of Ontario. The University had initiated, or was expanding, many of the significant initiatives in the *Stepping UP* academic plan to enhance the student experience, and it was in need of additional funding to continue that process. Demand for admission to the University's programs remained very strong, and demand for post-secondary places in Ontario continued to grow beyond projections. The University had maintained accessibility, and the proposed tuition fees were competitive with those of peer institutions.

(c) Motion to Refer Back

The Chair recognized a member who had given notice of her intention to move that the proposal be referred back to the administration. The member urged the Board to take into account the concerns of students attending the University and to uphold principles of inclusiveness, diversity and the accessibility of post-secondary education. While the University's increase in need-based student aid from about $1.5 million in 1992-93 to $40.3 million in 2005-06 was of great benefit to the students who had received the funding, the overall approach was

4. Tuition Fees, 2007-08 (Cont'd)

misguided. The University should not increase tuition fees and expect students to apply for grants to assist them with the cost of increased tuition. Only low-income students were awarded those grants, thus marginalizing students from the lower-middle to middle-class income bracket. Over 70% of newly created jobs now required a post-secondary degree. Most students who attended the University of Toronto were middle-class students who needed degrees to prepare for the job market, and the University was neglecting the financial burdens faced by the majority of the student population. The report on Student Financial Support indicated that students were graduating with OSAP debt between $15,000 to $25,000, but that did not include private debt such as bank loans that many students were forced to use in order to finance their education. Most importantly, the report showed an increase in student employment during the academic year, clearly indicating that students were trying to finance their education and balance their studies without having to deal with a large debt upon graduation. She stated that Statistics Canada had reported that one of the greatest barriers to post-secondary education by potential students was the financial burden they would experience. Higher tuition fees also affected and hindered the student experience. The NSSE reported that "financial pressures/work obligations are one of the biggest obstacles to their academic progress". Further, if students' time was consumed by their financial obligations, it prevented them from participating in the University community. Participation in activities both on and off campus was very low at the University. An improved student experience was unlikely to be achieved when students had to place their financial obligations and academic work ahead of everything else. By increasing tuition, the University was reducing the level of interaction and involvement that students experienced.

The member said that tuition-fee increases to the maximum allowed by the "Reaching Higher" plan of the provincial government might be somewhat justifiable if the increased revenue was being devoted to enhancing the student experience and addressing the concerns expressed through NSSE and other means. The proposal indicated that the tuition increase would provide $18.6 million in new revenue, but it did not explain how that revenue would be used. The proposal did not have sufficient information on how this new revenue would benefit students.

The member also wished to have more information about the University's strategy to lobby for more funding. The University had been successful in obtaining funding for special purposes such as the new medical academy at UTM, but it had not succeeded in obtaining adequate operating funding. That left the University seeking to deliver a first-class education while receiving the lowest per-capita funding for post-secondary education in the country. It was important that the University obtain the funding that would avoid the proposed tuition-fee increases so that students from average financial backgrounds could pursue their academic endeavours without great financial concerns, and so that they could fully immerse themselves in the social and academic context of the University without jeopardizing their financial situation.

4. Tuition Fees, 2007-08 (Cont'd)

It was duly moved and seconded

> THAT the proposed tuition fee schedule be referred back to the Vice President and Provost and other relevant administrators with a view to:
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> (a) the Vice President and Provost and other relevant administrators reconsidering the 2007-08 tuition fee schedule and proposing a revised tuition fee schedule with fees reduced to those of the 2005-06 academic year;
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> (b) enabling the Vice President and Provost and other relevant administrators to propose a 2007-08 operating budget with the reduced tuition fee schedule taken into account; and
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> (c) the Vice President and Provost and/or other relevant administrators establishing a committee with a membership comprised of both administrators and no less than 60% of students appointed by the University of Toronto Students' Union and the Graduate Students' Union to lead a major effort to call on the Government of Ontario to fully fund a tuition fee reduction to the 2005-06 level across the province.

(d) Non-Members Addresses to the Board

Invited to address the Board, Ms Shelton spoke against the proposed tuition-fee schedule and in favour of the motion to refer the proposal back. She said that students were facing the highest tuition fees in the history of Ontario, but they often had to work for a minimum wage that didn't begin to ensure that they could bear the high fees. Student debt had more than doubled in the past ten years, and average debt for Ontario graduates from four-year programs was now approaching $28,000. The majority of Government student aid took the form of loans, requiring students to go even deeper into debt. While the Government of Ontario pointed to student financial assistance as a solution to the accessibility crisis, its program would not be fully phased in until 2009-10, and for every $1.00 allocated to that program more than $1.30 would be clawed back through the "Reaching Higher" plan for tuition fees. While the University's own financial assistance program (the University of Toronto Advanced Planning for Students or UTAPS program) was a good start, it did not provide sufficient bursaries to assist the majority of students, in particular students from lower middle to middle income families, who were burdened by the high cost of tuition fees. In fact, the high cost of tuition fees was squeezing out such students entirely, especially from high-fee programs such as Medicine, Law and Dentistry. Students from lower income families were participating in post-secondary education at only half the rate of their wealthy counterparts.

4. Tuition Fees, 2007-08 (Cont'd)

Ms Shelton said that while tuition fees had risen at four times the rate of inflation since the 1990s, the increase had done nothing to improve the quality of post-secondary education because the fee increases were directly correlated with the reduction of government funding. That was precisely the reason for the proposal before the Board to increase tuition fees. Student faculty ratios, one of the only quantitative measures of quality, had increased to 24 students per faculty member from 18 per faculty member just ten years ago. Students taking courses in Convocation Hall were well aware that the situation at the University of Toronto could be exponentially worse. It was, in fact, disgraceful.

Ms Shelton said that students and the University could agree on the need for more Government funding for post-secondary education. While the current Government's "Reaching Higher" plan did allocate $6-billion to post-secondary education, that amount would not even make up for the funding reductions during the Harris "Common Sense Revolution." In addition, the bulk of the funding would not be available until after the election in October, 2007. It was not necessary to accept the proposition that fees had to be increased to make up for the lack of Government funding. Rather, the University and the Board could support students in their efforts to lobby for more funding for post-secondary education. While the Provincial Government might ignore the thousands of students who had taken to the streets on February 7th to protest tuition-fee increases, it would be much more difficult for the Government to ignore the President and respected members of the Board and the University community. This was an election year, and the University's student governments, along with numerous coalition partners, planned to make every effort to bring record numbers of students and other youth to the polls to vote on the issue of tuition fees. Ms Shelton noted that her own motion had not been placed before the Board. She therefore urged members to support the motion to refer back the proposed tuition-fee schedule with a view to reducing tuition fees to the level of 2005-06 - before the removal of the tuition-fee freeze - and to join with students to lobby for increased Government funding.

Invited to address the Board, Ms Trubiani said that students were graduating with record levels of debt. She stated that Statistics Canada had shown that as tuition fees increased, enrolment from low and middle income families decreased. Based on numbers presented at the University of Toronto, the plight of graduate students in particular was disheartening. Attrition rates and time to completion of graduate degrees remained alarmingly high, with the most prevalent reason being lack of funding. Graduate students were at a tangible disadvantage because they carried debt from undergraduate studies. The effects of that debt on career choices, as well as students' standard of living during their education and after graduation, could not be ignored. Tuition fees for international students had become particularly burdensome. In fall of 2005, average tuition fees for international students had reached $12,587 - more than double the already high fees paid by Canadian citizens. That raised a serious question: what kind of students would be attracted? The best or the richest? Ceasing the alarming recent pattern of tuition-fee increases was essential, in the view of the Graduate Students' Union, to enshrine the notion of accessibility to post-secondary institutions in order for them to attract the best students and not the wealthiest. Ms Trubiani urged the support of the common platform that connected all groups in the University: the quest for an increase of provincial funds for post-secondary education. Deferring the financial responsibility to students was not the answer. The Graduate

4. Tuition Fees, 2007-08 (Cont'd)

Students' Union, representing over 12,000 graduate students, appealed to the Board to vote for a truly accessible education and not an increase in the onerous financial burden that students already carried.

(e) Discussion

Among the matters that arose in discussion were the following.

(i) Burden of tuition fee increases. A member, in urging support for the motion to refer the proposal back, drew attention to the result of the survey commissioned for the Report on Student Financial Support, which showed that 44% of undergraduate students were from families with parental incomes of less than $50,000 per year. The proposed tuition-fee increases would be especially burdensome to those families. The President responded that he took a different view. The study showed clearly that the University's financial support programs were successful in making the University accessible to students from low-income families. The glass, in this case, was two-thirds full. A tuition-fee increase of 4% or 4½%, amounting to $200 or less for 60% of students, was not a dramatic one for most families, especially when students from low-income families would qualify for financial aid. The recent increase in the cap on family income for OSAP support to $75,000, which was long overdue, would be very helpful. In addition, the incremental revenue from increased tuition fees paid by all students would make more money available for bursaries for needy students.

(ii) Action to urge improved Provincial funding. A member stressed that 2007 would be an election year in Ontario. That represented the most opportune time to make it clear to the Government and to voters that per capita student funding in Ontario was 27% below the average funding provided by the other Provinces. It would be inappropriate to allow the Province to abrogate its responsibility to fund the universities properly by the University's meeting its needs by increasing tuition fees and passing the burden on to students.

A member observed that the University had been engaged in strenuous efforts to seek both increased operating grants and student assistance through the OSAP program. She asked about the prognosis for future efforts.

The President commented on the proposal contained in the motion to refer back. He said that overall, he did not anticipate success from a joint approach by the leadership of the University and its students to ask the Government of Ontario for funding to finance a tuition-fee freeze or rollback. Moreover, he would be unwilling to engage in a joint effort to seek increased funding if a request for a tuition-fee freeze or rollback was a precondition of such a joint effort. It would be all too easy for the Province to agree again to a tuition-fee freeze without providing additional funding, placing the financial position of the University at grave risk. If the student leadership were willing to participate in a joint approach in which it was made clear that there was not a shared position on tuition fees, but there was strong shared support for increased per-student funding, the President would be pleased to participate. He had previously made the offer to join

4. Tuition Fees, 2007-08 (Cont'd)

in such an approach, and that offer stood. Clearly, a joint approach to request increased per-student funding would be stronger if it was supported by both the leadership of the University and of its student governments.

In response to the member's question about the prognosis for the success of lobbying, President said that it was difficult to project the Government response. The federal Government had in its recent budget provided an additional $800-million for base funding for post-secondary education. The universities' challenge would be to ensure that the transfer payments in fact were used to provide incremental operating funds. The Province could apply the increased transfer payment to offset current or forward funding commitments, leaving the universities no better off. With respect to Provincial per-student funding, the University of Toronto and universities across the Province had been making concerted efforts to press their case with respect to such matters as the split in funding between the universities and the colleges of applied arts and technology, the harmonization of Provincial and Federal student aid programs with those of the institutions, as well as the need for Provincial funding at least to offset the effects of inflation. Spending in Ontario on services such as primary and secondary education and health care were at the national average but support for post-secondary education remained the lowest among the provinces and substantially below the national average. There had been some successes recently, and the Province's "Reaching Higher" commitment of $6.2-billion of additional funding was very welcome. Its effect, however, was diluted by the fact that much of the additional funding came with the additional costs of enrolment growth. In addition, a significant part of the commitment would be allocated to the colleges, to student aid and to infrastructure, and it therefore would not available for per-student funding. In addition, the amount was to be spread over five years. As a result of all of those factors, the impact of the "Reaching Higher" program would be much more modest than it might appear from the $6.2-billion figure. The University and the Council of Ontario Universities remained very active in making the case for improving per-student funding at least to the national average. The President remained very willing to make common cause with student leaders to approach the Province further so long as there was no precondition that the approach would focus on a freeze in tuition fees which, if granted in the absence of appropriate funding increases, would prevent the University from balancing its budget, maintaining the quality of its programs and meeting the reasonable expectations of its employees. He could not make a joint approach that would, in effect, ignore fiscal reality and fiduciary responsibility.

Later in the discussion, the President said that tuition fees were often higher in jurisdictions with lower per-student funding. But that did not make it correct to assume that the University's acting unilaterally to reduce tuition fees would result in an increase in public funding. At the same time, the University's financial obligations would continue.

A member proposed that the motion to refer back be revised to preserve the third part of the proposal, which called for the establishment of a committee of administrators and students to lead a major lobbying effort, with the understanding that tuition fees would be rolled back if that effort were to succeed. The Chair said that such a revision to the motion would stray too far

4. Tuition Fees, 2007-08 (Cont'd)

from the requirement that the Board normally only accept, reject or refer back proposals from the administration. The President had made a clear commitment to work with student leaders on a vigorous joint approach to the Province to seek increased funding, provided that the approach contained no precondition with respect to tuition fees.

(iii) Role of the Government of Canada. A member noted that the other level of government – the federal level – had been enjoying unprecedented budget surpluses, and it could be urged to do more to help post-secondary education. In particular, it had a role to play in assisting international students.

(iv) Tuition fees and quality of education. A member said that students would find that a reduction or freeze in tuition fees would not be a satisfactory outcome if it would mean, as it no doubt would, a reduction in the quality of their education. He observed that tuition fees, in terms of inflation-adjusted dollars, were likely no more expensive than they were forty years ago, when there was very little student assistance available, apart from competitive scholarships. Moreover, in professional faculties, the income prospects of graduates had soared, more than offsetting the increase in tuition fees.

A member referred to the observation of the Vice-President and Provost that foregoing the increase in tuition fees would cost $18.6-million, which represented the 143 faculty members at the average faculty salary. Would approval of the proposed tuition-fee increase result in the improvement of the student experience though the hiring of that many faculty members?

Professor Goel replied that the current budget, assuming the proposed increases in revenue from tuition fees, already required cost containment measures amounting to 3.5%, as well as a further reduction of 1.5% in each of the next five years to bring the accumulated deficit down to the acceptable level. The implementation of those reductions, or the even greater reductions that would be required to implement a tuition-fee freeze or reduction, could not readily be achieved by a reduction in the faculty, whose terms of employment precluded their being laid off for budgetary reasons. It would likely mean a reduction in the number of new faculty hired to replace retirees and to deal with enrolment expansion, and it would mean that many new initiatives to improve the student experience could not be funded. Ultimately, the necessary funding reductions would be assigned to each academic and administrative division, which would make the decisions on how to implement them with least damage. The example of 143 faculty positions had been provided for illustrative purposes.

(v) Tuition-fee revenue and operating expenses. A member recalled that during the discussions one year ago, the Board had been advised that even though revenue would increase by about 30%, expenses would increase even more by 40%. The member was surprised about this expense increase and was concerned about its size and its origin. How could so large an increase have been permitted to happen? He had been advised that increases in the cost of living had been responsible, but it was difficult to understand that those costs had increased to such a

4. Tuition Fees, 2007-08 (Cont'd)

magnitude. The member asked how much of the funding shortfall had been the result of the 2004-06 freeze in tuition fees and the limited increase for the current year.

Professor Goel replied that the 30% growth in revenue was taking place over multiple years during which there would be substantial growth in enrolment – both growth in undergraduate enrolment to accommodate the double cohort and more recently growth in graduate enrolment – which had brought with it substantially increased expenses. Independent of growth, the University's expenses, like those of most post-secondary institutions, had increased at a rate considerably above the growth in the Consumer Price Index. A substantial component of that higher rate was the growth in salary expense for academic and administrative staff. In addition, the cost of utilities had increased substantially. The member commented that this appeared to be leading to perpetual increases in tuition fees. Professor Goel replied that it was the case that expenses in higher education increased faster than increases in the Consumer Price Index.

The President added that the cost of all goods and services increased perpetually. The real question was their after-inflation cost, and the increase in tuition fees over the years had not been radically higher than inflation if higher at all. Proposals concerning tuition fees had to be seen in the context of rising incomes, and they had to reflect the reality of the higher salaries and wages the University had to pay.

(f) Vote on the Motion to Refer Back

The vote was taken on the motion to refer back. The motion was defeated.

(g) Vote on the Main Motion and Board Recommendation

The question was called on the main motion. A member asked for a roll-call vote. It was noted that section 74 of By-Law Number 2 permitted a recorded vote, with the number of votes for and against recorded in the minutes / report of the meeting. It did not contemplate a roll-call vote. The Chair stated that there were sixteen votes in favour of the motion, three against, and no abstentions.

On the recommendation of the Vice-President and Provost,

YOUR BOARD RECOMMENDS

THAT the Tuition-Fee Schedule For Publicly Funded Programs in 2007-08, as described in Professor Goel's March 14, 2007 memorandum to the Business Board, and the tuition fees in 2007-08 and 2008-09 for the special programs identified in Table 2 of Appendices B and C of the memorandum, be approved.

5. Tuition Fee Schedule for Self-Funded Programs, 2007-08

On the recommendation of the Vice-President and Provost,

YOUR BOARD RECOMMENDS

THAT the tuition-fee schedule for self-funded programs for 2007-08, a copy of which is attached to Professor Goel's March 14, 2007 memorandum to the Business Board as Table 1, be approved.

The Chair thanked the student members of the Board and the representatives of the campus-wide student groups for their participation in the debate. She hoped that they would take up the President's offer to work with them on an intensive lobbying effort aimed at ensuring appropriate per-student public funding for post-secondary education.

6. Investments: University of Toronto Asset Management Corporation: Annual Report, 2006

The Chair said that Board received the annual report of the University of Toronto Asset Management Corporation (UTAM) for information. The role of the Business Board was to approve the Investment Policies, which specified the University's return expectations and risk tolerances for the funds managed by UTAM. UTAM was responsible for investing the funds to achieve at least the return target within the stated risk parameters. It was then accountable for investment performance. The UTAM Board, at its meeting of March 27, had reviewed the Annual Report now before the Business Board and had approved it. The Board would, likely at the June meeting or alternatively in the fall, consider proposals to revise the investment policies. It would also in the fall consider a proposal to revise the service agreement between the University and UTAM, clarifying the division of labour between the Business Board and the UTAM Board. The Business Board's discussion at this time should focus on investment returns and risk.

Ms Riggall introduced and welcomed Mr. Ira Gluskin, the Chair of the UTAM Board; Dr. Thomas H. Simpson, past Chair of the Business Board and the Governing Council and UTAM Director; and Mr. Felix P. Chee, President and Chief Executive Officer of UTAM. In addition, both the President and Ms Riggall were UTAM directors. She also welcomed the senior members of the UTAM staff. She noted that UTAM's financial statements dealt only with its internal operations. The assets invested by UTAM were accounted for in the University's financial statements and in the financial statements of the two registered pension plans, which were considered separately by the Business Board. UTAM was in the unusual situation of being both a service-supplier to the University and owned by the University. That was the reason for the undertaking to review the relationship and to bring forward a proposal for a revised service agreement. UTAM had been established in 2000. The Business Board was being asked to consider whether UTAM was achieving the University's objectives and doing so in the most effective way. UTAM invested three major pools of money: (a) the pension fund master trust (the "pension fund") for the University of Toronto pension plan and the pension plan for the employees of the Ontario Institute for Studies in Education before the Institute's merger with the University

6. Investments: University of Toronto Asset Management Corporation: Annual Report, 2006 (Cont'd)

of Toronto; (b) the Long-Term Capital Appreciation Pool ("the L.T.CAP" or endowment fund), which was the investment vehicle for almost all of the University's endowment funds and for the fund set aside to meet the University's obligations under its Supplemental Retirement Arrangement; and (c) the Expendable Funds Investment Pool (the "EFIP").

Mr. Chee thanked those members of the Board who had participated in the survey of UTAM communications for their valuable input. Members would see a part of the outcome in the current Annual Report. The consultants' conclusion was that there was a need for UTAM communications to provide greater context and to be simpler. Mr. Chee would table with the UTAM Board an action plan on communications.

Mr. Chee presented the annual report. Among the key points were the following.

- **Expectations**. If markets were up and UTAM were able to turn in performance that was superior to the markets, all concerned parties were pleased with the result. If markets were up and UTAM was not able to outperform them, the outcome was unhappiness. If the markets were down, even if UTAM was able to outperform, as had been the case in 2000-02, there was still unhappiness with the outcome. If the markets were down, and UTAM underperformed them, there was a great deal of unhappiness. The point of the review of expectations was that it was almost impossible to design a portfolio that would meet both criteria – that would both provide a satisfactory, consistent return and that would also outperform the markets. Therefore, the University had in 2002 made it clear that its key objective for UTAM was to provide a consistent, absolute return.

- **Investment objective**. For the major funds – the pension fund and the L.T.CAP – the University's return objective was a ten-year average 4% real return, or return above the rate of inflation, after all fees and costs, within an appropriate risk budget. That target had been established after a review of the liabilities and risk tolerance of the pension plans and of the endowment funds. For 2006, the rate of inflation had been 1.64%, meaning that UTAM's short-term target return was 5.64%. The risk budget was a ten-year average annual volatility of returns of no more than 10% per year. That meant that two thirds of the time, performance would be no more than 10% above or below the target. For 2006, that meant a range between earnings of 15.6% and a loss of 4.4%. While there might be years when actual returns were outside of those limits, both returns and risk were considered over ten-year periods.

  Mr. Chee stressed that the appetite for investment returns was infinite. The appetite for risk, however, was finite. If a risky strategy, adopted in an effort to gain a higher return, resulted in a shortfall in L.T.CAP investment returns, that would jeopardize the ability of the endowment to provide the expected payout. The shortfall might have to be made up by the operating budget. Similarly, if a risky strategy, adopted in an effort to gain a higher

6. Investments: University of Toronto Asset Management Corporation: Annual Report, 2006 (Cont'd)

return, resulted in a shortfall in the pension fund's returns, the University would have to make special, additional employer contributions to the pension funds. Mr. Chee noted that in the case of defined-benefit pension plans in Canada, the benefits of pension-plan surpluses were claimed by the members of the plan, often in the form of demands for improved benefits, whereas the costs of pension-plan deficits had to be made up by the employer. That asymmetrical legal context led to a particular situation of unbounded appetite for risk on the part of representatives of the members of the pension plan, who would gain the benefits of the success of a more aggressive strategy and would not have to incur the cost if that strategy did not pay off.

- **Investment returns in 2006**. For the 2006 year, the return on the Long-Term Capital Appreciation Pool had been 12.83%, net of fees and costs. For the pension fund, the return had been 12.11%. Because the asset mix and investment strategies were now the same for both funds, the difference in their return had been almost entirely the outcome of the transition of assets within the pension fund early in the year to the L.T.CAP mix, which had been adopted for both funds beginning in 2006. Without such a transition in subsequent years, the returns of the two funds would be very similar. The return was well within the risk range: a return of 15.6% to a loss of 4.4% or, in statistical terms, one standard deviation.

- **Key elements in achieving the investment return**. There were four key elements in the achievement of the investment return. The contribution of each element was measured to determine value added. The first element was the determination of a basic strategy or "reference asset mix" of the funds. The remaining four elements involved the implementation of the strategy. The second element was the actual asset mix. The third element was portfolio construction and the fourth element was the selection of external investment managers.

- **Value added by the key elements in achieving investment return: a simplified example**. Mr. Chee provided an example of the measurement of value added by those elements using an assumed example of a very simple investment fund. In this example fund, the strategy selected was a simple reference asset mix of 60% Canadian equities and 40% Canadian bonds. The simplified returns on the benchmarks for those asset classes were: a 20% return for the Toronto Stock Exchange (T.S.X.) Composite Index and 6% on the Scotia Capital Universe (S.C.U.) Canadian Bond Index. These were well accepted return benchmarks. Weighted at 60:40, the combined return earned by the example fund was 14.4%. Its target return, like the target return on the University's funds, was a 4% real return after inflation or a 5.6% nominal return for 2006. Therefore, the value added by the strategy or reference asset mix selected by the example fund was its return of 14.4% minus the target return of 5.6% or value added of 8.8%.

6. Investments: University of Toronto Asset Management Corporation: Annual Report, 2006 (Cont'd)

Mr. Chee stressed that the selection of a reference asset mix represented a specific decision and was the key factor in determining return. It was therefore entirely appropriate to describe the outcome as value added above the target return.

The second step was implementation of the example fund's strategy which brought about the actual asset mix. The actual asset mix of an investment fund was never the same as the reference asset mix. There were always flows of cash into and out of the fund. For example, there had been a $64-million recent flow of cash out of the L.T.CAP to fund the University's endowment payout. In addition, different returns by the various categories of investments moved the value of each asset class away from the asset-mix target, requiring the rebalancing of the fund to achieve the target mix. In the case of the example fund, the higher return Canadian equity asset class had grown from 60% to 65% of the fund, and the lower return Canadian bonds had declined from 40% to 35%. That had resulted in a return of 15.10%, providing further value added: the actual return of 15.10% minus the return of the reference asset mix of 14.4% or further value added of 0.7%.

The third step was construction of the portfolio. In implementing the investments in each asset class, the construction of the portfolio might depart from the construction of the benchmark for that asset class. In the example fund, the 65% investment in Canadian equities had included 45% very large companies (companies whose shares had a very large total value on the stock market or a very large capitalization, called large caps) and 20% smaller companies or small caps. The return on the large-cap index - the T.S.X. 60 - had been 24%, exceeding the return of the T.S.X. Composite. The return on the T.S.X. small cap index had been only 16%. The weighted return had however, exceeded that of the T.S.X. Composite Index, resulting in an overall return on the example fund of 16.10%. That return had exceeded the return of the actual asset mix of 15.10%, meaning that there had been further value added of 1.00%.

The final step in implementation was the selection of external managers in an effort to achieve a return on each asset class that was greater than the return on the relevant benchmark index. In the case of the example fund, the active managers had succeeded in doing so and the fund had achieved a total return of 17.58%, which represented further value added by external manager selection of 1.48%.

In the case of the example portfolio, all four elements had added value of 11.98%.

- **Value added by UTAM in 2006**. Mr. Chee displayed the actual asset mix employed by UTAM for 2006, which was very complex. He then outlined the sources of value added by UTAM in its management of the L.T.CAP in 2006. The actual return on the L.T.CAP was 12.84%, and the target return was 5.64%, meaning that UTAM had added value of 7.20% or 720 basis points (a basis point being 1/100 of 1%). The determination of the

6. Investments: University of Toronto Asset Management Corporation: Annual Report, 2006 (Cont'd)

reference asset mix had added 7.19% or 719 basis points of return. In implementation, however, the actual asset mix had been detrimental, with a negative value added of –52 basis points. Portfolio construction had added value of 109 basis points. The active managers had not achieved better returns than their benchmark returns, meaning that active manager selection had provided negative value added of –56 basis points. The overall outcome for the L.T.CAP had been the value added of 12.84%. The analysis was similar for the pension fund.

Mr. Chee said that the value added by those elements over longer periods was included in the Annual Report.

- **Key sources of the growth in the value of the L.T.CAP and the pension fund, 2003 – 2006**. As at December 31, 2002, the value of the L.T.CAP had been $1.210-billion. It had grown to $1.977-billion by December 31, 2006. Funds flowing into the L.T.CAP had been roughly equal to the distributions flowing out. Therefore, the increase of $767-million in the principal value of the fund had been primarily investment earnings. About $390-million of that amount had been the outcome of UTAM's achieving the L.T.CAP's target return over the four years. But, over $375-million represented the cumulative value added generated by UTAM over those years. That represented 19% of the total value of the L.T.CAP at December 31, 2006. There had been a similar outcome for the pension fund, which had grown from $1.908-billion on December 31, 2002 to $2.866-billion on December 31, 2006. In the case of the pension fund, that growth had been achieved even though the payouts from the fund had been greater than the contributions to it. In the case of the pension fund, cumulative value added had been $595-million, representing almost 21% of the value of the pension fund on December 31, 2006.

- **Actual return compared to the target return**. If, over the ten years beginning January 1, 2003, the Consumer Price Index was to increase by 2% per year, and if UTAM was to achieve the target return of C.P.I. plus 4%, then $100 in the L.TCAP as of January 1, 2003 would grow to $179.08 by December 31, 2013. In fact, that $100 had already grown to $163.70 after only four years. After four years, UTAM had achieved the target return projected for year 8. That was a very fortunate outcome, building up the L.T.CAP ahead of time and providing more flexibility to the University. It was clearly better for the University to have that capital early rather than having to play catch up to achieve its needed long-term return.

- **Return relative to other funds**. Mr. Chee displayed graphs comparing the annual returns on the L.T.CAP and the pension fund for each year between 1997 and 2006 in comparison to a peer universe, the Royal Bank Dexia Canadian Balanced Funds Universe.

6. Investments: University of Toronto Asset Management Corporation: Annual Report, 2006 (Cont'd)

In the years 1997 – 1999, before the formation of UTAM, the funds had been managed primarily as traditional balanced funds with a heavy emphasis on passive management. In those years, returns had generally been above those of the median fund or else close to it, although they had lagged a benchmark return consisting of a weighted return on relevant securities indices.

In the years, 2000 – 2002, the "old UTAM" years, the funds had been invested very aggressively, with (for example) 80% of the asset mix being devoted to equity investments. The returns had been well in excess of their benchmarks, but the aggressive investment approach had been implemented at the wrong time – a time of declining markets – and the funds had ranked even below the bottom end of the peer universe.

In the years 2003 – 2006, the funds had been invested more conservatively with a view to meeting the University's target returns within its limited risk tolerance. The outcome had ranked above the median of the peer universe in each year. That outcome was not of particular relevance because the funds in the peer universe had generally different objectives.

The key point was that the design of a portfolio depended on the objective being sought, and the key objective in the case of the L.T.CAP and the pension fund was meeting the University's financial needs by achieving its target return with limited risk.

In response to a question, Mr. Chee said that the performance of both the L.T.CAP and the pension fund had ranked in the top quartile of funds in 2006 and also over four years. There was no peer universe for comparison of the performance of the Expendable Funds Investment Pool.

- **Cost effectiveness**. All costs for managing the University's funds amounted to 47 basis points in 2006, that is 47/100 of 1% of the value of the assets under management. That compared with 58 basis points in 2003.

  A survey conducted by the Commonfund, an organization that managed endowment funds for smaller universities across North America, showed that the average cost for managing funds of a size comparable to UTAM's was 85 basis points. That is, UTAM's costs were roughly half those of peer funds. In response to a question, Mr. Chee said that the other funds, with their average cost of 85 basis points, were very similar to UTAM. They were funds with staff size similar to UTAM's (an average of twelve full-time staff) that used external portfolio managers.

  A third measure was a survey conducted by Cost Effectiveness Management Inc., which monitored the performance of over 300 of the world's largest pension funds. The

6. Investments: University of Toronto Asset Management Corporation: Annual Report, 2006 (Cont'd)

University's pension fund ranked in the top 25% of funds between $1-billion and $5-billion for value added by investment management. It also ranked in the top 25% of Canadian funds. Of all funds worldwide, Canadian funds were the most cost-effective.

UTAM had also examined the fees it paid to its external managers in each asset class and had found that it paid less than the average fee for each.

Invited to address the Board, Professor Luste said that the Faculty Association represented approximately 3,000 active and retired members of the faculty and librarians. The pension plan represented an important deferred element of their compensation and it therefore belonged to the faculty members and others who contributed to it. The investment performance of the pension plan was important to the faculty in another way. When the pension plan was in a funding deficit, it was necessary for the University to make extra payments into the plan. Those payments came from the operating budget, and the money required to make those payments was not available for other purposes, affecting faculty members' workload, their compensation and other aspects of their professional lives.

Professor Luste recalled that he had in November, 2006, during the Board's consideration of the annual report on the pension plans, raised his concern that the actuarial assumptions used in valuing the plan, particularly the assumed real (after-inflation) investment return of 4%, had been too high and had been responsible for an apparent surplus in the plan, which had resulted in the University's failure to make appropriate employer contributions. He recalled that he had also, one year ago, in the discussion of UTAM's 2005 Annual Report, expressed the Faculty Association's concerns about a dramatic increase in pension plan expenses, investment returns below those that could have been achieved by simple passive investment, and a high volatility of returns. He thought that none of those concerns had been addressed appropriately.

Professor Luste wished to deal with one question at this meeting: had UTAM's management added value? He believed that it had not. He said that the 2006 return on a simple, passive investment at a standard asset mix (20% Canadian equities, 20% U.S. equities, 20% international equities and 40% bonds) as measured by accepted index returns would have provided a return of 13.5% compared to the actual pension fund return of 12.1%. The achievement of the index return would have provided the pension plan with additional assets, after the modest costs of passive management, of over $30-million.

Professor Luste concluded that the Business Board should address this issue as well as those he had raised previously, and it should permit the Faculty Association more than five minutes to express its views on these very serious matters.

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

6. Investments: University of Toronto Asset Management Corporation: Annual Report, 2006 (Cont'd)

(a) Value added by UTAM. In responses to Professor Luste's comment about value added, Mr. Chee observed that it was appropriate to look at performance over multiple years. He would be very pleased to compare UTAM's performance against Professor Luste's proposed benchmark over a reasonable time horizon. For example, actual performance from 2003 to 2006 had outpaced Professor Luste's benchmark and had provided a return of $170-million more than the benchmark.

Professor Luste replied that it was always possible, by selecting particular starting and concluding points, to demonstrate any result desired.

The President said that Professor Luste's remark was valid. Nonetheless, pension plans represented very long term commitments, and it was appropriate to see them with a long-term time horizon. From that point of view, it was better to consider investment performance over three years than one and better still over ten years.

(b) Risk tolerance. A member observed that most people did not fully understand the concept of risk until they had suffered the negative consequences of taking the risk. It was important that the University avoid repeating the difficult experience in the early part of the decade. If the market conditions from that time were to be applied to the current asset mix, would the loss be greater than the stated tolerance of one standard deviation? Mr. Chee replied that the statement of risk tolerance was for average volatility over ten years. The portfolio was constructed in such a way that there might be some individual years when the return varied by more than 10% from the norm, but over moving ten-year periods the standard deviation should be within 10%. Over the past three years, average volatility had been about 6%, meaning that UTAM was not using its full risk budget. General volatility in the markets had been low, which meant that UTAM should construct its portfolio with a view to controlling risk. Because recent volatility had been unusually low, there was a real risk that it would increase over the next few years.

(c) Alternative assets: hedge funds. A member observed that hedge-fund investments had increased by $490-million to just over $1-billion. In order to gain diversification, those investments had changed in nature over the 2006 year from direct investments in eleven hedge funds to investments in eleven funds of funds and three individual hedge funds, all but one of which were new investments for UTAM. He asked for an elaboration of that strategy and comments on its cost. Mr. Chee said that using funds of funds required the payment of an additional layer of fees. However, investing in alternative asset classes, and especially hedge funds, was very complex and it required a high level of infrastructure. Using funds of funds was a cost-effective way of providing that infrastructure. Mr. Chee viewed each hedge fund as comparable to a business in which UTAM might invest and the manager of the funds of hedge funds as the portfolio manager for that class of businesses. Investing in hedge funds was similar to investing in a portfolio of illiquid small-capitalization stocks, and just as UTAM would hire an expert external manager to select small-capitalization stocks, so too it selected external managers

6. Investments: University of Toronto Asset Management Corporation: Annual Report, 2006 (Cont'd)

to invest in hedge funds. To invest directly in either small-capitalization stocks or in individual hedge funds, apart from those that filled particular niches, would be imprudent. Investing in eleven funds of hedge funds gave UTAM exposure to over 300 individual hedge funds. That would remove the risk of a bad surprise in the event of a real problem with any individual fund. The volatility of the portfolio of funds of funds, plus the three direct investments in niche hedge funds, had been about 2%. Low volatility was appropriate for a portfolio of investments designed to provide an absolute return.

The Chair thanked Mr. Chee and his colleagues for their report, and she thanked Mr. Gluskin, Dr. Simpson and the other UTAM directors for their very valuable service to the University. She looked forward to the Board's review of the investment policies.

7. Operating Budget: Interim Appropriations

Ms Brown said that the proposal for interim appropriations for the normal operations of the University for two months was a routine procedure required in years when the budget would not be considered by the Governing Council until after the beginning of the fiscal year on May 1.

On the recommendation of the Vice-President Business Affairs,

YOUR BOARD APPROVED

THAT the administration be authorized to expend up to $225-million of operating funds for the normal operation of the University of Toronto for the period May 1, 2007 to June 30, 2007.

8. Capital Projects Report as at March 31, 2007

The Capital Projects Report as at March 31, 2007 was received for information.

9. Capital Project Closure Report, April 2, 2007

The Capital Projects Closure Report, April 2, 2007, was received for information.

10. Borrowing: Status Report to March 31, 2007

The Status Report on Borrowing as at March 31, 2007 was received for information.

11. St. George Campus Central Examination Facility

Mr. Zouravlioff proposed approval of the execution of a project to convert an old warehouse at 255/257 McCaul Street to use as a central examination facility. The project would provide facilities for final and in-term examinations, including facilities for special-need students. The availability of the facility would free up 15,700 hours of classroom time currently required for examinations. Substantial work would be required on environmental systems, fire safety and elevators. Mr. Zouravlioff hoped that it would be possible to have the facility in operation by January 2008. Mr. Zouravlioff corrected two typographical errors in the proposal. First, a part of the borrowing for the renovation would be repaid over twenty years by the Office of Space Management from the proceeds of renting the facility to outside users. The amount of the borrowing to be repaid in that way was $0.75 million rather than $.075 million. Second, the availability of the facility would free up 15,700 hours of classroom time for use by all of the academic divisions of the University, and not just Woodsworth College, and it would free up the Arthur Kruger Drill Hall for other uses by Woodsworth College.

In response to questions, Professor Goel said that there would be an additional cost for renovating that part of the Robarts Library now dedicated to examinations for special-need students. That renovation would be a part of a major plan to provide additional study space in the Robarts Library. The released space in the Ontario Institute for Studies in Education of the University of Toronto was classroom space that would revert to its original use without significant additional cost.

On the recommendation of the Vice-President, Business Affairs,

YOUR BOARD APPROVED

Subject to Governing Council approval of the project,

(a) THAT the Vice-President, Business Affairs be authorized to execute the St. George Campus Central Examination Facility project at 255/257 McCaul Street at a cost not to exceed $10.6-million in January 2007 dollars with funding as follows:

i)	Woodsworth College	$ 500,000
ii)	Facilities and Services (Facilities Renewal Program funding) spread over two years	$1,000,000
iii)	Borrowing	$9,100,000

and

(b) THAT the Vice-President, Business Affairs be authorized to arrange such interim and long-term borrowing as required, either from internal or external sources.

12. Ancillary Operations: St. George Campus Residential Housing – 2006-07 Operating Results and 2007-08 Budget

On the recommendation of the Vice-President, Business Affairs,

YOUR BOARD APPROVED

THAT the operating budget for the St. George Campus Residential Housing Ancillary for 2007-08, as contained in the "2007-08 Budget" column of Schedule 1 to the "Overview of Operations and Business Plan for 2007-2012," be approved.

13. Administrative User Fees and Fines, 2007-08

The Chair noted that the administrative user fees and fines were cost-recovery user fees. The administration had the authority to increase existing fees so long as the increases matched increased costs. The addition or removal of fees required the approval of the Business Board.

On the recommendation of the Vice-President and Provost,

YOUR BOARD APPROVED

1. THAT the OISE/U.T. Counselling Psychology Program Optional Additional Practica fee be added to the Administrative User Fee Schedule.

2. THAT the OISE/U.T. Consecutive Teacher Education Program Field Placement and Professional Support fee be added to the Administrative User Fee Schedule.

3. THAT the OISE/U.T. Concurrent Teacher Education (CTEP) field placement and professional support fee be added to the Administrative User Fee Schedule.

4. THAT the Woodsworth College International Summer Program to Moscow placement fee and course fee be added to the Administrative User Fee Schedule.

5. THAT the Faculty of Dentistry International Dentist Advanced Placement Program (IDAPP) laundry fee be added to the Administrative User Fee Schedule.

6. THAT the Faculty of Information Studies Museum Studies Program application fee be added to the Administrative User Fee Schedule.

13. Administrative User Fees and Fines, 2007-08

7. THAT the Faculty of Dentistry Qualifying Program laundry fee be removed from the User Fee Schedule.

14. Cost-Recovery Ancillary Fees and Administrative User Fees and Fines, 2007-08

The report on changes to the cost-recovery ancillary fees and the administrative user fees and fines was received for information.

A member referred to the substantial increase in the application fee for the Faculty of Pharmacy from $180 to $300. Professor Zaky said that the fee was intended to cover the cost of administration of an admission test and of a data collection and management system to support the application process. The Faculty of Pharmacy received a large number of applications, and the cost had become too large for the Faculty to continue to absorb in its budget.

15. Dates of Next Meetings

The Chair reminded members that the next regular meeting was scheduled for Monday**,** May 7, 2007 at 5:00 p.m. The following meeting date was Tuesday June 5, 2007– a reserve date. The Chair asked members to continue to hold that date and she undertook to have members notified as soon as possible whether there would be need for a meeting of June 5.

THE BOARD MOVED IN CAMERA FOR CONSIDERATION OF ITEM 16 AND INTO CLOSED SESSION FOR CONSIDERATION OF ITEMS 17 AND 18.

16. Tentative Collective Agreement: Canadian Union of Public Employees (CUPE), Local 3261 – Part-Time Staff (representing part-time and casual employees in ancillary services, athletics, caretaking, grounds services, food services and medicine), **2006-08 - Pension Changes**

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

YOUR BOARD APPROVED

(a) THAT the Special Early Retirement Window for CUPE 3261 – Part-Time be extended to December 31, 2007;

(b) THAT, effective January 1, 2007, the lower deck accrual rate for CUPE 3261 –Part-Time be increased from 1.5% to 1.6%;

(c) THAT effective January 1, 2007, the employee contribution rate be increased from 4.5% to 5.0%; and

16. Tentative Collective Agreement: Canadian Union of Public Employees (CUPE), Local 3261 – Part-Time Staff (representing part-time and casual employees in ancillary services, athletics, caretaking, grounds services, food services and medicine), **2006-08 - Pension Changes** (Cont'd)

(d) THAT authority be delegated to the Administration to take the steps necessary to implement the pension arrangements resulting from the provisions above.

17. Closed Session Reports

Professor Hildyard briefed the Board on the progress of salary and benefit negotiations with the Faculty Association.

18. Gifts and Pledges over $250,000: Quarterly Report November 1, 2006 – January 31, 2007

The Board received, for information, the Report on Gifts and Pledges over $250,000 for the period November 1, 2006 – January 31, 2007.

THE BOARD RETURNED TO OPEN SESSION.

The meeting adjourned at 7:20 p.m.

Secretary   Chair

April 27, 2007

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