

TO: Pension Committee and Business Board

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AGENDA ITEM: **9(b)**

ITEM IDENTIFICATION:

Responsibilities and Accountabilities of the Pension Committee and Business Board with respect to the Pension Plans and Endowment funds

JURISDICTIONAL INFORMATION:

Both the Pension Committee and the Business Board have responsibilities with respect to pensions. The Business Board has responsibility for endowment funds.

PREVIOUS ACTION TAKEN:

Terms of Reference for the Pension Committee and Business Board have been approved by Governing Council.

HIGHLIGHTS:

A member of the Pension Committee and Business Board requested clarification of the respective responsibilities and accountabilities of the two entities with respect to the pension plans and endowment funds. That clarification is provided below.

1. Where does the responsibility for the Pension Plans rest?

The Governing Council is the Plan Sponsor and legal Administrator and has the overall responsibility for the U of T Pension Plans. It has appropriately delegated responsibility for administration of the pension plans to the Pension Committee. Having the Governing Council in the role of both Plan Sponsor and legal Administrator is specifically contemplated by the Pension Benefits Act (Ontario) ("PBA").

The U of T Pension Plans are not governed by a board of trustees. Rather, the fiduciary responsibility for the administration of the Pension Plans rests with the Governing Council and the Pension Committee as noted above.

The Pension Committee owes a fiduciary duty to the Plan members to see that the Plans are administered responsibly in the best interests of the members.

2. What are the specific responsibilities of the Pension Committee?

The specific responsibilities of the Pension Committee are set out in the Terms of Reference of the Committee approved by the Governing Council. These include, but are not limited to, reviewing and approving the Statement of Investment Policies and Goals that is required under the PBA to be prepared for the Pension Plans, and which includes approving target returns, risk tolerances and asset allocation. These duties also include reviewing and approving actuarial assumptions and causing actuarial valuation reports to be prepared and filed with the regulatory authorities.

The Pension Committee also approves the audited financial statements of the Plans on the recommendation of the Audit Committee.

The Pension Committee performs the role with respect to pension plan administration that was previously delegated by the Governing Council to the Business Board. The general limitations on that delegated authority are identical to those that apply to the Governing Council's delegation of authority to the Business Board.

3. What is the Pension Committee not responsible for?

The Pension Committee is not responsible for approving the funding strategy or determining and approving the benefits provided by the pension plans which remain the responsibility of the Plan Sponsor. The funding strategy is approved by the Business Board and, where required, benefit levels are negotiated with employee groups and approved by the Business Board.

4. What duties are imposed on the University with respect to endowments and other university funds?

For endowments and other restricted endowed funds, the University acts as a trustee and has a combination of statutory duties under the Trustee Act, contractual duties under individual donor agreements and duties under common law principles.

For other university funds the University has a duty to administer such funds in accordance with applicable agreements, legislation and policy, all in a prudent manner.

5. What are the specific responsibilities of the Business Board?

The specific responsibilities of the Business Board are set out in the Terms of Reference of the Board approved by Governing Council, which specifies that “The Business Board is responsible for consideration of policy and for monitoring matters affecting the business affairs of the University.” To carry out this general function, amongst other things, it approves policies with respect to financial matters for the Pension Plans, and reviews reports, at least annually, on the investment of University funds and pension funds, to discharge the Board’s responsibility to ensure fiscal integrity. The Business Board also delegates certain functions to the Audit Committee, which, amongst other things, considers reports on the finance and financial controls of the University.

The Business Board approves the contribution strategy for pensions and, where required, benefit levels are negotiated with employee groups and approved by the Business Board.

The Business Board approves the Investment Policy for University Funds, which comprises endowments and other university funds.

FINANCIAL AND/OR PLANNING IMPLICATIONS:

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RECOMMENDATION:

For information.